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Navigating Revenue Diversification: Balancing Financial Sustainability and Mission Alignment in Small Environmental Nonprofits

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By

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Abstract

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Small environmental nonprofits play a crucial role in building ecological resilience in California's wildfire-prone regions. However, they face persistent challenges, including limited infrastructure, unstable funding, and increasing competition for grants and donations. This qualitative study examines how these organizations strike a balance between revenue diversification and mission alignment to maintain financial sustainability. Based on semi-structured interviews with executive directors, board members, and program managers, the research highlights key internal decision-making processes, governance dynamics, and adaptive strategies employed by organizations. Findings reveal the tension between expanding revenue streams and staying true to environmental values, shaped by regional risks and capacity constraints. The study offers policy recommendations to bolster resilience through stronger board leadership, integrated planning, and more accessible funding tools. It contributes to the literature on nonprofit finance, governance, and climate adaptation in community-based environmental contexts.

Section I: Introduction

Small environmental nonprofit organizations play a crucial role in promoting sustainability, protecting biodiversity, and mitigating the impacts of climate change; however, they are particularly vulnerable to financial instability, which threatens their ability to deliver programs, retain staff, and engage in strategic planning (Irvin & Furneaux, 2022). Small environmental nonprofits make significant contributions to ecological conservation while also strengthening local communities through education, engagement, and place-based restoration efforts (National Council of Nonprofits, 2023). These organizations often integrate ecological restoration with community outreach and environmental education, as demonstrated by initiatives like TreePeople's urban greening and school-based programs (TreePeople, n.d.). Similarly, Wild Farm Alliance illustrates how nonprofits promote habitat restoration while working closely with local farmers and community partners to advance biodiversity and sustainable land management (Wild Farm Alliance, n.d.).

Despite their vital public service, many face deep financial insecurity: a staggering 73% of nonprofits cite long-term financial sustainability as their most significant challenge, with staffing shortfalls and decreases in charitable giving compounding the problem (Independent Sector, 2024; National Philanthropic Trust, 2023). The financial vulnerability of small nonprofits can disrupt program continuity, hinder workforce stability, and weaken their ability to plan strategically. These challenges are underscored in recent studies on nonprofit financial reserves and risk management (Irvin & Furneaux, 2022). One of the strategies proposed to address this instability is revenue diversification, which involves developing multiple income streams to reduce reliance on a single source of revenue. Many praises diversification for enhancing financial resilience, but it also introduces risks, such as administrative burdens, mission dilution, and governance complexity (Hung & Hager, 2019; Choi, 2025).

This proposed research examines how small environmental nonprofits can balance the need to diversify income sources by maintaining alignment with their mission of environmental stewardship. It centers on the research question: What approaches do these organizations use to balance revenue diversification with mission-driven sustainability? The goal is to inform future research and provide a foundation for evidence-based insights that help nonprofit leaders, funders, and public administrators strengthen financial resilience and protect mission integrity, consistent with recent findings on reserve strategies and organizational readiness (Irvin & Furneaux, 2022).

Environmental nonprofits, especially smaller ones with limited staff and infrastructure, often face barriers to implementing diversified funding strategies effectively. Unlike larger organizations, they may lack development professionals, robust donor databases, or financial reserves (Goldberg, 2018). Earned income strategies, such as workshops, consulting, or product sales, can offer promising new revenue streams; however, these approaches come with significant operational demands. They require investment in staff time, marketing, accounting systems, legal compliance, and administrative resources that small nonprofits frequently struggle to access (Bruder, 2025; Goldberg, 2018). Without adequate capacity, these organizations risk overextending themselves or pursuing funding strategies misaligned with their core mission.

The purpose of this proposed research is to examine how small environmental nonprofit organizations navigate the complexities of revenue diversification while maintaining mission alignment in high-risk, climate-affected regions. This study aims to identify the internal and external conditions under which diversification strategies enhance or undermine organizational sustainability and values. Drawing on nonprofit finance literature and strategic management theory, it offers practical recommendations for nonprofit leaders and funders seeking to support long-term resilience through financially adaptive, mission-driven practices (Hung & Hager, 2019).

