



INNOVATIVE NONPROFIT FUNDING MODELS

WISDOM WORKS COLLABORATIVE | SEPTEMBER 2025

GROUP DISCUSSION ON FUNDING MODELS

INNOVATIVE REVENUE GENERATION STRATEGIES

Outreach App Concept

A homeless outreach application concept is being explored to streamline service requests from community members. The app would allow users to report locations where outreach is needed, creating a queue system for deployment teams.

Key monetization opportunities identified:

- **Potential Revenue Streams:**
 - Instant donation feature comparing outreach costs (\$50) to police response costs (\$250)
 - Geographically-targeted local business advertisements for app users
 - Buy-one-give-one membership model integration
- **Data Collaboration Considerations:**
 - Integration with existing HMIS system addresses privacy concerns
 - Cross-organizational data sharing potential with Catholic Charities serving the same population
 - Enhanced service coordination through combined information resources

PROVEN COMMUNITY ENGAGEMENT MODELS

Tri-Lakes Care Success Stories:

- **Buy It Forward Program:** Pre-packed grocery bags (kept under \$10 for marketability, averaging \$8.86) placed at Safeway entrance—262 units sold in one day
- **Adopt a Shelf Initiative:** Six-month sponsorships for essential pantry staples (oils, flour, butter) that TLC typically must purchase rather than receive as donations
- **Senior Shopping Hours:** Dedicated Tuesday 9am quiet shopping time (vs regular Tuesday 11am opening) with volunteer personal shoppers, reducing crowding and improving accessibility
- **Community Grower Program:** Individual volunteer grows and delivers lettuce directly to TLC
- **Estate Planning Program:** Using the 'Free Will' platform, embedded Will Creation tools into the TLC website—nine households committed to including organization in estate plans in first year, building towards a legacy giving society.

Food Club Membership: A two-tier service model researched from Michigan combines traditional free food distribution with paid discount memberships. This approach:

- Serves broader community demographics without charity stigma
- Generates revenue while maintaining core mission
- Requires careful consideration of administrative burden and brand implications

Overhead Education Campaign: Coordinate another *Uncharitable* movie screening addressing nonprofit overhead misconceptions, particularly targeting elected officials who may not understand necessary administrative costs for organizational sustainability.

ALTERNATIVE MEMBERSHIP MODELS

Research identified successful models where members pay for organizational affiliation rather than direct services:

- **NRA Model:** Most funding comes from individual annual memberships providing organizational affiliation
- **Four Day Work Week Nonprofit:** Members gain voting power on advocacy priorities and policy directions
- Community connection focus over service benefits
- Democratic decision-making integration for organizational direction

OPERATIONAL EFFICIENCY OPPORTUNITY

Nonprofits could create **Shared Services Agreements** to collaborate on essential functions like Board of Cooperative Services model in education:

- Combined IT support across organizations
- Shared CFO/financial management services
- Administrative function consolidation
- Addressing personality and cultural compatibility challenges

WISDOM WORKS' RESEARCH

The evolving landscape of economic shifts, policy changes, and social justice challenges underscores the need for nonprofits to adopt innovative funding models and organizational strategies. The urgency for new approaches is heightened by potential declines in traditional funding sources. By embracing innovation, nonprofits can bolster their resilience, expand their reach, and secure long-term sustainability.

Below is a summary of innovative funding models, examples, and benefits for nonprofits drawn from [these sources](#).

1. BLENDED FINANCE

- **Model:** This approach **combines philanthropic capital with private investment** to fund large-scale projects, with donor funds often used to **de-risk investments** by covering early losses, thereby encouraging private investors to participate for a financial return [i, 40]. The HRI Framework views blended finance as an "innovative financial architecture" to "crowd in larger pools of investment capital" from institutional investors, banks, or Development Finance Institutions (DFIs).
- **Example: The Nature Conservancy's Model** includes \$10 million in donor funds to de-risk a \$40 million conservation project, making it more attractive for impact investors to contribute the remaining \$30 million. Another example is **Acumen's Hardest-to-Reach initiative**, which mobilizes \$250 million in blended finance to expand clean energy access in sub-Saharan Africa, backed by DFIs, impact, and commercial investors.
- **Benefit for Nonprofits:** This approach creates **diversified revenue streams** from donors, investors, and project income, reducing reliance on a single funding source which can be disrupted during economic downturns. It provides **self-replenishing capital** through loan repayments and ensures **built-in accountability** through performance-based returns, making it a **scalable model** adaptable to various contexts.

