

THE CHRONICLE OF PHILANTHROPY



Crypto, Meet Donor-Advised Funds: a New Way of Giving

CHRONICLE ILLUSTRATION, SHUTTERSTOCK

FUNDRAISING

By Eden Stiffman

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SAN FRANCISCO

In 2016, Robbie Heeger and his brother created a donor-advised fund at the San Francisco Jewish Community Federation and Endowment Fund. Heeger, now 30, was working at Apple and got in the habit of making regular contributions of the company's stock to the DAF.

Several years before, he had begun dabbling in digital currencies, making investments here and there. When Heeger left Apple at the end of 2018, he no longer had the same supply line of company stock to fund the DAF. More of his assets were in cryptocurrencies.

When he approached the federation in mid-2019 about making a gift of some lesser-known crypto coins, "they kind of looked at me with this 100-yard stare," he says. "We really want this gift but don't know how to handle it," he recalls the federation's staff telling him.

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At that point, something clicked for Heeger, who had been learning to code. He got back to his federation contacts with a proposal: "What if I approached you with software that allows you to take the gift?"

Joy Sisisky, the federation's chief philanthropy officer, wanted to make it happen, she says. "Instead of saying, 'No, we can't,' we said, 'Great. Let's figure this out together.'"



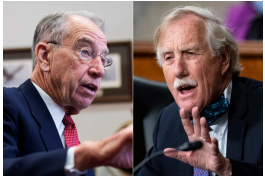
CHELLISE MICHAEL

Robbie Heeger founded Endaoment to make it easy for people to give cryptocurrency without the hassle of selling it first and for U.S. nonprofits to accept it as cash.

Heeger used a blockchain technology called smart contracts, a program that automatically completes a transaction when pre-agreed criteria are met, to build software that the federation licensed. That allowed him to make a gift of cryptocurrency and convert it to cash that the federation could easily accept. Heeger also saw how blockchain technology could disrupt some commonly cited complaints about DAFs. For instance, fund sponsors benefit financially the longer a donor keeps money in a DAF rather than sending it to charity. And there's a lack of transparency about how much wealth flows into and out of the funds. Heeger launched a pilot in February of 2020 that worked not just to make it easy for donors and charities to transfer cryptocurrencies but also to provide more of a window into the money flowing into and out of DAFs.

That proof of concept became [Endaoment](#), a charity that sponsors DAFs built on the Ethereum blockchain, the world's most actively used platform supporting smart contracts. The idea is to create an easy way for people to give cryptocurrency without the hassle of selling it first and for U.S. nonprofits to accept it as cash. There's the added perk of helping charities appeal to young male donors, who tend to use cryptocurrency but are elusive as supporters for many nonprofits. That's an especially appealing proposition for some fundraisers in a moment when mega-gifts of the digital currencies continue to grab headlines.

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Crypto 'Community Funds'

Endaoment joins an array of third-party entities springing up to help nonprofits accept these gifts. Groups like the Giving Block, Every.org, Engiven, and BBB Wise Giving Alliance's GiveSafely platform all facilitate the transfer of cryptocurrencies to charity coffers. Those firms, as well as many major DAF-sponsoring organizations, tend to accept only a handful of the most popular cryptocurrencies, like Bitcoin, while Endaoment accepts around 150 different coins.

Endaoment has also launched pooled "community funds" that enable owners of specific digital tokens to support nonprofits collectively and vote on who receives those funds. (The name Endaoment is a play on decentralized autonomous organization, or DAO, a crypto-based organizational model that aims to democratize decision making among its members.)

Going forward, the idea is that other digital currencies will create their own sort of community foundations on Endaoment that make grants on a recurring basis to causes of the owners' choice.

So far, donors have contributed more than \$2.5 million to Endaoment funds and have distributed more than \$1.8 million to nonprofits. Heeger hopes this is just the beginning.

“We want to demystify the process of accepting a crypto gift,” he says. “We want to see money flowing from crypto into the hands of organizations that need it.”

How It Works

Here’s how it works: Donors pay a one-time fee to create their DAF’s contract address on the blockchain — about \$15. Each DAF name is a unique string of letters and numbers.

