

REVENUE STRATEGY IN 2026: USING A BUSINESS MODEL LENS WHEN CONSIDERING A STRATEGY SHIFT




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JANUARY 2026



Nonprofits, like for-profit organizations, can operate with a variety of different financial structures, and understanding what drives them is essential in good times and bad. In this article, we have chosen to categorize business models by revenue type because a nonprofit’s primary revenue source dictates to a great degree any number of other characteristics. These characteristics include leadership profile and capacity, administrative infrastructure, the transactions required to convert programmatic activity to income, and the degree of risk the organization runs when the external environment changes. These models and their characteristics can inform how an organization monitors its progress and assesses its financial health. A given business model can determine what constitutes an organization’s “authorizing” environment both in financial and compliance terms. The nature and preferences of the authorizing or dominant revenue source have profound effects on what nonprofits must and can do to survive or change course.



While a few nonprofits rely exclusively on a single type of funding, most have one predominant revenue stream that largely drives their characteristics for success. We see five basic categories of business models among nonprofits, which for a given nonprofit should be analyzed in order of the proportionate ratio of dollars in play:

- Individual donation funded
- Foundation funded
- Government funded
- Fee-based
- Membership funded

There are some complicating factors to consider given such simple categorization, such as the blocks of private fees originally made available and regulated by government, the overlap between many individually funded nonprofits and membership organizations, and the transitional state of organizations that are working to move from a reliance on philanthropic funding to government contracts as they scale. While these nuances require that leaders discern where complications may lie and address them, these five broad categories are effective as a guiding framework.

Additionally, some types of revenue models tend to predominate in certain fields of practice over others. For example, advocacy and organizing groups are often primarily foundation funded, while performing arts organizations tend to rely on fees from ticket sales. Community action agencies and human services organizations have models supported largely by government grants and contracts, while some nonprofits focused on generating funding for international relief and first responders tend to depend upon small individual donations. These variations by field and subsector create recognizable patterns of staffing, revenue producing transactions, and a host of other variables—which makes for the ability to discern elements of a working model for purposes of benchmarking. Bridgespan has referenced this tendency toward sameness in revenue models within certain fields in its research on how nonprofits grow really big. This same research also emphasizes that organizations that have been the most successful in scaling their operations almost always pursue a dominant revenue source that is a “natural match” for the organization. That said, there is no particular value placed by these authors on larger organizations.

Still, the “naturalness” of a particular match—that is, how a particular source of income syncs up with the nature of an organization’s mission, activities, and constituents—may make certain revenue replacement strategies more difficult. Transitioning revenue sources for a government-funded community health organization, for example, to rely on individual donations as a key source of revenue, is no easy task. Replacement or supplementation of one primary stream of revenue with another revenue type at any significant level generally requires extended infrastructure building—involving money, leadership energy and attention, and other forms of capital. For a nonprofit embarking on this path, understanding the feasibility of the proposed model, as well as the runway available to make it happen, is critical.

What follows is a view into the five nonprofit business models referred above and the characteristics of each that may impact the prospects for change in the near and far future.

SOURCE	SENSITIVITIES, RISKS, & CHALLENGES	LEADERSHIP CAPACITIES	INFRASTRUCTURE NEEDS	WHO PAYS?
INDIVIDUAL DONOR	<ul style="list-style-type: none"> • Reputational concerns on the part of the nonprofit and donors 	<ul style="list-style-type: none"> • Promotes high emotional consciousness of the organization as visible, public facing, and effective • Provides avenues for high prestige giving 	<ul style="list-style-type: none"> • Donation management systems to capture and retain donors' interests and confidence • Systems for surfacing potential high net worth donors and for discerning and addressing the donor's motivations 	<ul style="list-style-type: none"> • Small- to mid-size donors • High net-worth donors • Event participants • Donor-advised funds
FOUNDATION ("INSTITUTIONAL")	<ul style="list-style-type: none"> • Changing funder priorities which may be unanticipated • Requires an array of funders to maintain funding security 	<ul style="list-style-type: none"> • Influential, persuasive, and well-informed; able to effectively argue for programs • Capable of continuously updating maps of funding landscape 	<ul style="list-style-type: none"> • Grants management systems which track all stages of the grants process and requirements • Internal capacity to survey funders and determine program fit 	<ul style="list-style-type: none"> • Public or private foundations • Regranting intermediaries • Corporations • Each have institutional priorities and frameworks
GOVERNMENT	<ul style="list-style-type: none"> • Very low or negative financial margins • Political and policy changes may reduce or eliminate funding • Inflexible funding often designated to line-item level • High sensitivity to contracting processes 	<ul style="list-style-type: none"> • Good political instincts and healthy field networks that provide information early and often • Ability to mobilize stakeholders as constituents or advocates 	<ul style="list-style-type: none"> • Strong data collection mechanisms • Strong compliance mechanisms and culture • Strong financial systems that can forecast cashflow-related problems 	<ul style="list-style-type: none"> • Federal • State, sometimes as passthrough of federal • Local, sometimes as passthrough of federal, state, or county

