



Cryptocurrency opportunities and risks in higher education

October 6, 2022





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Meet your presenters



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Agenda

- Objectives and background
- Use cases of cryptocurrency in higher education
- Risk considerations
- Considerations from an audit perspective
- Key takeaways and open discussion



Objectives

Participants will learn to:

01

Understand current use cases of crypto through advancement donations and fundraising activity, as well as other trending activity

02

Evaluate risk considerations related to the continually evolving world of crypto

03

Consider methods for assessing crypto activity and risk management from an audit perspective



Polling Question #1

What is your familiarity with cryptocurrency? (check all that apply)

- a. Actively own and/or trade cryptocurrency
- b. Actively read news around cryptocurrency activity
- c. Have a general understanding of cryptocurrency
- d. Not sure what cryptocurrency is and how it works
- e. Unsure

What is cryptocurrency?



Cryptocurrency

- Is digital and decentralized
- Can be used to buy and sell things, or as a long-term store of value



Blockchain

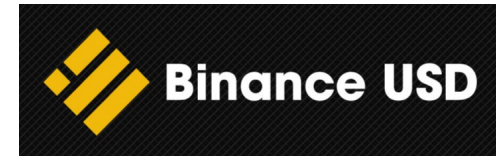
- Is a distributed database or ledger that is shared among the nodes of a computer network
- Stores information electronically in digital format
- Is best known for their crucial role in cryptocurrency systems, such as Bitcoin, for maintaining a secure and decentralized record of transactions



Non-fungible tokens (NFTs)

- Are units of value used to represent the ownership of unique digital items, like art or collectibles. NFTs are most often held on the Ethereum blockchain

12 popular crypto brands:



Cryptocurrency in Higher Education



**Advancement
Donations**



**Fundraising
with NFTs**



**Tuition
Payment**

Advancement Donations

2014

The first known cryptocurrency gift was to University of Puget Sound when alumnus Nicholas Cary made a gift to his alma mater (14.5 bitcoins worth about \$10,000).

2018

Blockchain software company, Block.one, committed \$3 million worth of its cryptocurrency, EOS, to Virginia Tech to support blockchain teaching and research.

2019

Ripple co-founder, Chris Larsen, and his wife donated the equivalent of \$25 million to San Francisco State University. It's thought to be the largest crypto gift to higher education.

Nikolai Mushegian pledged 10,000 MKR (Maker) tokens, worth about \$4.2 million, to Carnegie Mellon University.

2021

Lehigh University received its first-ever Bitcoin gift, worth about \$42,000, from alumnus Dev Chanchani for the Lehigh @ NasdaqCenter Startup Academy.

The University of California, Berkeley's Blockchain Lab received a gift of \$50,000 in the form of Bitcoin from the EchoLink Foundation.

University of the People, an online nonprofit school that serves about 117,000 refugees, working parents in low-income areas, and more, established an endowment fund seeded with cryptocurrency donations. The University also announced that it will begin providing its graduates with digital diplomas via NFTs.

Platforms to facilitate cryptocurrency gifts

Using third parties to reduce risk and liquidate upon transfer of crypto assets



Polling Question #2

Are you currently accepting cryptocurrency donations at your institutions? (single response)

- a. Yes
- b. No
- c. Unsure

Fundraising – Use of NFTs

NFTs provide additional opportunities for university fundraisers. Essentially, **any valuable university asset could be turned into an NFT and auctioned.** However, there are legal considerations (e.g., naming rights) and environmental impacts associated with using NFTs.

In June 2021, the University of California, Berkeley **auctioned an NFT based on the Nobel Prize–winning research of immunologist James Allison**, who helped establish immunotherapy as a fourth pillar of cancer treatment. It **netted the university about \$50,000.**

The University of Miami took a different approach when it auctioned its first NFT in August 2021. The university created canesvault.com, a university-specific NFT marketplace named for the Hurricanes football team, to **auction an NFT of the team's 1989 championship ring.** The NFT—which included a replica ring and looping digital graphic of **the ring—sold for \$10,000.**

Tuition Payments

University of Pennsylvania

- In October 2021, the University of Pennsylvania's Wharton School received an anonymous gift of \$5 million in Bitcoin, Penn's largest crypto donation.
- Wharton is launching a certificate program about the "Economics of Blockchain and Digital Assets" and is allowing students to pay their tuition using cryptocurrency.

Bentley University

- Bentley University, a private institution with roughly 5,000 students in Waltham, Massachusetts, announced on May 3, 2022, that it is now accepting cryptocurrency for tuition payments.
- The institution says it is partnering with the cryptocurrency exchange Coinbase to accept bitcoin, ethereum and USD Coin, which is a stablecoin pegged to the U.S. dollar.