When donors contribute cryptocurrencies to their digital “wallet,” Endaoment immediately sells them for a stable digital currency pegged to the U.S. dollar, called USD Coin. Donors pay a 0.5 percent fee for each currency exchange based on the liquidated value. The remaining money is stored in a donor’s digital DAF.

Donors recommend grants to a nonprofit the same way they would with a traditional DAF. After Endaoment approves the grant, it contacts the recipient nonprofit for its banking details so the funds can be wired. Endaoment keeps 1 percent of the grant amount to cover its development needs.

Endaoment provides a tax receipt with the dollar amount generated from the currency’s sale, but it’s the donor’s responsibility to work with a qualified appraiser to determine the fair market value of the gift at the time of donation for tax-deduction purposes.

Making It Easy

The San Francisco Jewish federation’s initial uncertainty about accepting crypto gifts is not uncommon among charities.

While [more and more](#) nonprofits [are wading into accepting digital currencies](#), and some have recently received [eye-popping sums](#) from crypto donors amid a market rout, questions remain about risks like market volatility, donor anonymity, and a lack of regulatory guidance.

Sisisky, the federation's top fundraiser, considered Heeger's initial inquiry as more of a fun challenge than anything else. The federation has long been comfortable accepting other kinds of complex assets, but despite significant interest in blockchain technology and cryptocurrency in the Bay Area, the organization hadn't had much donor interest in giving this way.

"We know that the crypto community is very active and they're just dipping their toes into philanthropy," Sisisky says. The partnership with Endaoment "was a really great opportunity for our institution to dip our toes in at the same time."

Since Sisisky joined the federation about five years ago, she's been working to attract the next generation of philanthropists. This partnership presented an opportunity to do just that.

"The crypto community works significantly with a population that is sometimes underrepresented in nonprofits," she says. Young men ages 18 to 35 were "a totally new market opportunity for us." Meeting them where they are makes total sense.

"Being able to reach a population or a generation and speak in their language is the most important thing we could do and focus on now," Sisisky says. That means making it as easy as possible for people to donate the assets they have in a way that makes them comfortable.

By now, many charities have become more comfortable accepting anonymous gifts from DAF donors — or at least fundraisers are resigned to the fact that some donors want to give this way. Similar to gifts from traditional DAFs, the recipient of an Endaoment grant may not receive any identifying information that would allow the nonprofit to continue the relationship.

But Heeger says the blockchain-based system provides more transparency than a traditional donor-advised fund.

Anyone can see which DAFs made grants to which organizations and how large those contributions were, even if they don't know whose DAF it is. While the activity of individual DAFs is private, a record of all Endaoment activity is stored on the blockchain, creating an immutable digital paper trail that can be audited by anyone.

“When we look at major criticism of DAFs, one of the biggest we hear is that they’re a silo for hiding philanthropic capital or leaving it alone,” Heeger says. “You don’t know how active funds are or how much money is in them.”

He thought that was wrong so Endaoment also keeps an updated tally on its website of the money coming into and out of its funds. So far, he says, about 90 percent of contributed assets flow out within the same year.

Unlike many DAFs, Endaoment doesn’t have a minimum contribution amount to create a fund. For now, the money in the funds is not invested. While traditional DAFs collect fees based on assets under management, there are not the same incentives for Endaoment to hang on to donations.

“It’s in our interest to create a giving solution that makes you want to give the money away right away,” Heeger says. “We don’t realize the revenue until the money flows out. We think that’s a huge shift in the incentive structure.” He’s interested in giving people the option to earn a yield on their contributions at some point but doesn’t see that as the purpose of the funds. He doesn’t want people to park their wealth and wait. “We are in the business of assets in communities,” he says.

Heeger is one of two full-time employees but plans to continue hiring. Several vendors, contractors, and board members also contribute their time and services to helping Endaoment function. The nonprofit has received venture-capital funding as well as charitable contributions to support its growth and development. Endaoment has received more than \$650,000 in charitable contributions (including \$130,000 that Heeger contributed to bootstrap the organization’s first 18 months) and \$1.85 million led by Framework Ventures (a venture-capital fund that supports decentralized finance technology) for its for-profit technology development arm, Endaoment.Tech.