SOURCE	SENSITIVITIES, RISKS, & CHALLENGES	LEADERSHIP CAPACITIES	INFRASTRUCTURE NEEDS	WHO PAYS?
FEE FOR SERVICE	<ul style="list-style-type: none"> Misreading market conditions Under-capitalization Extended under-performing against expectations Drift in mission focus, watering down of rather than emphasizing purpose and brand 	<ul style="list-style-type: none"> Continuously monitors need, potential competitors and collaborators, use and profit patterns Strategically distinguishes program in its market and develops a regular customer base Scans national and local trends and influences Scenario planning 	<ul style="list-style-type: none"> Business planning capacity Agility: excellent experimentation and measurement systems such as minimum viable product Accurate and effective pricing strategies Efficient billing and collection systems 	<ul style="list-style-type: none"> Customers who purchase goods, services, experiences
MEMBERSHIP	<ul style="list-style-type: none"> Internal dynamics and clarity of promises matter significantly in member-funded organizations Emphasis on transparency, clear processes and ground rules that allow reasonable dialogue among members 	<ul style="list-style-type: none"> Careful listening and highlighting of the reciprocal value between the organization and its members Ability to promote common ground while welcoming evolution Constant attention to metrics of service against promises made 	<ul style="list-style-type: none"> Member-focused communications and engagement is vital Effective dues collection systems Systems for convening to establish and reinforce agreed upon priorities 	<ul style="list-style-type: none"> Members who share a common cause, identity, or purpose

If your organization is looking to make a shift to a new revenue stream, look at what capabilities your organization has today. Where does the organization excel given the people, processes, and systems currently in place? Does your primary revenue source mimic the rest of the field? This may make a significant revenue switch harder to achieve as might an internal focus on existing infrastructure needs. Given the mission, activities, and constituents of the organization, what new model would be the most “natural” alternate fit? If the capabilities for that model do not currently exist, what investments will need to be made to build the necessary infrastructure? For example, membership-based nonprofits can effectively manage constituent data, engage and convene large groups, and process a high volume of small payments. Organizations funded by government typically excel in cash flow projections, compliance activities, and grants management.

Use the chart below as a starting point to identify where you have key organizational capabilities.

	INDIVIDUAL DONORS	FOUNDATIONS	GOVERNMENT	FEE FOR SERVICE	MEMBERSHIP
Constituent data management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Constituent stewardship	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grant writing & management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market prominence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market analysis & pricing strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsive communications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Liquidity management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Payment processing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inventory management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Shifting your revenue strategy may require a different array of staff, implementing new technology, and/or establishing or redefining processes and priorities. For instance, an organization seeking to develop an earned revenue stream for the first time may need to build competencies around market analysis and pricing as well as implement effective billing and collection systems. If establishing an individual giving program is the goal, efforts may center on raising brand awareness, building donor cultivation and stewardship skills among key staff and board members, and implementing systems to track and manage donor data.

Given the required investment of time and resources, seeing results may take longer than you expect. The length of an organization's financial runway is therefore an important data point to inform the course of action. Leaders should understand the amount of available liquid reserves, also known as LUNA (Liquid Unrestricted Net Assets), and the time horizon for change. If a funding loss or other disruption looms near, do you have the six months of reserves necessary to ride out the impact? Will those reserves also fund the infrastructure development needed to implement a new funding strategy? If an adequate financial runway doesn't exist, expansion into a new revenue model may not be the answer. Leaders in this situation may instead choose to head down an alternative path of revised service delivery, right sizing, or collaborative restructuring with a partner organization in order to preserve the delivery of the core mission.

Leaders are confronted with many choices in today's shifting landscape. If replacing lost revenue is a necessary piece of your sustainability plan, understanding the business model—with a focus on the dominant revenue source—can be a starting point to align mission, capabilities, and infrastructure with your evolving revenue strategy.



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