Building a Bitcoin Treasury: A Step-by-Step Guide for Nonprofit Boards

Governance, Controls, and Implementation for Institutional Reserves

Prepared for the Board of Directors

This deck is for educational purposes only and is not legal, tax, accounting, investment, or custody advice. Nonprofits should consult qualified legal, tax, accounting, audit, and custody professionals before implementing a Bitcoin treasury strategy.

The Premise

Bitcoin adoption in the nonprofit sector is shifting. Organizations are moving from immediate liquidation of donations to strategic, long-term holding on the balance sheet.

The Requirement

This shift introduces unique custody, accounting, and regulatory variables. It requires strict board-level governance, governance, defined investment policies, and professional review.

The Objective

This briefing provides a sequential, prudent framework. It details how to evaluate, approve, implement, and oversee a responsible Bitcoin treasury strategy.

Status Quo: Accept & Convert

Process: Nonprofits accept BTC via a payment processor, immediately converting it to fiat currency.

Result: Captures crypto-native donations; zero price volatility; zero active custody risk.

The Strategic Shift: Accept & Hold

Process: Nonprofits accept BTC and hold a defined percentage on the balance sheet as a treasury reserve.

Result: Aligns with long-term preservation goals; introduces balance sheet volatility; requires active custody and strict policy oversight.

The Core Question The board must actively decide if the organization’s mission and risk tolerance support moving from immediate conversion to strategic holding.

Why Nonprofits Consider Holding Bitcoin

Donor Alignment

Meeting the expectations of Bitcoin-native donors who prefer to fund organizations that share their conviction in the asset (e.g., Human Rights Foundation, OpenSats).

Mission Continuity

Holding a borderless, censorship-resistant asset to ensure operational funding capabilities, particularly in volatile geopolitical environments.

Inflation Concerns

Utilizing an asset with a fixed, immutable supply cap (21 million) as a potential long-term hedge against macroeconomic fiat debasement.