Existing research highlights both the promise and pitfalls of revenue diversification. Hung and Hager (2019) found, through a meta-analysis, that nonprofits with multiple revenue streams tend to exhibit greater financial health and resilience; however, outcomes can vary by organizational size and structure. Similarly, Chikoto and Neely (2014) argue that diversification enhances financial capacity when supported by appropriate infrastructure, a claim echoed in more recent research emphasizing the importance of organizational reserves and readiness (Irvin & Furneaux, 2022). Bruder (2025) argues that as nonprofits adapt to changing funding environments, vigilance is required to avoid unintended shifts in practice that may erode stakeholder trust and organizational coherence.

Despite this growing body of literature, a lack of empirical focus persists on small environmental nonprofits. Most existing studies either focus on large national organizations or aggregate data across nonprofit subsectors (Hung & Hager, 2019). A recent meta-analysis confirms this trend, highlighting a persistent gap in research specifically targeting the financial behavior and sustainability strategies of small environmental nonprofits (Goldberg, 2018). This proposal focuses on a specific group of organizations, comprising nonprofits with annual budgets of less than $1 million. These organizations are engaged in conservation, environmental education, and fire resilience, and the proposal aims to assess how they navigate revenue diversification in this context. The research design outlines a document-based case analysis approach where the study examines Form 990s, strategic plans, and program descriptions from three selected nonprofits to explore their financial strategies and organizational behaviors. The objective is to develop a conceptual framework and methodology for future analysis and evaluation.

In the context of public administration, this investigation holds relevance. Nonprofit organizations play a crucial role in implementing public policy, particularly in areas such as environmental sustainability, public health, and community development (Goldberg, 2018). Understanding how these organizations maintain operational viability and accountability under financial pressure is essential to effective governance and partnership. Moreover, the research addresses broader concerns about capacity-building, nonprofit accountability, and the impact of philanthropic and government funding on shaping organizational behavior (Goldberg, 2018).

For this proposal, we define several terms to ensure clarity. Revenue diversification involves developing multiple income streams, such as grants, donations, contracts, and earned income, to reduce dependence on a single funding source and enhance financial health (Hung & Hager, 2019).

Maintaining mission alignment over time requires active oversight, particularly as financial decisions evolve. Bruder (2025) notes that practice drift often occurs not through deliberate shifts in mission but through gradual operational changes that disconnect day-to-day activities from original ethical commitments. This dynamic becomes especially relevant when organizations experiment with new revenue strategies, as even well-intentioned diversification efforts can unintentionally contribute to misalignment if not guided by clear values and objectives. Earned income includes revenue generated through the sale of mission-related goods or services, such as consulting or education programs, which often require upfront investment and operational capacity (Mayer et al., 2014; Irvin & Furneaux, 2022).

Small Environmental Nonprofits are defined here as organizations with annual operating budgets under $1 million that engage in ecological conservation, education, or habitat restoration. These smaller nonprofits often lack sufficient financial reserves and operational infrastructure, placing them at greater risk during fiscal shocks (Irvin & Furneaux, 2022).

The significance of this proposed research lies in its potential to inform both practice and policy. As climate change, biodiversity loss, and wildfire risk intensify, the work of environmental nonprofits becomes more urgent (TreePeople, n.d.; Wild Farm Alliance, n.d.; EPA, 2023; IPCC, 2023). However, many of these organizations operate in resource-constrained environments where the pressure to diversify funding is high, but support systems are limited (Irvin & Furneaux, 2022; Nonprofit Finance Fund, 2022; Independent Sector, 2024). This proposal aims to contribute practical recommendations for nonprofit executives, funders, and policymakers committed to strengthening the sector's financial resilience without compromising its mission.

Section 2: Background

Small environmental nonprofit organizations play a critical role in advancing ecological sustainability and community-based conservation efforts. They often address land preservation, wildfire resilience, habitat restoration, and sustainable landscaping, stepping in where public agencies or private firms cannot. These nonprofits are also essential to disaster resilience and recovery, particularly in areas vulnerable to wildfires (Nordin, Khatibi, and Azam, 2024). Their localized knowledge and nimbleness enable them to respond rapidly to environmental challenges and civic needs. However, they frequently operate with limited financial resources, which constrains their ability to engage in long-term strategic planning and scale their impact (Nordin, Khatibi, & Azam, 2024).

