

# Right Revenue”

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We should be awake to the consequences, far and near, of the way we earn our living.  
-- Thich Nhat Hanh, The Heart of the Buddha's Teaching

As nonprofits we have access to several different streams of funding and while each of those streams offer us different benefits, each also requires us to develop different management structures and relationships. In years past, “revenue diversity” has often been lauded as the panacea of nonprofit financial management. However, as the sector matures, we are understanding more deeply the programmatic and infrastructure implications of different revenue strategies. Research by The Bridgespan Group, among others, has demonstrated that many organizations successfully grow through intentional investment in one type of revenue stream that is aligned with their work and intended impact (and yet still diversify among several sources). It's good to have one primary income type that is reliable and repeatable and a secondary unrestricted income source. Even having 8% of your income from annual giving can ease cash flow throughout the year. 8% is one month of operating expense!



With this in mind, the revenue question becomes not so much about how to diversify but about how to maximize the revenue streams that are most aligned with the organization's goals and values. In articulating and nurturing the funding model for an organization, it can be particularly helpful to think about the people behind the funding streams:

- ✓ **Who decides?** Within your principal source of funding, who are the particular set of people who dictate the flow of funds? What does that mean for the relationships and systems you need to attend to?
- ✓ **What are their motivations?** Thinking of these people specifically, what do they want to achieve – for themselves and/or their communities – by giving to your organization? How do they think about and assess the value that your organization delivers?

## **EXERCISE: Do you have 'Right Revenue'?**

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Does the current revenue mix reliably produce a modest surplus?

Are our largest sources of income paying for work that we deem essential to our intended impact?

Do we have a reliable source of unrestricted support?

Are we relying on a funding stream that is changing substantially, and is that change beyond our control or not?

Are we relying upon a funding stream that is misaligned with our organizational values?