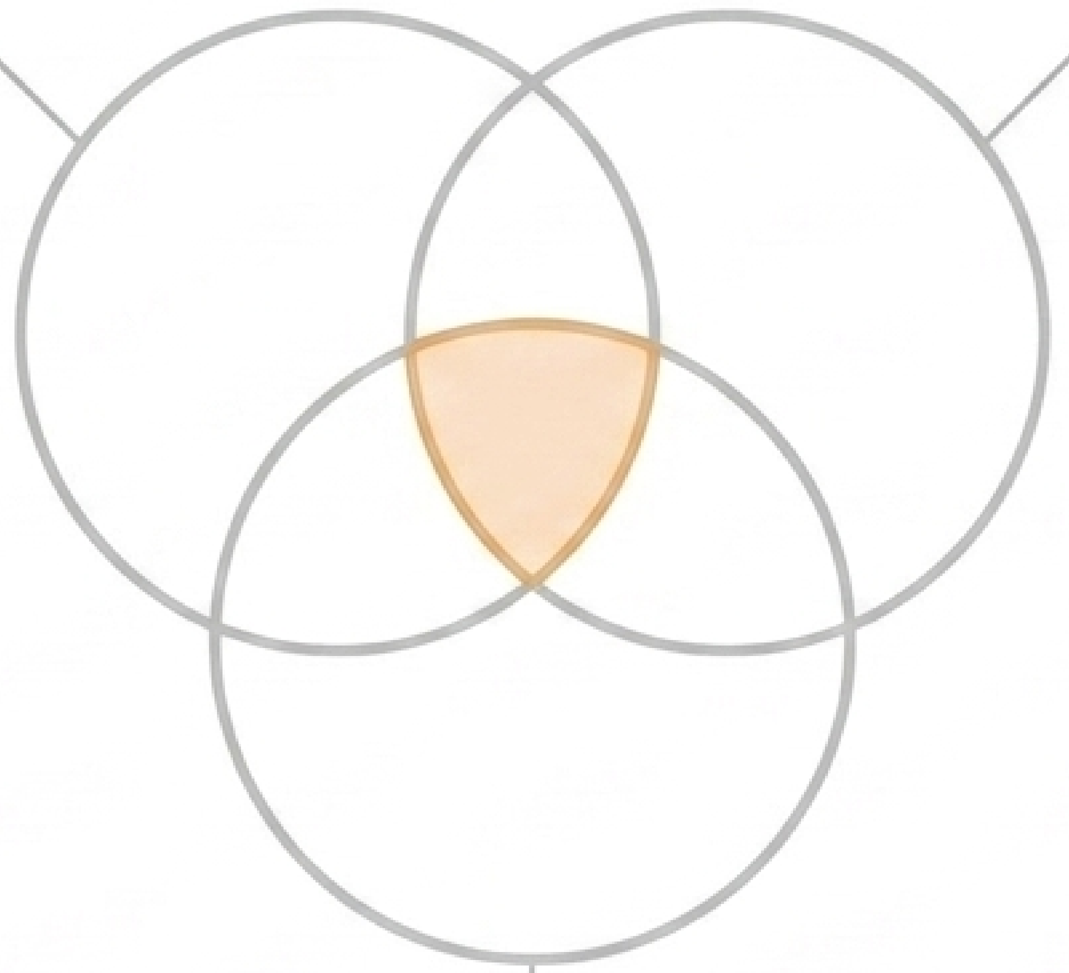
Long-Term Treasury Strategy

Diversifying a small, predefined percentage of reserve assets for potential long-term value preservation, accepting short-term volatility in exchange for long-term purchasing power.

Fiduciary Duty and Mission Alignment

Duty of Care

Requires the board to fully educate itself on Bitcoin's mechanical properties, volatility profile, and custody risks before acting. In the context of novel assets, ignorance is a breach of duty.



Duty of Loyalty

Ensures that adopting a Bitcoin treasury serves the organization's specific mission and charitable purpose, not the personal financial ideologies of individual board members.

Liquidity vs. Volatility

Evaluating organizational cash flow. Does the nonprofit have sufficient fiat liquidity (12–24 months of operational runway) to avoid being forced to sell Bitcoin during a market drawdown?

Pre-Decision Professional Review

Legal & Governance

State-specific nonprofit regulations and Prudent Management of Institutional Funds Act (UPMIFA) compliance review.

Tax & IRS

Systems for documenting non-cash charitable contributions (e.g., Form 8282/8283 workflows).

Accounting & Audit

Verification of FASB ASU 2023-08 fair-value tracking capabilities within existing accounting software.

Investment Policy

Reconciling a Bitcoin allocation with existing donor restrictions, endowments, and ESG mandates.

This presentation is educational. Nonprofits must consult qualified legal, tax, CPA, and custody professionals before implementing a treasury strategy.

Board Approval Process

1. Education Phase

Dedicated board sessions covering monetary properties, volatility profiles, and operational requirements.

2. Committee Review

Finance and Audit committees draft the preliminary policy framework and consult outside professionals.

