



Bitcoin Treasury Framework

BTC Treasury Adoption Guidance

Company Configuration

COMPANY TYPE

Non-Profit

COMPANY SIZE

Medium (51-250 employees)

INDUSTRY

Technology

JURISDICTION

United States

PLANNED ALLOCATION

1% of Treasury

RISK ASSESSMENT

Low Risk

⚠️ IMPORTANT LEGAL DISCLAIMER

This framework provides general guidance based on current information and is for informational purposes only. It does not constitute legal, tax, accounting, or financial advice. Bitcoin regulations vary significantly by jurisdiction and are subject to frequent changes. Always consult with qualified legal, tax, accounting, and financial advisors before making any treasury decisions. House of Bitcoin and its affiliates assume no liability for any decisions made based on this framework.

Treasury Allocation Risk Profile

Allocation: 1% of treasury reserves

Risk Level: Low

Assessment: Conservative approach, suitable for initial adoption

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No

This framework provides a roadmap for a mid-sized U.S.-based technology non-profit (501(c)(3) or 501(c)(6)) to integrate Bitcoin into its treasury. In 2025, the focus has shifted from "if" to "how," following the standardization of accounting rules and the maturation of institutional-grade vehicles.

• 1. REGULATORY LANDSCAPE (UNITED STATES)

- **Legal Status:** Bitcoin is legally classified as a **commodity** by the CFTC and as **property** by the IRS. It is not considered legal tender but is a valid treasury reserve asset.
- **Tax Treatment:** Under **IRS Notice 2014-21**, Bitcoin is taxed as property. While non-profits are generally exempt from capital gains tax, they must still report holdings and disposals on **IRS Form 990 (Schedule D)**.
- **Regulatory Bodies:**
 - * **SEC:** Regulates Bitcoin ETFs and service providers.
 - * **FinCEN:** Governs Anti-Money Laundering (AML) and "Travel Rule" compliance for transfers exceeding \$3,000.
- **Recent Updates (2025 focus):** The **Financial Innovation and Technology for the 21st Century Act (FIT21)** provides clearer boundaries between the SEC and CFTC. Furthermore, **SAB 121** revisions have made it easier for traditional banks to provide custody services for non-profit entities.

• 2. ACCOUNTING CONSIDERATIONS

- **FASB ASU 2023-08:** Effective for fiscal years beginning after Dec 15, 2024, entities must use **Fair Value Accounting**. Changes in Bitcoin's price are now recognized in net income each reporting period, eliminating the previous "impairment-only" model.
- **Balance Sheet Classification:** Usually classified as a **Current Asset** (Intangible) if the intent is to hold for less than one year, or a **Long-term Investment** if held as a strategic reserve.

- **Valuation Methods:** Use **Level 1 inputs** (quoted prices from active markets like Coinbase or Kraken) at the North American close (e.g., 4:00 PM EST) to ensure consistency with traditional financial assets.
- **Unrelated Business Income Tax (UBIT):** Passive appreciation of Bitcoin generally does *not* trigger UBIT for non-profits. However, using Bitcoin for "staking" or active trading businesses may require closer tax scrutiny.

• 3. CUSTODY & SECURITY

- **Institutional Qualified Custody:** For a medium-sized non-profit, **Qualified Custody** (e.g., Fidelity Digital Assets, Coinbase Prime, or BNY Mellon) is recommended over self-custody to satisfy fiduciary duty and insurance requirements.
- **Multi-Signature (Multi-sig) Setup:** Implement a **3-of-5 signature scheme**. Signatories should include the CFO, Board Treasurer, and an independent third-party trustee. No single employee should have the power to move funds.
- **Insurance Coverage:** Ensure the custodian provides **Specie Insurance** (physical loss) and **Crime Insurance** (theft/hacking). Verify if the policy covers "internal collusion."
- **Cold Storage:** 95%+ of the organization's Bitcoin should be kept in "Cold Storage" (offline), with only a small "Hot Wallet" percentage (under 5%) used for immediate operational needs.

• 4. GOVERNANCE FRAMEWORK

- **Board Resolution:** Formalize the adoption via a board vote. The resolution must define the **purpose** (e.g., "long-term inflation hedge") and the **maximum allocation percentage**.
- **Investment Policy Statement (IPS):** Amend the IPS to include "Digital Assets." Set a target allocation (typically **1% to 5% of total reserves**) and a "hard cap" (e.g., 10%) that triggers an automatic rebalance.
- **Execution Strategy:** Use **Dollar-Cost Averaging (DCA)** over a 6–12 month window to mitigate entry-price risk, rather than a single lump-sum purchase.
- **Exit/Rebalancing Strategy:** Define clear triggers for selling. Example: "Rebalance back to 3% if the Bitcoin position grows to exceed 7% of total assets."

• 5. RISK MANAGEMENT

- **Volatility Management:** Use a **volatility-adjusted position sizing** model. If Bitcoin's 30-day volatility exceeds a specific threshold (e.g., 80% annualized), the organization may choose to pause further purchases.
- **Counterparty Risk:** Only use "Qualified Custodians" under U.S. jurisdiction to ensure assets are **bankruptcy-remote** (meaning the custodian's creditors cannot claim the non-profit's Bitcoin).
- **Operational Risk:** Conduct quarterly "Fire Drills" where signatories prove they can still access and authorize a small test transaction (\$100).
- **Market Timing:** Avoid "discretionary" trading. The treasury team should execute trades based on the IPS-defined schedule, regardless of market sentiment.

• 6. TREASURY IMPLEMENTATION ROADMAP

- **Education (Month 1):** Conduct a "Bitcoin 101" workshop for the Board and Finance Committee focusing on FASB changes and fiduciary duty.
- **IPS Revision (Month 2):** Draft and approve the amended Investment Policy Statement with specific digital asset parameters.
- **Custodian Selection (Month 2-3):** Issue an RFP to at least three qualified custodians. Evaluate based on SOC 2 Type II reports and insurance limits.
- **Operational Setup (Month 3):** Open institutional accounts, perform KYC/AML onboarding, and establish the 3-of-5 multi-sig protocol.
- **Pilot Trade (Month 4):** Execute a small "test purchase" (e.g., \$5,000) to verify the flow of funds, accounting entries, and custody confirmation.
- **Full Execution (Month 4-10):** Begin the DCA program to reach the target allocation (e.g., 2% of reserves).
- **Ongoing Monitoring (Continuous):** Monthly reporting of fair value to the Board; annual audit of private key management/custodian status.

• 7. DUE DILIGENCE CHECKLIST

- Does the custodian provide a **SOC 1 or SOC 2 Type II** report?
- Are the assets held in a **segregated account** (not commingled)?
- Has the Board approved the specific **maximum allocation percentage**?
- Is the accounting software capable of tracking **Fair Value** under ASU 2023-08?
- Have we confirmed with legal counsel that there is no **UBIT** risk for our specific use case?
- Are the multi-sig "keys" or access shards stored in geographically diverse, secure locations?

• 8. KEY RESOURCES & CONTACTS

- **FASB (Financial Accounting Standards Board):** Refer to ASU 2023-08 for official accounting guidance.
- **IRS (Internal Revenue Service):** Refer to the "Digital Assets" section of the IRS website and Publication 526 for non-profit specifics.
- **AICPA (American Institute of CPAs):** Use their "Practice Aid" for auditing and accounting for digital assets.
- **The Chamber of Digital Commerce:** A leading U.S. trade association providing policy updates for institutional holders.
- **Coin Center:** A non-profit research and advocacy center specifically focused on the regulatory issues facing digital assets.



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