



Financial First: Revenue as Resilience

*How Can Early Revenue Experiments Spark
Long-Term Sustainability?*

CASE STUDY 05

Financial First

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This case was written solely to provide material for learning. It does not illustrate either effective or ineffective handling of a managerial situation. Certain names and identifying details are fictionalized.

Quick Facts

- 30+ nonprofits participated
- Several used their test results to secure further support or partner buy-in

Industry Facts

- Earned revenue contributes an estimated 3–5 billion dollars annually to the Canadian nonprofit sector (Buy Social Canada, [Marketplace Impact Report](#); Canadian CED Network Social Enterprise Sector Survey).
- For nonprofits with established social enterprises, earned revenue can represent up to 30 percent of total income (Imagine Canada's [Sector Monitor Report](#)).
- Fewer than 10 percent of nonprofits report confidence in pricing, market validation, or financial modeling (Ontario Nonprofit Network, [2023 ONN Sector Survey](#)).
- Global Social Enterprises generate approximately 2 trillion USD annually and employ more than 200 million people (World Economic Forum & Social Enterprise UK, [Global State of Social Enterprise Report](#)).
- 60 percent of nonprofits reported increased demand in 2023, while only 24 percent reported increased capacity (Carleton University, [Canadian Nonprofit Sector Survey](#)).



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Introduction

As donor priorities shift, competition for funding increases, and community needs grow, nonprofits are increasingly realizing they can't rely on traditional grant cycles alone. Many are exploring income-generating enterprises as a way to enhance their programs and services, achieve their missions more effectively, and diversify their funding bases. In fact, the [Canadian Social Enterprise Guide](#) notes that revenue is among the top three reasons nonprofits pursue social enterprises. This urgency is also underscored by sector data: 60 percent of nonprofits report rising demand while only 24 percent report increased capacity (Carleton University, 2023).

However, rushing into social enterprise without the right foundation can do more harm than good. That's where the "Financial First" approach highlighted in this case study comes in. [Innovate Calgary's](#) Business Model Enhancement Program (BMEP) adopted this approach to allow organizations to use a low-risk, high-insight entry point to build financial confidence, test ideas, and understand their customers before committing to a business model. Instead of force-fitting enterprise onto mission, this approach helps nonprofits learn their way into long-term sustainability.

“Financial sustainability doesn’t start with a full business plan; it starts with a pilot or test.”

— Executive-in-Residence, Innovate Calgary

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Executive Summary

Understanding nonprofit struggles around financial sustainability

Through her extensive work with nonprofits, the BMEP program lead and Executive-in-Residence at Innovate Calgary, observed a general lack of business acumen amongst nonprofits when it came to generating revenue.

This pattern aligns with national findings showing fewer than 10 percent of nonprofits feel confident in pricing, customer identification, or market testing (ONN, 2023). Overreliance on grants created stagnation, hesitation, and lost opportunities.

Many are stuck in confusion over which structures to use; unsure about legal models, CRA regulations, and whether they needed to create a separate entity to pursue social enterprise. The stagnation in revenue generation and the over-reliance on grants was creating a cycle of inaction, confusion, and diminishing confidence.

Focusing on revenue-first experimentation with support

Innovate Calgary decided to focus its Phase 1 of the Business Model Enhancement Program (BMEP) on revenue generation. Participating nonprofits received upfront funding of \$5,000 through the Government of Alberta to start testing revenue streams through micro-experimentation. The goal was to create space for nonprofits to start small earned revenue experiments that would build momentum, confidence, and insight. This approach aligns with global evidence that organizations with diversified revenue streams have stronger long-term financial resilience (Stanford Social Innovation Review, 2021).

Shifting to a sustainability mindset from a grant-dependency mindset

Nonprofits across Alberta, including those focused on youth employment, mental health, and newcomer and community development services, participated in Financial First pilots. Several used insights from this early experimentation to engage their Boards, revise program structures, or initiate partnerships with local businesses. Many identified viable opportunities worth deeper exploration. This mirrors international data showing that revenue diversification is one of the strongest predictors of nonprofit longevity (OECD & WEF, Social Enterprise and Social Finance Review).

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Challenge: Unpacking roadblocks to social enterprise readiness

Common Questions: Do we need to incorporate a separate entity? How do CRA rules apply? Who will pay for this?

The lead of the Business Model Enhancement Program (BMEP) and Executive-in-Residence at Innovate Calgary, noticed that many nonprofits were caught up in confusion over which legal structures to use, revenue, and accounting when it came to pursuing social enterprise.

"The first question I usually get when I start talking to a nonprofit about sustainability and social enterprise is: Do I have to start another entity?" they said.

As a result, Innovate Calgary's Business Model Enhancement Program (BMEP) started with the aim of nurturing a thriving social enterprise ecosystem within Alberta with the goal of observing and understanding these challenges.