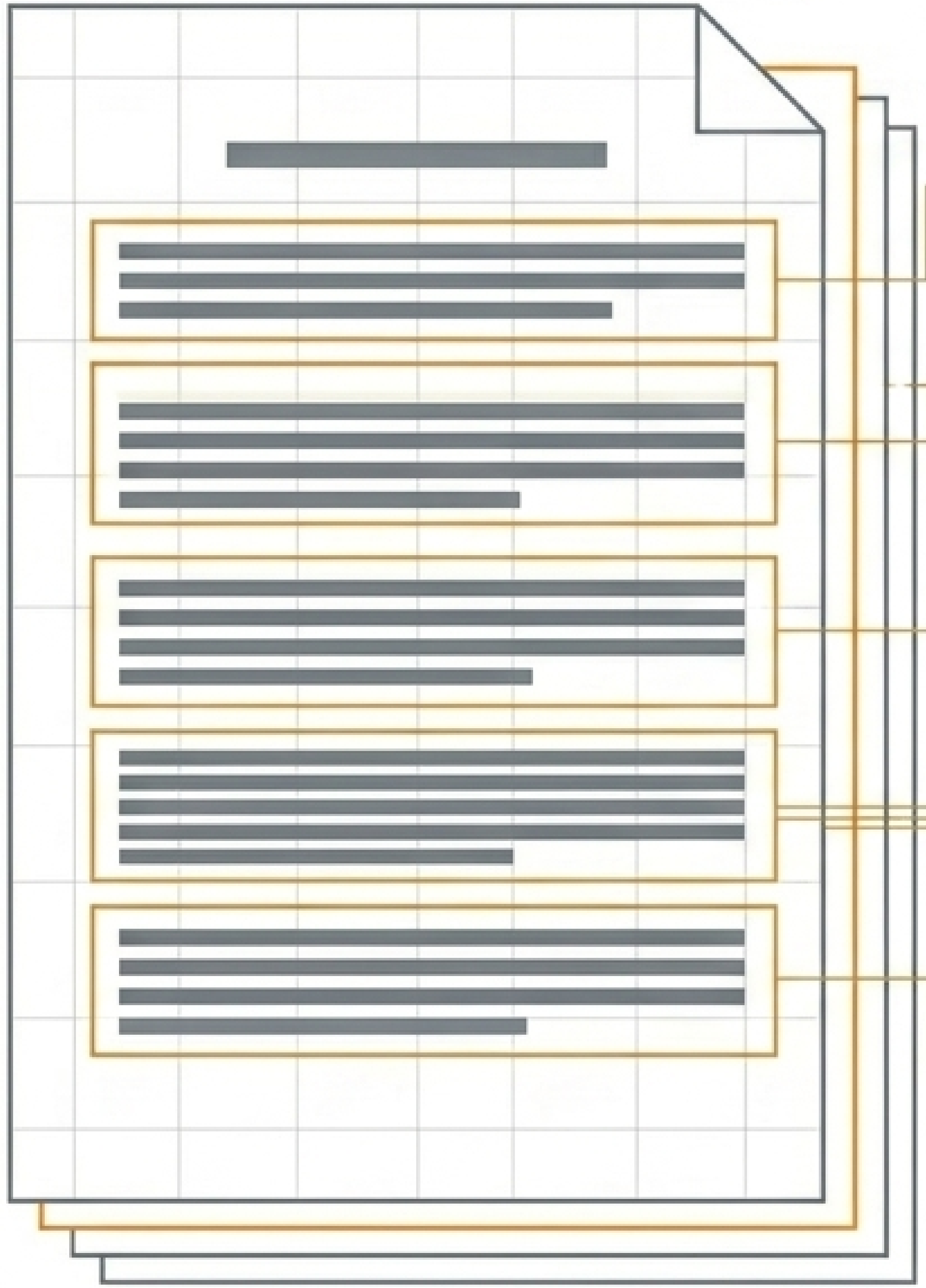
3. Written Recommendation

Formal presentation of the drafted policy, risk register, and implementation plan to the full board.

4. Board Resolution

Formal vote, explicitly approving the Treasury Policy and allocation limits, documented in official board minutes.

Anatomy of a Bitcoin Treasury Policy



1. Purpose & Mission Fit: Strategic rationale.

2. Allocation Limits: Maximum percentage of total reserves allowed in BTC.

3. Custody Model & Signers: Approved key management structure.

4. Approval Authority: Who is authorized to initiate and approve transfers.

5. Liquidation Rules: Defined conditions or thresholds for selling.

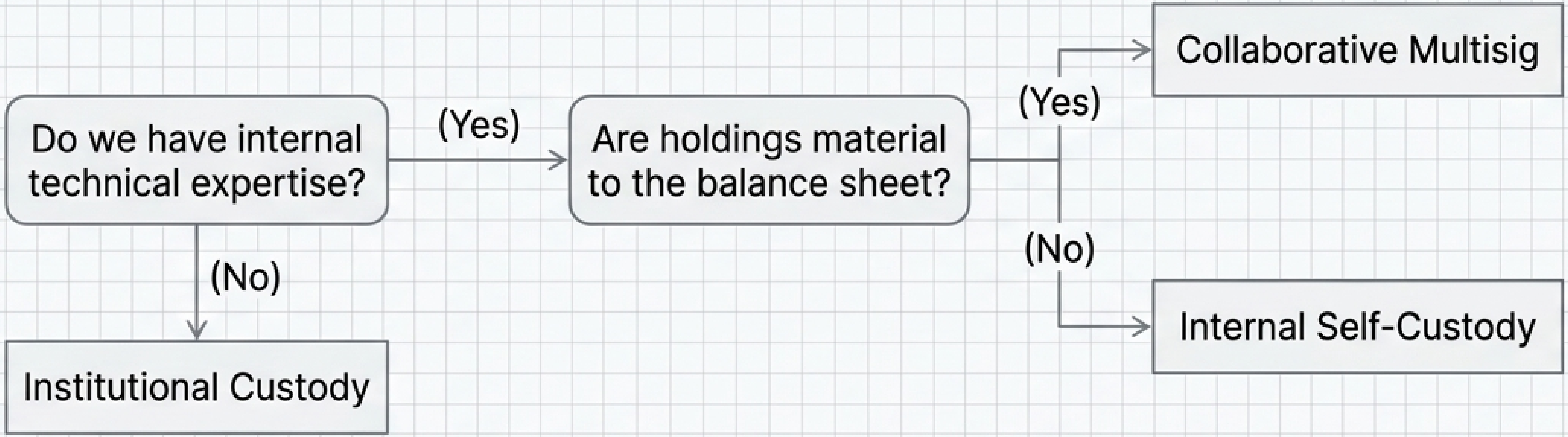
6. Donor Restrictions: Handling restricted vs. unrestricted BTC donations.