Heeger plans to use some of that funding to develop a rewards system that will enable Endaoment to be governed by a DAO, meaning that community members would help shape the nonprofit’s policies and procedures. An individual’s power would be a function of that person’s participation on Endaoment: Users who actively make grants from their DAFs or work

to bring new organizations into the platform, for example, will wind up with more of the voting share over the organization's governance.

“It's a powerful new way of thinking about community engagement in larger institutions, where less tangible but more valuable contributions to the organization result in you earning outsized influence in decision making,” Heeger wrote in an email. “We're excited for this to catalyze involvement in the organization no matter where you live or how much you give.”

Reaching New Donors

Individual crypto projects have different financial uses and distinct online communities that power them. Heeger sees Endaoment and its pooled funds as “the crypto community's community foundations.”

These community funds are just getting off the ground — only two exist so far — but they're already moving millions of real dollars to nonprofits.

In April, a group of developers who created the cryptocurrency token SushiSwap gave the equivalent of \$1 million to Endaoment to launch the SushiSwap Community Fund.

Their tokens had grown exponentially in value so they identified 17 organizations that work on six issues — global hunger, autism awareness, environment and climate, cancer research, gorilla conservation, and diversity in blockchain — to each receive grants of around \$50,000.

Feed the Children was one of those charities. When the SushiSwap community selected the charity as a recipient, Endaoment quickly got in touch to prompt the charity to set up wiring instructions.

Receiving that money was easy, says Becky Graninger, the group's chief development and marketing officer. “We're thrilled that there's now more ways for us to get a crypto donation without assuming the risk of actually trying to deal with the actual cryptocurrency itself,” Graninger says. “It felt like most any other donor-advised fund gift.”

Feed the Children's pool of donors tends to be financially conservative and older. While fundraisers have had some conversations about cryptocurrency with donors, "it's been more us asking the question versus donors approaching us," she says. But she hopes platforms like Endaoment will open the charity up to a new group of younger, tech-savvy donors. The charity plans to promote cryptocurrency giving on its website and newsletter.

SushiSwap token holders continue to make donations into that community fund. Using a DAO — the crypto-based governance structure that makes decisions based on majority support of members as opposed to a hierarchical authority — means that token holders can vote on decisions, including which organizations receive donations. Stakeholders with more tokens have more voting power.

Another pooled fund, Stand With Asians Community Fund, was launched in late May with a \$625,000 donation from a digital artist who goes by the name Pplpleasr. Other donors have since contributed to the fund, and more than \$606,000 has been distributed so far to 23 organizations that serve Asian Americans and Pacific Islanders.

Last week Endaoment launched the Crypto Carbon Offset Fund in an effort to offset the environmental impact of blockchain energy consumption. Anyone can contribute cryptocurrencies to the fund, which will distribute grants to three environmental nonprofits that facilitate purchases of carbon-offset credits.

Heeger plans to do more outreach to other crypto communities to encourage them to create other funds that align with their unique interests. He's also working on content-marketing partnerships with people who can give tax advice and can help people who own cryptocurrencies understand how giving some to charity will affect their tax obligations.

A nonprofit's first interaction with cryptocurrencies may come when it receives a donation through Endaoment, and Heeger wants them to understand that "you don't have to be a crypto wizard to accept these gifts."

On the flip side, he says, there's a clear appetite among people who use crypto to do good, but "the average crypto user doesn't necessarily understand the DAF world."

It's a challenging education problem, he says. "It's almost like we're trying to introduce two friends who we think should be dating. They're super skeptical, but we know in our heart that they're meant for each other."

We welcome your thoughts and questions about this article. Please [email the editors](#) or [submit a letter](#) for publication.

TECHNOLOGY

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INNOVATION



Eden Stiffman

Eden Stiffman is a Chronicle senior editor. Subscribe to her [weekly fundraising newsletter](#).

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