



# BETA THETA PI

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# Maximizing Revenue

Using Tax-Deductible Contributions to  
Subsidize Your Annual Operations

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# Today's Outcome

Basic understanding of the mechanisms of tax-deductible donations to fund building projects and your annual operations



# “Big Picture” Outcome

Financial management strategy for your  
house corporation that maximizes  
dollars and donations





# The Basic Concept

IRS allows donations to the Beta Theta Pi Foundation to be routed to local house corporations for certain building projects and operational costs.

These funds can only be used for portions of the house deemed “educational” in nature.

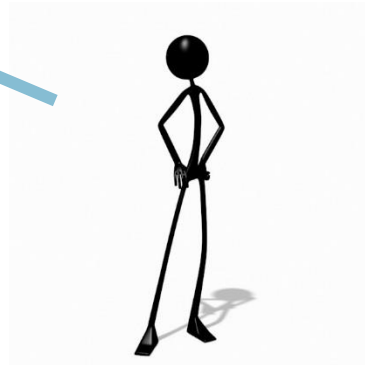


# The Basics

- 501c(7): Chapters, House Corporations, Alumni Associations
  - exempt from income tax
  - contributions are not tax-deductible for donors
- 501c(3): Beta Theta Pi Foundation
  - educational, charitable, social welfare
  - contributions are tax-deductible for donors
- DEA: Designated Educational Area
  - portions of the house used for educational purposes



# How Funds Flow



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# How Funds Flow



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# Resources

- <http://beta.org/foundation/dea-grant/>
  - Applications and Basic Information
- Cornerstone Housing Program
  - John Reineke ([john.reineke@beta.org](mailto:john.reineke@beta.org); 800.800.BETA)
  - Processes application; Reviews for Foundation Finance Committee approval; Authorizes fund dispersal
- Beta Theta Pi Foundation
  - Ryan King, Director of Advancement
  - Campaign design; Donor stewardship



# Resources

- IRS Memo: <https://www.irs.gov/pub/irs-tege/eotopicq99.pdf>
- Fraternal Law Partners
  - <http://fraternallaw.com/>
  - Fraternal Law Newsletter: <http://fraternallaw.com/library-annex/fraternal-law-newsletter/>





# The DEA Grant Application

- Lots of Required Paperwork
  - Certifies you are operating well
  - Detailed floor plans of facility
- Once approved, stays in place until material changes happen
- Serves as the basis for technology, furniture, and annual operating grants



# The Process: Construction

- Develop renovation / building plans
- Determine total square feet devoted to “educational space”
  - Final result is total educational % for your facility
  - Averages 25 – 35%
- Build campaign strategy
  - Donations to Foundation vs donations to house corporation
  - Cash flow
- Complete DEA application
- Reimburse house corporation from DEA grant for dollars spent on educational portions of the house
  - All funds are dispersed based on actual receipts / money spent