In regions like California, where climate change and escalating wildfire risks intersect with ambitious state-level sustainability mandates, the role of intermediary or “backbone” organizations has become increasingly essential. These nonprofits facilitate coordination among government agencies, scientific experts, and local communities to develop place-based, adaptive responses to environmental challenges. However, such organizations often face persistent barriers to sustainability, including highly competitive funding environments, reliance on short-term grants, and the administrative burden of navigating multiple reporting requirements. Structural challenges are common in place-based approaches and can hinder the long-term impact of local environmental initiatives (Goldberg, 2018).

Unlike larger nonprofits that benefit from economies of scale and well-developed infrastructure, small environmental nonprofits often rely on minimal staff and limited administrative systems (Nordin, Khatibi, & Azam, 2024). Nonprofit organizations often operate with limited budgets and rely heavily on short-term or restricted sources of revenue, such as foundation grants or government contracts (Goldberg, 2018). This reliance creates a cyclical challenge: their limited capacity hinders their ability to pursue more complex revenue streams, which in turn perpetuates financial instability (Searing, Wiley, & Young, 2021)..

The constraints faced by organizations become more severe due to rising operational costs, shifting donor expectations, and stricter compliance requirements. As the demand for digital infrastructure and higher staff compensation grows, it puts additional pressure on already tight budgets. As a result, many small organizations scale back their programming or rely heavily on unpaid labor, which threatens their sustainability and limits equitable service delivery (Walk, Curley, & Levine Daniel, 2022).

To address these vulnerabilities, many small nonprofits adopt revenue diversification strategies grounded in resource dependence theory, which emphasizes that dependence on a narrow range of funding sources limits flexibility and sustainability (Berrett & Holliday, 2018). Common diversification tactics include earned income ventures (e.g., plant sales, workshops), donor cultivation, and cross-sector partnerships (Goldberg, 2018). However, implementing these strategies often requires administrative planning and financial management capacity that many small organizations lack (Berrett & Holliday, 2018).

While diversification can strengthen fiscal stability, it often necessitates a cultural shift, which involves a change such as relying on grants to adopting entrepreneurial approaches. Environmental nonprofits are increasingly pursuing earned income strategies through activities such as nursery operations, ecological restoration services, and educational workshops (Goldberg, 2018). These models not only provide alternative revenue streams but also align with mission-focused outcomes, offering a more integrated path toward sustainability (Walk, Curley, & Levine, 2022).

Small nonprofits often face a pronounced risk of mission drift because their leadership frequently juggles multiple roles. This situation makes it challenging for them to distinguish between immediate financial pressures and long-term strategic priorities. Reactive diversification, pursued without a clear connection to the organization's core mission, can lead to confusion among staff, weaken stakeholder trust, and disrupt overall organizational coherence (Walk, Curley, & Levine, 2022).

The risk of drift is especially acute for small nonprofits where leaders wear multiple hats, making it difficult to separate short-term funding needs from long-term strategic vision. When diversification is reactionary rather than planned, it can create confusion, internal conflict, and diminished legitimacy (Searing, Wiley, & Young, 2021).

Strong governance can help manage these risks. Boards of directors are responsible for safeguarding the organization's mission while ensuring financial sustainability (Bryson & George, 2024). Many small nonprofits struggle with underdeveloped boards composed of volunteers with limited experience in nonprofit management. This situation leads to reactive decision-making and a lack of investment in necessary infrastructure (Searing, Wiley, & Young, 2021). Without strategic tools such as dashboards, logic models, and planning frameworks, diversification efforts may place additional strain on organizations rather than strengthening them (Berrett & Holliday, 2018).

When appropriately executed, capacity-building efforts like investing in governance training, hiring qualified administrators, and establishing partnerships with intermediary organizations can significantly enhance support. These collaborations can offer shared services or technical assistance, enabling small nonprofits to concentrate on their core mission while simultaneously strengthening their resilience (Nordin, Khatibi, & Azam, 2024).