7. Reporting Cadence: Monthly/quarterly board dashboard requirements.

8. Emergency Procedures: Protocols for suspected breaches or key loss.

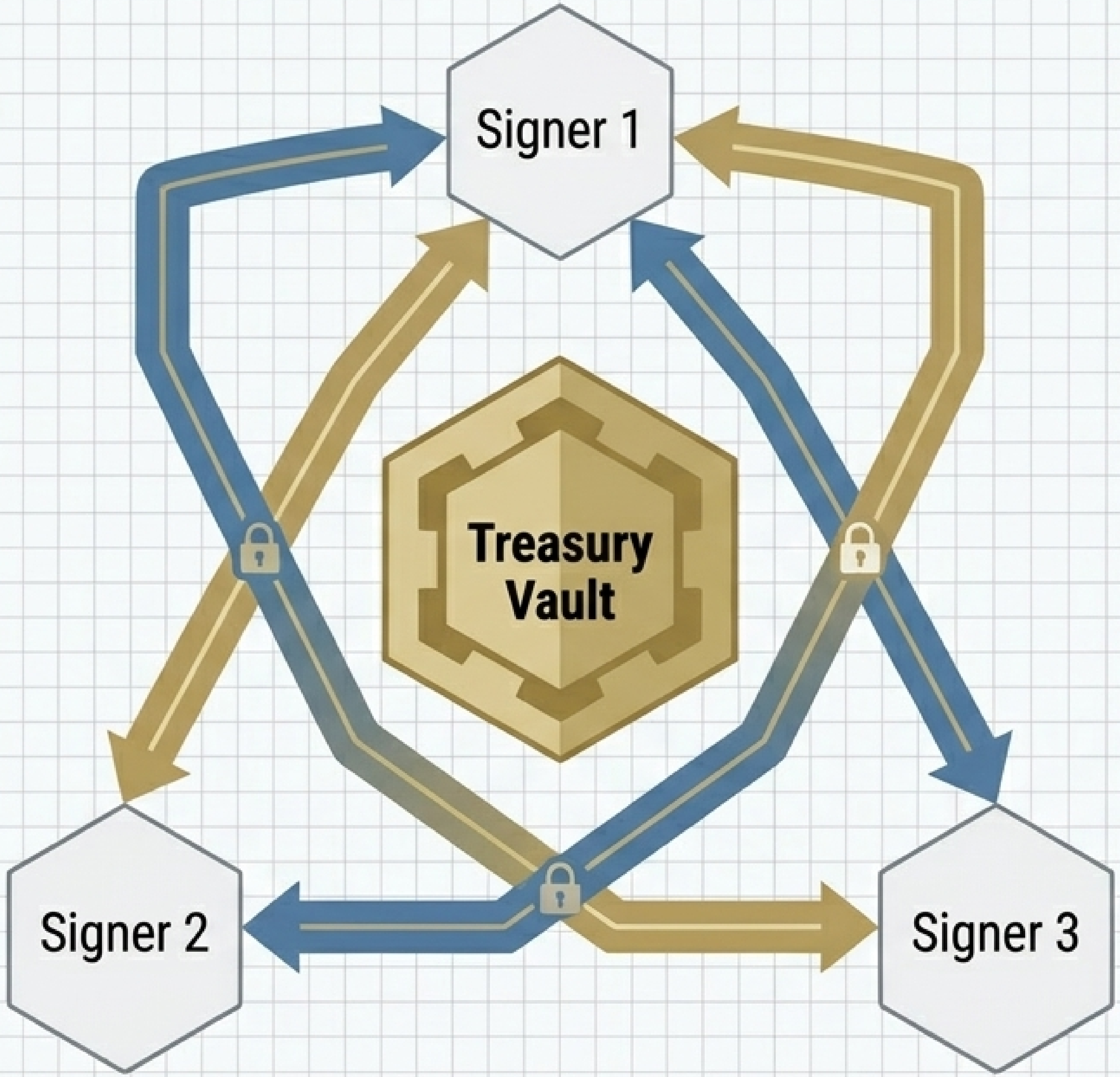
9. Annual Review Mandate: Required yearly re-evaluation of the policy.

