



BOARD BRIEF: Income Generation

Board Briefs are "at-a-glance" resources that help board volunteers better support their Boys & Girls Club. They are designed to occur as five-minute education opportunities at board meetings.

SUMMARY

Income (revenue) generation is a broad concept that includes three categories: fundraising, earned income and capital acquisition. Self-sufficiency can be judged by a sustainability ratio, which compares earned income to the full budget.

THREE CATEGORIES

FUNDRAISING	EARNED INCOME	CAPITAL ACQUISITION
<ul style="list-style-type: none"> • Individual solicitations (gifts, tributes, bequests, deferred giving, etc.) • Business/Corporate giving • Foundation grants • Special event proceeds • Religious clubs/orgs • Governmental grants • Sponsorships & Cause-related marketing • Unified giving (United Way) • In-kind contributions • Other 	<ul style="list-style-type: none"> • Membership dues and fees • Rental income: <ul style="list-style-type: none"> ○ facilities ○ vehicles ○ equipment • Contracts for service • Interest on investments (including endowment) • Gain/profit on asset(s) sale • Sales of products/services • Other 	<ul style="list-style-type: none"> • Short-term borrowings: <ul style="list-style-type: none"> ○ Lines of credit (banks) ○ Social investment funds ○ United Way ○ Private sources • Capital Loans: <ul style="list-style-type: none"> ○ Private sources ○ United Way ○ Foundation program-related investments (PRI) ○ Governmental programs

SELF-SUFFICIENCY RATIO

Earned Income: Full Budget

Example: a ratio of 20% indicates that of a \$1 million budget, \$200,000 is earned income with the other \$800,000 coming from philanthropy, special events, and other sources. By increasing the self-sufficiency ratio, organizations can gradually lower dependency on fundraising, especially governmental grant income, to ensure organizational sustainability.

GUIDELINES FOR EARNED INCOME

Earned income has many advantages, but there are also pitfalls. For example, increased utility costs and equipment accompany facility rental; wear and tear due to extended use will also be hidden costs; legal and liability costs exist; and staff and board time are needed for set up, clean up and handling emergencies. Board members should consider:

- earning income from activities consistent with BGCA's affordable dues and fees standard;
- approving written policies and guidelines regarding income-generating activities;
- following the IRS' Unrelated Business Income Tax, which taxes earnings that compete with private industry;
- evaluating cost effectiveness based on "net" earnings once the associated activity costs are taken into consideration (cost of staff time in set up, clean up and logistics, management);
- budgeting for maintenance and replacement costs when setting club rental fees and depreciation cost;
- avoiding the temptation to chase market-driven dollars that compromise use of facilities or equipment or that interferes with effective programming and the Club's mission;
- protecting the Club with liability insurance, releases, contracts, and memoranda of understanding;
- engaging professional advisors (e.g., investment counsel, insurers, accountants, attorneys, etc.) when their services would aid the Club in making wise decisions;
- evaluating all income-generating activities periodically to judge effectiveness at increasing revenue, impact on staff time, and whether they should be continued/eliminated/altered.

INTEGRATING EARNED INCOME WITH OTHER CLUB GOALS

Perhaps the most successful strategies for earning income are those that can raise net income, increase the Club's positive public image, and support other Club goals. For instance, renting the Club's computer room and equipment to a middle school to conduct classes might familiarize new boys and girls with the Club, expanding your organization's outreach.

SEEKING SOURCES OF EARNED INCOME

Organizations often get "stuck" in their cultural traditions and are not open to new ideas for generating income. Negative aspects are over-emphasized, closing minds to new possibilities. Each Boys & Girls Club should **consult** other nonprofits to gain revenue-generating ideas. Boys & Girls Clubs of America staff can share information on how other Clubs generate income and provide benchmark data to support good board and staff decisions.