Innovate Calgary found that many nonprofits were looking to expand their missions through a consultancy service. However, they were in need of general business acumen around creating a viable revenue stream for the organization. Sector-wide studies confirm that rigid funding, lack of organizational business literacy, and risk-averse governance structures are top barriers to earned revenue (Imagine Canada, "Shifting Power in the Nonprofit Sector," 2023).

"The biggest question was: Who is going to pay for this?" says the EiR. "The lack of business acumen was driven by a lack of market research, understanding of how their product could be differentiated, and understanding of the competitiveness of consultancy work."

They saw a disconnect, funders expected nonprofits to pursue sustainability, but the sector wasn't equipping them with the education to do so.

"At an ecosystem level, we're not really providing that education for them to understand how to build a social enterprise," says the EiR and BMEP program lead.

They also noticed a funding gap: most grants were restricted to specific program use, leaving little room for the kind of experimentation needed to explore social enterprise. Nonprofit boards were another common barrier: many were wary of revenue generating activities and viewed "profit" with suspicion.

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Solution: A “Financial First” phase designed to facilitate revenue experimentation

These insights led BMEP to adopt a “Financial First” approach in Phase 1, offering nonprofits \$5,000 in upfront funding through the Government of Alberta. The goal: create space for small earned revenue experiments that build confidence, traction, and strategic insight.

By removing pressure to “succeed” in the commercial sense, organizations could test ideas, gain market insight, and build internal capacity in a way that supported long-term growth rather than short-term optics. Innovate Calgary provided upfront funding, simple tools, and coaching. The intent was learning, not commercial success. This mirrors global research showing that early, low-stakes experimentation helps nonprofits build financial competencies without jeopardizing mission or stability (Social Enterprise UK, 2022).

Innovate Calgary also created lightweight planning tools and optional coaching to help nonprofits move from idea to action quickly and confidently.

One of the tools used was the “one-pager test plan.” It helped nonprofits write a workback schedule for their experiments, in addition to providing evaluation frameworks.

Optional 1:1 coaching sessions were also provided to build confidence and adapt iteratively. At the end of Phase 1, nonprofits were supported in using reflection tools to distill their learnings into next steps.

***“Earned revenue is not a luxury.
It’s a learning tool.”***

— Executive-in-Residence (EiR), Innovate Calgary

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Results: Transforming the way nonprofits think about revenue and sustainability

Nonprofits began to see themselves as value creators, not just grant recipients.

Nonprofits across Alberta, including those in youth employment, mental health, and newcomer and community development services, participated in these "Financial First" pilots.

Many leveraged results to secure partners, refine pricing, and align programs to market demand.

The mindset shift around early revenue experiments reflects findings from the WEF Global Social Enterprise Review, which identifies value-creation identity as a key predictor of enterprise readiness.

WEF Global Social Enterprise Results included:

- 60% identifying viable opportunities
- 30% ruling out ideas early
- 80% improving Board/staff engagement
- 100% reporting increased enterprise confidence

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Initial Findings

The pilots allowed the organizations to begin seeing themselves as capable of generating value in the market. Not as a pivot from their mission, but an extension of it. They were able to shift from a grant dependency mindset to one of entrepreneurship and sustainability. However, BMEP learned that \$5,000 was not sufficient. In some examples with nonprofit leaders in BMEP, it provided the funding for a resource to pursue further funding.

The revenue-first experimentation was an innovative approach designed to break through the cycle of hesitation, doubt, and inaction by giving nonprofits permission, support, and tools to test revenue streams early, before they felt fully "ready."

Findings from a similar WEF Global Social Enterprise Review showed 60% of nonprofits that participated in the WEF program identified viable opportunities worth deeper exploration, and 30% were able to rule out ideas early, saving them significant future cost and effort. Eighty percent of the participating nonprofits reported improved staff and board engagement on financial sustainability, and many used test results to secure further support or partner buy-in.

Through its own BMEP program with 30+ nonprofits, Innovate Calgary was able to guide organizations through ideation, better pricing of their products and services, and strategic positioning and delivery. All of the participating nonprofits reported increased enterprise confidence at the end of the pilot program.



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Key Lessons & Takeaways

Sustainability is a learning process, not a static destination

The sustainability learning process is adaptive and begins with practical revenue experimentation

Revenue experimentation creates mindset shifts

When nonprofits are able to generate revenue, they begin viewing themselves as creators of value, not just recipients of funding.

Progress in sustainability is better than perfection

Starting small creates momentum, confidence, and insight, which provide the foundation for long-term sustainability.

Discussion Questions

1) How do revenue experiments contribute to enterprise readiness?

2) How can funders create space for nonprofits to experiment with earned revenue early on?

3) What role should ecosystem builders play in supporting long-term sustainability for nonprofits?

4) What misconceptions do nonprofit leaders and boards hold about earned revenue and how can they be addressed?