Custody Model Decision Framework



Institutional Custody	Collaborative Multisig	Internal Self-Custody
- Low operational complexity - High counterparty risk - High auditability - Insurance coverage available	- Medium operational complexity - Low counterparty risk - High organizational control - Geographically distributed signers	- High operational complexity - Zero counterparty risk - High key-loss risk - Best limited to small operational floats

Internal Controls and Signer Governance



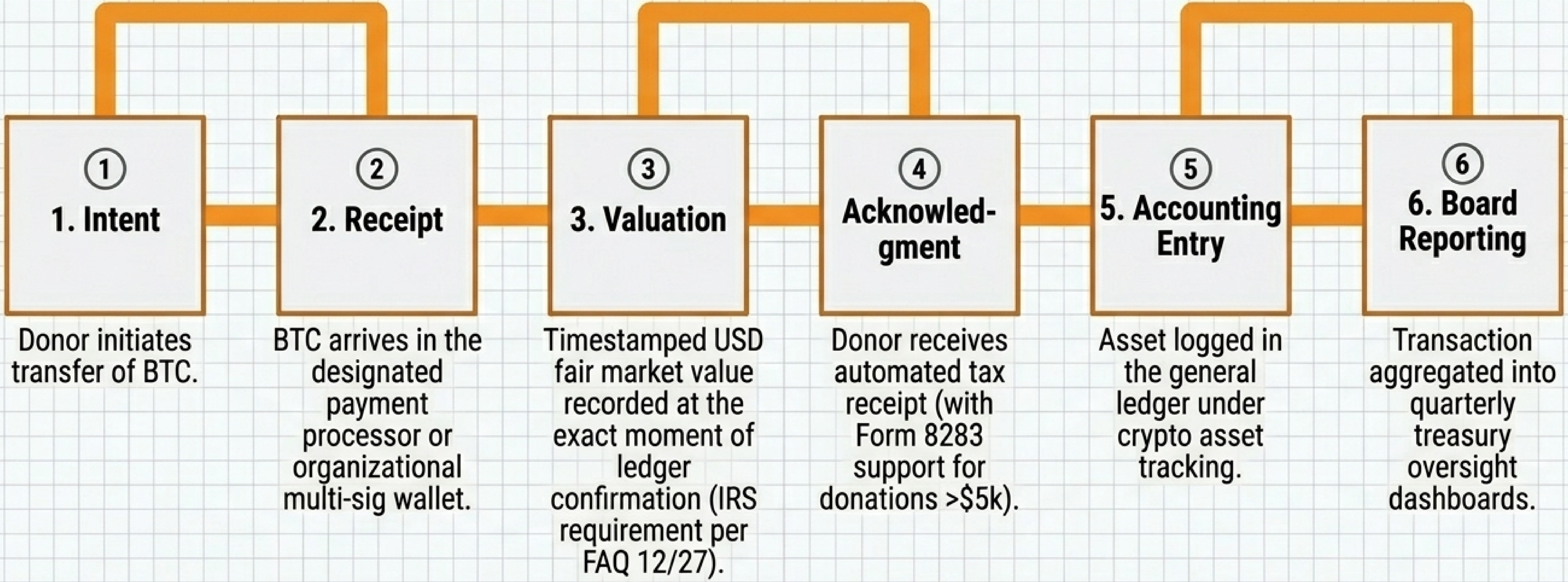
Separation of Duties
Strict policy that the individual initiating a transaction cannot be the same individual approving it.

Signer Roles
Distributing private keys across distinct parties (e.g., Executive Director, Board Treasurer, and an independent institutional key-agent).

Succession Planning
Documented, legally sound procedures for replacing a signer if a board member leaves, becomes incapacitated, or loses a key.

Access Control & Incident Response
Pre-approved organizational protocols for suspected security breaches or unauthorized access attempts.

