

# How to Generate Revenue Enhancement Opportunities for Your Institution

---

Many higher education institutions are considering alternative revenue sources as a way to bring in extra funding. As with most initiatives, the key is to plan diligently (Luke 14:28).

While you can gain ideas for revenue enhancement opportunities by looking at what similar institutions are doing, it's best to start by considering what makes your institution unique. It's also important to have a strong knowledge of the IRS's unrelated business income tax (UBIT) rules to ensure you remain in compliance.

[IRS Publication 598, Tax on Unrelated Business Income of Exempt Organizations](#), states:

An exempt organization isn't taxed on its income from an activity substantially related to the charitable, educational, or other purpose that is the basis for the organization's exemption. Such income is exempt even if the activity is a trade or business.

However, if an exempt organization regularly carries on a trade or business not substantially related to its exempt purpose, except that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business.

We recommend taking a two-phase approach to revenue enhancement opportunity projects. Keep the UBIT rules above in mind as you work through these phases.

**It's best to start by considering what makes your institution unique.**

## Phase One: Brainstorming

In the Lean Six Sigma philosophy of improvement, brainstorming is viewed as a technique to "elicit a large number of ideas from a group using their collective thinking power." The following tips will help you maximize your brainstorming session:

- **Allot enough time.** We recommend devoting a full day to this process.
- **Involve as many of your institution's leaders as possible.** This should include the CEO, COO, CFO, accounting team, board members, deans, development officers, athletic directors, and other key employees. Everyone will bring diverse ideas to the table. And many participants are surprised at how fun this process can be!
- **Select a brainstorming session facilitator.** The facilitator's job is to keep the discussion focused, limit distractions, and encourage the continual flow of ideas. The facilitator should also record the myriad ideas raised during the session.
- **Set simple ground rules.** Here are the ground rules we follow when working with clients on revenue enhancement opportunity ideas:
  - All ideas are valid, although all may not be equal.
  - Always take a collaborative viewpoint.
  - Do not criticize the ideas of others, whether verbally or by gesture.
  - Do not hesitate to suggest an idea because it sounds silly. Many times, "silly" ideas can lead to a great idea.
  - Do not allow the group to be dominated by one or two people.
  - Do not let the brainstorming session become a gripe session.
  - In accordance with 1 Samuel 17, focus on being difference makers. No defeatists or detractors allowed.

What should a brainstorming session entail? We typically use the following format, with a break every 60 to 80 minutes to allow people to recharge:

1. Spend 30 to 40 minutes reviewing your institution's Form 990 and the footnotes to your audited financial statements to identify "uniquenesses" about your institution. Write these down on a large memo board or big sticky notes.
2. Have participants anonymously answer a few fun polling questions, such as "What is your favorite Scripture?" or "What did you want to be when you grew up?" Write down the answers. This will help everyone see and understand the unique attributes and perspectives within the group.
3. Brainstorm 30 or so ideas for "wild and crazy" revenue-generating projects. This should be a flexible, informal, and open time. Try to look beyond the typical categories your funding sources usually come from, such as development, facilities, and services.

When working with clients, we chart these ideas in four colors, with black for information, blue for strengths or "uniquenesses," green for positives, and red for negatives.

4. Narrow the ideas from Step 3 down to two workable ideas that you can develop action plans for. We recommend identifying one "big plan" idea and one that is "just add water" and easy to implement. The "just add water" idea should be something the team can implement within 60 days, such as donor letters or a fundraising event.

Keep the other ideas from Step 3 on file so that you can return to them in the future. These are often long-term or "partnerable" ideas.

## Phase Two: Implementation

Now it's time to develop action plans for your two chosen ideas. Your action plans should include:

- A project description
- A project champion (team leader)
- Team members
- Point people for various action items
- Due dates for action items

One of the key elements of this process is the willingness of the group to participate fully in the brainstorming session. We've seen clients develop exciting and revolutionary big plans to enhance their funding and, ultimately, achievement of their mission.

Alternative lines of income can be important for almost all nonprofits. Just keep in mind that while it's vital to be as creative as possible, it's important to be aware of potential challenges and issues that can arise, including UBIT.

CapinCrouse can help guide you through the brainstorming process and address any potential UBIT issues. Please [contact us](#) to learn more about how we can assist your institution.

## About CapinCrouse

As a national full-service CPA and consulting firm devoted to serving nonprofit organizations, CapinCrouse provides professional solutions to organizations whose outcomes are measured in lives changed. Since 1972, the firm has served domestic and international outreach organizations, universities and seminaries, foundations, media ministries, rescue missions, relief and development organizations, churches and denominations, and many others by providing support in the key areas of financial integrity and security. With a network of offices across the nation, CapinCrouse has the resources of a large firm and the personal touch of a local firm. Learn more at [capincrouse.com](http://capincrouse.com).

CapinCrouse is an independent member of the BDO Alliance USA.

© Copyright 2017 CapinCrouse LLP