Risk considerations

1

Highly volatile
investment
vehicle

2

Currently
unregulated
environment

3

Tax and legal
implications

4

Continually
evolving

5

Anonymous
gifts



Legislative considerations

September 16, 2022, White House Release of Comprehensive Framework for Responsible Development of Digital Assets

1. Protecting Consumers, Investors and Businesses
2. Promoting Access to Safe, Affordable Financial Services
3. Fostering Financial Stability
4. Advancing Responsible Innovation
5. Reinforcing Global Financial Leadership and Competitiveness
6. Fighting Illicit Finance
7. Exploring a U.S. Central Bank Currency (US CBDC)

Audit considerations

- Consider policies and procedures in place –
 - For gift acceptance, consider:
 - Parameters for acceptance (e.g., types of crypto assets, threshold limitations, point in time to liquidate)
 - Platform to accept gifts (e.g., third-party payment processor)
 - Information collected from donors
 - For NFTs, consider:
 - Process for the review of NFT development and sale for fundraising activities, including if crypto payments for NFTs will be liquidated to cash immediately

Common Gift Acceptance Policy Language

The university sells all gifts of cryptocurrency immediately upon receipt.

The IRS classifies cryptocurrency as property, which can be either ordinary income property or long-term capital gain property.

In accordance with the University's Gift Acceptance Policy, all contributions of cryptocurrency are converted to cash immediately upon acceptance and cannot be refunded for any reason.

The university may accept gifts of virtual currencies, including cryptocurrencies, subject to the conditions and the ability of its agent to accept and liquidate the asset. **Potential gifts of virtual currencies are evaluated on a case-by-case basis.**

For gifts of cryptocurrency in excess of \$100,000, the **donor may be asked to provide confirmation of the donor's identity** (e.g., by providing a copy of valid government-issued identification) and/or information about when, how, and through what means the donor obtained the donated cryptocurrency.

Prior authorization must be sought through the Office of **Gift Administration before any gift or pledge payment in excess of \$100,000** may be made by virtual currency.

Cryptocurrency gifts require a **qualified third-party appraisal** to substantiate the value for the donor to take a deduction, the cost of which shall be borne by the donor.

All Cryptocurrency gifts will be reviewed and accepted upon approval from the Gift Acceptance Committee. **Cryptocurrency gifts of \$5,000 or more will require a qualified 3rd party appraisal for the donor to take a deduction.** Cryptocurrency may be **sold immediately** unless other instructions are in place.



Polling Question #3

Has your institution revised policies, such as gift acceptance policies, to include language about the acceptance of cryptocurrency? (single response)

- a. Yes
- b. No
- c. Unsure

There are many unknowns as Cryptocurrency continues to evolve

New regulations are being considered

Cryptocurrency expands the ability to receive donations

Volatile if not converted immediately

Having guidance in place for activities related to crypto

Key takeaways

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tomorrow's conversations today.**

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Questions?



**Thank you for joining our session today,
let's connect!**

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Upcoming ACUA Events

Webinars

November 10, 2022 – Deloitte – topic to be determined

December 8, 2022 – BDO – topic to be determined

Audit Interactive

March 27-29, 2023

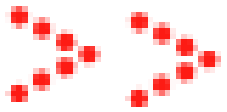
Denver, CO



Did you know that Connect ACUA allows you to post new messages directly from your email without logging in to the Connect ACUA website?

For more details, check out the Quick Tip post on [Connect.ACUA.org](https://connect.acua.org)

Your Higher Education Auditing Connection

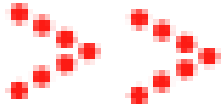


Next Kick Starter Release is October 15th!

Foreign Gift and Contract Reporting Process

Will be available in the members-only Audit Tools section of www.ACUA.org



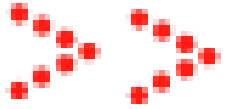


Last Kick Starter Released September 15, 2022!

Endowment Management

Download today in the members-only Audit Tools section of www.ACUA.org





ACUA Kick Starters

Use a Kick Starter to launch your next audit!

- Developed by ACUA members with subject matter expertise
- Focused on higher education specific topics

<https://acua.org/Audit-Tools/ACUA-Kick-Starters>



Do you have a great idea for an ACUA Kick Starter? Contact John Winn at HJWINN@mailbox.sc.edu.



ACUA Mentorship Program

- Mentorship is a proven method to help colleagues feel supported, drive workplace satisfaction, and foster member engagement in higher ed auditing.
- The program is no longer focused on only small audit shops! The program has been expanded to be more inclusive of all types of shops.
- The program is only a one-year commitment, but we encourage the mentorship to continue even after one year.
- Consider signing up! Watch for registration deadlines to be communicated via email. For more information, go to <https://acua.org/Member-Resources/Mentorship-Program>



Stay Updated

- The College and University Auditor is ACUA's official journal. Current and past issues are posted on the ACUA website.
- News relevant to Higher Ed internal audit is posted on the front page. Articles are also archived for your reference under the Resources/ACUA News.

Get Educated

- Take advantage of the several FREE webinars held throughout the year.
- Attend one of our upcoming conferences:
 - Audit Interactive**
March 27 – 29, 2023
Denver, CO
 - AuditCon**
September 2023
Miami, FL
- Contact ACUA Faculty for training needs.

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- Write an article for the C&U Auditor.
- Write a Kick Starter.

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