Donation Acceptance & IRS Workflow



Accounting and Audit Readiness

Accounting Standards Update 2023-08—Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting For And Disclosure Of Crypto Assets

Overview

On December 12, 2023, The Financial Accounting Standards Board (FASB) issued on Accounting Standards Update that addresses the assons the accounting of crypto Assets.

The objectives of the amendments are to provide investors and other capital albootors with more decision- and activer useful information that better reflects the underlying ecconities of crypto assets wihin the scope and an entity's financial entitity and on complexity lest less-iorment accounting.

The amendments in the ASU apply to all assets that meet all the following criteria:

1. Meet the definition of intergible asset as defeled in the FASB Accounting Standards Codification®
2. Do not provide the asset Isader with enforccable rights to or claims or underlying goods, services, or other assets
3. Are created or reside an a distributed ledget based on blockchain or similar technology
4. Are secured through cryptography
5. Are fungible
6. Are not created or issued by the reporting entity or its related parties.

The amendments in this Update requice that an entity measure crypto assets that are withn the scope of the amendments at valur value each eapor prior reporting assets, discostr value and disclosures crtnduct significamts, contractal sale restrictions, and chamge during the reporing perios, restrictions during the reporting period.

Transition and Effective Dates

The amendments in this ASU are effective for ali entities for fiscal years beginning after December 12, 2024, including including interim periods within those fircal years. Early Adoption is permitted for both interim and armual finannial financial statements that have net yet been based (or made available for issuance). If amendments are adopted in nt set at begining of the heard of the internim period.

The amendments in this ASU require a cumulative-effect adjustment to the opening balance of retained and entifimonal earnings (or other appropriate components of equity or net assets) as of the beginning of the annual I which adopts the amendment.

Have A Question?

FASB Compliance (ASU 2023-08)	Ensure accounting software is capable of tracking Fair Value measurements and recognizing gains/losses in net income.
Transaction Records	Maintaining on-chain transaction hashes, wallet addresses, and exact timestamps as immutable audit trails.
Internal Control Evidence	Systematically documenting proof of multisig approvals, signer access logs, and separation of duties for external auditors.
IRS Reporting Mechanics	Establishing internal processes for filing Form 8282 if donated BTC is liquidated within three years of receipt (IRS FAQ 37).