2. IMPACT BONDS / PAY-FOR-SUCCESS CONTRACTS

- **Model:** These are financial instruments where **returns to investors are directly based on the achievement of specific, measurable project outcomes**, rather than just the delivery of services. The HRI Framework highlights impact bonds as adapted fund structures for de-risking investments.
- **Example: The Nature Conservancy** issues environmental impact bonds where investor returns are tied to outcomes like acres restored or carbon offset. The **Denver Social Impact Bond (SIB)**, for instance, raised \$8.6 million from private and philanthropic investors to fund permanent supportive housing for chronically unhoused individuals. The City of Denver only repaid investors, with a small return, if independent evaluators confirmed specific success metrics like reduced jail days, sustained housing stability, and decreased emergency room visits. The **International Committee of the Red Cross (ICRC)** also implemented a humanitarian impact bond.
- **Benefit for Nonprofits:** This model **shifts financial risk away from the government** or traditional funders, making it ideal during economic downturns when public budgets shrink. It **links funding directly to outcomes**, attracts **new capital** from investors, and focuses on **long-term cost savings** by addressing root causes. It allows organizations to **pilot large-scale programs** without relying on traditional government or donor cycles and builds **credibility and sustainability** through clear, measurable outcomes and partnerships.

3. REVOLVING FUNDS & REVENUE-GENERATING ASSETS

- **Model:** This involves creating a **sustainable funding cycle** where money loaned out to projects is repaid and then reused. Additionally, organizations can own or co-own assets that generate long-term revenue.
- **Example: The Nature Conservancy** uses revolving loan funds that are continually recycled, and in some projects, they own **income-generating natural resources**, such as sustainably managed forests, to ensure long-term revenue.
- **Benefit for Nonprofits:** These mechanisms create **self-replenishing capital**, reducing dependency on continuous fundraising and providing a **diversified, long-term revenue stream**.

4. DIVERSIFYING REVENUE THROUGH MEMBERSHIP AND CONSULTING

- **Model:** Intentionally **broadening an organization's funding base** to avoid over-reliance on a few large donors or grants, often by engaging grassroots supporters through dues-paying memberships or by offering consulting services.
- **Example: Work Four**, an organization advocating for a four-day workweek, is actively transforming its 25,000 supporters into a **dues-paying membership structure** to derive a significant portion of its revenue directly from grassroots supporters. **BIA**, an intermediary supporting Black innovators, is exploring **multiple streams of revenue, including consulting**, by aligning these efforts with its core offerings and competencies.
- **Benefit for Nonprofits:** This strategy fosters **financial independence** and **grassroots power**, preventing a handful of large donors from dictating an organization's work. It also builds grassroots power by giving members democratic input. This helps organizations **weather political attacks** and funding uncertainties, as seen with conservative organizations that use membership dues for a significant portion of their funding.

5. STRATEGIC LEGAL STRUCTURES FOR FLEXIBILITY AND ADVOCACY

- **Model:** Organizations establish **multiple legal entities or structures** (e.g., a nonprofit with a for-profit subsidiary, or a 501(c)3/501(c)4 split) to conduct diverse activities, access varied capital, and manage different types of risk.
- **Example: Rhia Ventures** operates as a nonprofit that owns a venture fund through a **for-profit subsidiary**, explicitly reflecting its mission at the intersection of racial equity, women's health, and capital. **Work Four** employs a **dual hybrid 501(c)3/501(c)4 structure**, allowing it to engage in both charitable and political advocacy work restricted for 501(c)3s. Vishal Reddy noted that establishing these structures early, even without an immediate concrete plan, can be beneficial due to the lengthy setup process and relatively low filing costs.
- **Benefit for Nonprofits:** These structures offer **flexibility** to carry out a mission using different approaches, such as market-based solutions or direct political lobbying, which might be restricted under a single entity. They enable **proactive risk management** by separating activities and potential liabilities, making the organization less vulnerable to attacks and allowing for more robust legal defense. This provides "options for navigating the current environment".

6. EMBRACING RISK AND BUILDING COLLECTIVE POWER

- **Structured Risk Management:**
 - **Model:** This is a **systematic and proactive process** for identifying, assessing, prioritizing, and strategically responding to organizational risks. It moves beyond reactive, fear-based responses towards **values-driven decision-making** to safeguard the mission. This includes distinguishing between what is legally permissible and an organization's risk tolerance.
 - **Example: Rhia Ventures' "Operation Undaunted"** involved conducting legal and policy reviews, engaging in scenario planning for potential threats (like doxxing or lawsuits), and implementing a regular risk assessment process. This process categorized risks (e.g., legal, reputational, governance), assessed their impact and likelihood, and determined appropriate responses (avoid, accept, control, or transfer, such as increasing insurance coverage for potential litigation). This is an ongoing, weekly exercise.
 - **Benefit for Nonprofits:** This framework **reduces anxiety and "brings the temperature down"** of an overwhelming environment by providing a structured, organized approach to uncertainty. It enables organizations to clarify their **risk tolerance** and make **values-based decisions** that align with their mission and foster solidarity with others, rather than being driven by a false sense of safety. Proactive measures like strengthening cybersecurity and governance are also embedded.
- **Power of Solidarity and Strategic Risk Management:**
 - **Model:** Deepa Iyer emphasized that **solidarity can be a strategy to withstand, mitigate, and redistribute risk**, advocating for an ecosystem approach where organizations collaborate rather than focusing solely on self-preservation. This includes mobilizing with others facing similar threats, mapping less-impacted allies, and engaging in solidarity stances. This model also distinguishes **short-term scaffolding** (crisis response, e.g., fast infusion of resources, temporary coalitions) from **long-term anchoring** (deeper investments in internal capacity, culture, governance, and sustained trust-building with partners).
 - **Example:** Practical examples of solidarity include mutual aid efforts defending abortion clinics, class action litigation, cross-sector statements and narratives, mutual defense pacts (e.g., the Big 10 Academic Alliance providing legal representation), philanthropic backing, sharing back-end services, and local/regional/national tables for community defense. **Hello Alice**, a group providing grants to Black entrepreneurs, successfully

defended itself against a lawsuit challenging its grant program, demonstrating that **lawsuits are not always a negative outcome** and taking a stand can be justified and successful.