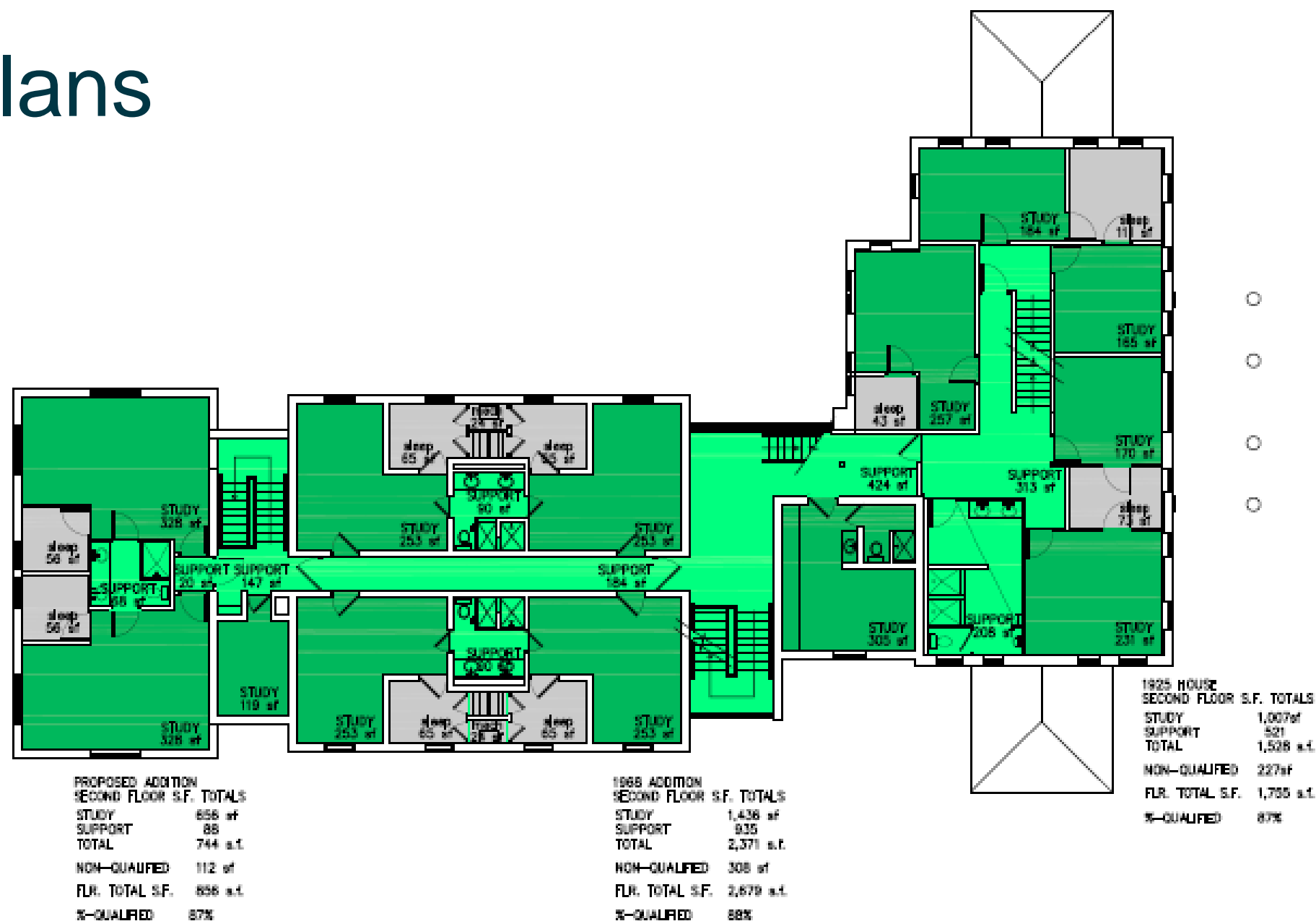




# Three Types of Space

- Non-educational
  - Kitchen, dining room
  - Chapter room
  - Sleeping space
  - Multi-purpose space
- Educational
  - Study
  - Library
  - Floor space in sleeping rooms allocated for desks
- “Access” or support space
  - Bathrooms
  - Hallways, stairwells, reasonable pathways

# Sample Plans







# The Calculation

$$\frac{\text{Educational Sq. Ft.}}{\text{Total Sq. Ft.} - \text{Access Sq. Ft.}} = \text{DEA \%}$$



# Example: New Build

- Assume facility is deemed 35% educational
- Assume \$3 million campaign
  - \$1,050,000 can be raised through Beta Foundation
  - Balance donated directly to house corporation
- Donations and reimbursements can continue through regular campaign pledge period
  - Typically 3 – 5 years





# Example: Renovation #1

- Assume facility is deemed 35% educational
- Assume renovation is going to touch entire facility
- Assume \$1 million campaign
  - \$350,000 can be raised through Beta Foundation
  - Balance donated directly to house corporation
- Donations and reimbursements can continue through regular campaign pledge period
  - Typically 3 – 5 years



# Example: Renovation #2

- Assume facility is deemed 35% educational
- Assume renovation is going to touch just the basement level
  - Study rooms, chapter room, bathrooms, laundry
  - We would calculate a “renovation percentage” and apply that instead
  - For this example: 50% of basement floor space is educational
- Assume \$250,000 campaign
  - \$125,000 can be raised through Beta Foundation
  - Balance donated directly to house corporation



# Technology & Furniture

- The purpose:
  - Use grant dollars to reimburse the house corporation for technology projects and furniture purchases
- The process:
  - After main application has been completed
  - Notify Cornerstone
  - Short application and accompanying receipts
  - In many cases, expenses are 100% reimbursable
    - Total cost of desks, chairs, lamps, furniture for library





# Annual Operating Grant

The purpose:

- Reimburse house corporation for annual operating expenses that support educational space

The process:

- After main application has been completed
- Notify Cornerstone
- At the end of FY, submit financials and receipts; get reimbursed for % of total expenses
- You can include anything that's part of your annual operating budget, including:
  - House director salary & expenses
  - Utilities
  - Mortgage payments



## Do This!

- Raise money for your house corporation through the Beta Foundation
- Tax-deductible for donors
- Apply for annual operating grant
- Get reimbursed from Foundation!



# Benefits

- Tax deductibility for donors
  - Parents, Friends of Beta, alumni, young alumni
- Beta Foundation handles receipts, address updates, etc.
- Easier to raise money
- Donors stay active; primed for next campaign





# CORNERSTONE

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HOUSING PROGRAM

We're here to help!

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