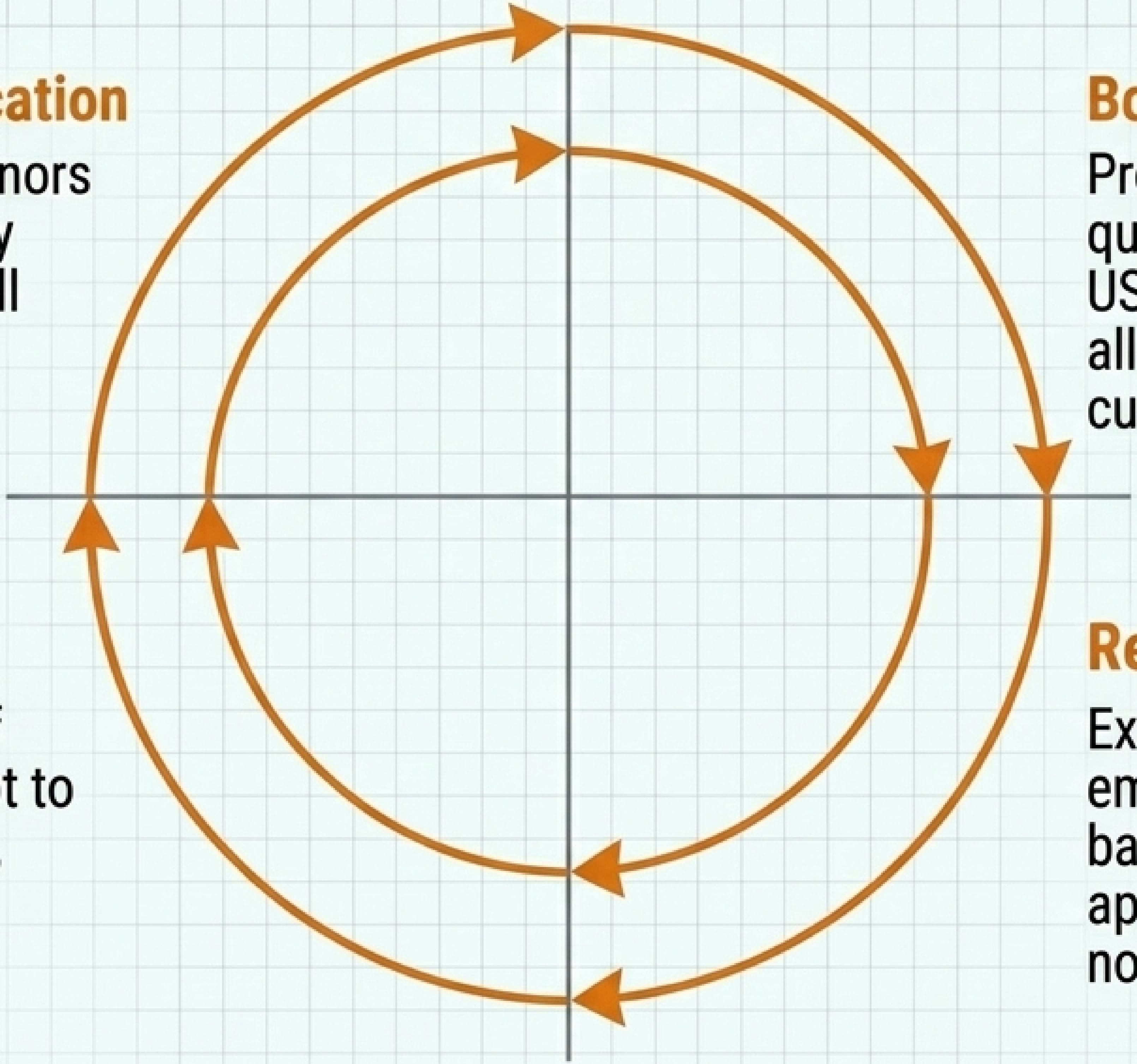
Treasury Risk Register

Risk Category	Threat Level	Practical Mitigation
Volatility	Severe price drawdowns impacting balance sheet.	Strict allocation limits (e.g., max 5% of reserves); maintain 12-24 months of fiat cash buffer.
Custody Failure / Key Loss	Total, unrecoverable loss of funds.	Multisig custody architecture; geographic distribution of keys; strict succession protocols.
Cyberattack / Internal Fraud	Hacking or internal theft.	Mandatory hardware wallets; strict separation of duties; zero hot-wallet exposure for reserve funds.
Reputational / Regulatory Risk	Donor alienation or audit complexity.	Clear, mission-aligned communication strategy; proactive consultation with specialized CPA firms.

90-Day Implementation Roadmap

Phase 1 (Days 1–30): Education & Review	Phase 2 (Days 31–60): Policy & Controls	Phase 3 (Days 61–90): Implementation & Pilot
• Complete board education sessions. • Conduct preliminary professional reviews with external Legal, Tax, and CPA counsel.	• Draft the formal Treasury Policy. • Select the custody model (Institutional/Multisig). • Define internal controls and assign signer roles.	• Execute formal Board vote and resolution. • Configure accounting software for fair-value tracking. • Execute a small pilot transaction. • Establish the reporting cadence.

Ongoing Treasury Management



Stakeholder Communication

Transparently updating donors and supporters on treasury health, strategy, and overall mission impact.

Board Reporting

Production of monthly or quarterly dashboards showing USD fair value, current allocation percentage, and custody health status.

Annual Policy Review

Scheduled board review of the treasury policy to adapt to new FASB/IRS regulations, market conditions, or organizational shifts.

Rebalancing Rules

Executing mechanical, emotionless buying or selling based strictly on the approved policy thresholds, not market sentiment.

Final Board Governance Checklist

- ☐ **1.** Board education session fully completed.
- ☐ **2.** Outside legal and tax counsel consulted.
- ☐ **3.** Accounting software confirmed capable of FASB fair-value tracking.
- ☐ **4.** Fiat operational runway verified (insulating against BTC volatility).
- ☐ **5.** Custody model selected, vetted, and approved.
- ☐ **6.** Internal controls and signer separation of duties documented.
- ☐ **7.** Donation acceptance and IRS acknowledgment workflow established.
- ☐ **8.** Formal Bitcoin Treasury Policy drafted and reviewed by Finance Committee.
- ☐ **9.** Final Board Resolution formally voted and recorded in official minutes.
- ☐ **10.** Small test transaction scheduled before full capital implementation.