Small environmental nonprofits operate in a high-stakes, resource-constrained environment where funding decisions directly affect their effectiveness and identity. Revenue diversification presents both opportunity and risk, requiring careful alignment between financial strategy, governance, and mission fidelity. Understanding how these organizations navigate financial challenges is critical not only for nonprofit leaders but also for funders and policymakers committed to advancing equitable, community-based solutions to environmental threats (Searing, Wiley, & Young, 2021).

Section 3: Literature Review

Literature on small environmental nonprofits has consistently highlighted their crucial role in promoting ecological sustainability, particularly in underserved or high-risk areas. Scholars have examined how these organizations deliver vital services such as wildfire mitigation, habitat restoration, and regenerative land management, despite often lacking the infrastructure and financial security of larger institutions (Goldberg, 2018; Nordin, Khatibi, & Azam, 2024). Research has also examined the structural challenges these nonprofits face, including small staff sizes, limited financial resources, and dependence on short-term or restricted funding. These factors make long-term planning difficult and limit their ability to grow and operate effectively (Walk, Curley, and Levine Daniel, 2022). In response, many have turned to revenue diversification as a strategy to stabilize finances and reduce risk (Hung & Hager, 2019; Mayer et al., 2014).

However, the literature has also raised concerns about the potential for mission drift when nonprofits pursue income-generating strategies that stretch organizational capacity or shift priorities (Young, 2022; Bruder, 2025). Studies have analyzed how these pressures intensify in environmentally volatile contexts, such as California, where nonprofits act as coordination hubs for cross-sector partnerships while simultaneously navigating rising compliance costs, technological demands, and competition for limited funds (Searing, Wiley, & Young, 2021; Goldberg, 2018). This body of research provides the foundation for examining how financial strategies intersect with mission integrity, particularly within small environmental organizations operating in regions affected by climate change.

Financial Capacity and Infrastructure Limitations

Financial and administrative capacity form the foundation of nonprofit sustainability, yet many small environmental organizations operate under persistent infrastructure challenges. These challenges limit their ability to pursue diversified funding strategies, respond to changing conditions, or engage in meaningful long-term planning. Across the literature, researchers consistently find that a lack of internal capacity reduces organizational flexibility and constrains innovation, which in turn weakens financial resilience (Nordin et al., 2024; Searing et al., 2021; Walk, Curley, and Levine Daniel, 2022).

Staffing is a critical factor in this dynamic. Studies show that many of these organizations rely on part-time employees or volunteers to perform core administrative functions (Walk, Curley, & Levine Daniel 2022). While this model may be affordable in the short term, it restricts the time and expertise available for building new funding streams. Administrative burdens related to grant applications, donor engagement, or compliance reporting often fall on a small leadership team with limited support. As a result, opportunities to pursue strategic or unrestricted funding are either missed or delayed (Searing, Wiley, & Young, 2021).

Technology gaps further compound these difficulties (Goldberg, 2018). Without access to integrated data systems, digital fundraising tools, or reliable accounting software, many small nonprofits struggle to track and report on multiple revenue streams efficiently. Goldberg (2018) demonstrates that stewardship networks in California face challenges in expanding their work without centralized coordination platforms or sustained investment. In such cases, the absence of infrastructure prevents organizations from forming effective partnerships, sharing resources, or scaling collective initiatives. These limitations are particularly evident during periods of financial stress, such as economic downturns or delays in grant disbursements, when basic expenses must take priority over strategic investments (Searing et al., 2021).

These conditions point to a deeper structural problem. As Walk et al. (2022) observe, philanthropic competition increasingly favors organizations with strong infrastructure, professional grant-writing skills, and advanced data reporting capabilities. In contrast, many small nonprofits are overlooked, not because of mission failure but because they cannot present their work within the metric-driven frameworks expected by funders. Bryson and George (2024) note that even strategic planning, which could help guide mission-aligned revenue development, is often set aside in favor of daily survival due to limited time, staffing, and the absence of reliable forecasting tools. Viewed through the lens of Resource Dependence Theory, these findings emphasize that capacity is not just an operational issue. It is a strategic factor that shapes how and whether an organization can diversify its revenue without compromising its mission. The ability to assess funding opportunities, invest in infrastructure, and adapt to external pressures all depend on internal strength (Bryson & George, 2024). For small environmental nonprofits, the challenge is not simply whether to diversify, but how to do so in a way that aligns with their core values and resource limitations. In this context, identifying adaptive approaches becomes central to understanding how these organizations transition from reactive management to long-term sustainability.