- **Benefit for Nonprofits:** This approach helps organizations **withstand, mitigate, and redistribute risk** by coordinating messaging and mutual defense. **Long-term anchoring** is crucial for an organization's **sustainability and resilience over decades**, addressing issues like burnout, fatigue, and the loss of institutional knowledge prevalent in the sector, and supporting consistent base-building within communities. It demonstrates that **"risk is inherently part of this work"** and pushing forward can lead to positive results.

7. HUMANITARIAN & RESILIENCE INVESTING FRAMEWORK: AN INTEGRATIVE APPROACH

- **Model:** The Humanitarian and Resilience Investing (HRI) Framework offers a new model for multi-stakeholder collaboration to mobilize capital and deliver transformative outcomes in "frontier markets" by strategically integrating existing efforts like blended finance and innovation-friendly procurement, shifting from short-term fixes to long-term value creation. This framework has five major components:

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| Aligning Investment Decisions with Local Needs and Realities | <ul style="list-style-type: none"> ▪ Model: Places humanitarian and development actors, NGOs, and community voices at the table from the start as critical advisors to identify contextually grounded and socially relevant investment opportunities. This converts social insight into market intelligence. ▪ Example: A Development Finance Institution (DFI) could partner with a peacebuilding organization to conduct a conflict sensitivity study in a frontier market, guiding investments to minimize risks of exacerbating tensions and promote peace. ▪ Benefit for Nonprofits: Ensures investments are both economically viable and socially responsible by integrating deep community roots and insights. |
| Engaging Local Communities and Development Actors Post-Investment | <ul style="list-style-type: none"> ▪ Model: Community inclusion is not just for identifying opportunities, but for ensuring long-term accountability, trust, and shared value after an investment is made. It is a critical risk-mitigation tool and a foundation for a social license to operate. ▪ Example: Interpeace's Peace Bonds project in northern Ghana and Burkina Faso supported a 50 MW solar farm. By embedding community-led land dialogues, benefit-sharing agreements, and peacebuilding partnerships, the initiative significantly reduced perceived conflict risks and lowered financing costs by two percentage points. ▪ Benefit for Nonprofits: Enhances investor confidence through inclusive, locally grounded governance, reducing perceived risks and financial costs. |
| Enhancing Collaboration Among Capital Providers | <ul style="list-style-type: none"> ▪ Model: Recognizes investors as a heterogeneous group, from "impact first" to "commercial interest first," with different capital and support (e.g., technical assistance) across financing stages. Connecting this support creates a "pipeline-building mechanism" where each investor helps businesses grow to the next stage. ▪ Example: elea blends philanthropic capital with hands-on business mentorship and strategic investor guidance to support locally driven, high-impact enterprises at the early and growth stages, enabling a smoother transition to follow-on investment. ▪ Benefit for Nonprofits: Strengthens ventures and makes them "investor-ready" for subsequent phases, building confidence for later-stage investors. |

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| Structuring Capital to De-risk Investments | <ul style="list-style-type: none"> ▪ Model: Innovative financial architectures, such as blended funds or impact bonds, are adapted to fit the characteristics of frontier markets to invest in small and medium-sized enterprises (MSMEs). These structures become a conduit to crowd in larger pools of investment capital from institutional investors, banks, or DFIs. ▪ Example: Acumen's Hardest-to-Reach initiative is mobilizing \$250 million in blended finance to expand clean energy access in sub-Saharan Africa's most under-served markets, with backing from DFIs, impact, and commercial investors. ▪ Benefit for Nonprofits: Allows organizations to access larger pools of investment capital that might otherwise not engage, specifically tailored for complex, challenging contexts. |
| Leveraging Procurement as a De-risking Mechanism | <ul style="list-style-type: none"> ▪ Model: Reframes procurement from mere logistics to a powerful de-risking tool for investment. When humanitarian and development actors procure goods and services from local impact businesses, they provide a stable demand signal and a runway to scale. ▪ Example: Innovation Norway's Humanitarian Innovation Programme supports humanitarian agencies in transforming their traditional tendering processes to de-risk and accelerate innovations originating from the private sector. ▪ Benefit for Nonprofits: This purchasing behavior legitimizes local ventures and builds market confidence, effectively becoming a form of catalytic capital and providing a "runway to scale" for impact businesses. |

SOURCES:

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