Revenue Diversification and Resource Dependence Theory

Revenue diversification is often presented as a pathway to greater financial stability, especially for small mission-driven nonprofits operating in uncertain economic or ecological conditions (Hung & Hager, 2019; Berrett & Holliday, 2018). For organizations in the environmental sector, where funding is often episodic or tied to specific policy trends, diversification can provide a buffer against financial disruption (Mayer et al., 2014). Resource Dependence Theory helps explain this dynamic by showing how reliance on a narrow set of funders can limit an organization's autonomy and increase its vulnerability to external control (Hung & Hager, 2019). Diversifying revenue, then, becomes not only a financial strategy but also a means to protect mission integrity and strengthen organizational independence.

However, literature makes clear that diversification is not always beneficial (Mayer et al., 2014). Its success depends heavily on the internal capacity of the organization, including leadership strength, infrastructure, and alignment between funding strategies and core mission. Across multiple studies, researchers find that when small nonprofits attempt to diversify without sufficient planning or administrative support, the result can be financial inefficiency or even mission drift. For instance, Berrett and Holliday (2018) and Hung and Hager (2019) show that revenue diversification contributes to resilience only when supported by strong management practices and clear strategic goals. Their findings suggest that diversification does not automatically reduce dependency; it simply reshapes it. Without the capacity to manage multiple funding sources, nonprofits may find themselves burdened by compliance demands or fragmented priorities (Hung & Hager, 2019).

Mayer et al. (2014) expand on this point by warning that unplanned diversification can create new vulnerabilities. Organizations may invest time and resources into managing revenue streams that offer low returns or high administrative costs. Walk et al. (2022) and Searing et al. (2021) provide case examples of small nonprofits adopting earned income strategies in response to external pressure, only to find that these efforts are difficult to sustain. These attempts often lacked a clear connection to mission or long-term goals, leading to increased staff stress and diluted impact. In such cases, diversification became reactive rather than strategic, stretching limited resources and distracting from core programs.

Taken together, these studies suggest that diversification is not a static outcome but a dynamic process shaped by organizational readiness and external context. For small environmental nonprofits, the challenge lies in maintaining clarity of purpose while adapting to an unpredictable funding landscape (Searing, Wiley, & Young, 2021). These organizations often pursue highly specialized missions and have minimal staffing. This structure means that even small changes in funding can disrupt their internal alignment (Walk, Curley, & Levine Daniel, 2022). Therefore, they must carefully manage the pursuit of revenue diversity to avoid undermining the core values that drive their work (Bruder, 2025).

When viewed through the lens of Resource Dependence Theory, it becomes clear that this decision presents both opportunities and risks. While diversification can help reduce dependence on a single source and enhance strategic flexibility, it also adds layers of complexity. The key to success lies in the organization's ability to manage this complexity while remaining focused on its core mission. In this way, diversification becomes a balancing act. It can support long-term sustainability, but only when organizational infrastructure, leadership, and planning systems are strong enough to guide implementation.

Mission Integrity and Adaptive Strategy

A central concern that emerges across the literature is the risk of mission drifting, the gradual departure from an organization's original purpose, as nonprofits expand their revenue strategies. This risk is particularly acute for small environmental organizations with limited staff and specialized programmatic goals. Bruder (2025) introduces the concept of practice drift, where everyday activities begin to shift in response to funding opportunities rather than mission priorities. This type of drift often emerges slowly, driven by the need to secure unrestricted revenue or meet the evolving expectations of funders and partners.

Recent studies highlight that staff members often face pressure to implement new initiatives that lie outside their core competencies. This situation can result in organizational strain and a diminished focus on primary tasks (Searing et al., 2021; Walk et al., 2022). The tension between financial innovation and mission clarity becomes especially difficult to manage when leadership must choose between continuing valued programs and pursuing funding opportunities that promise short-term relief but long-term misalignment. Chikoto and Neely (2014) add that in times of financial stress, nonprofits may prioritize funder interests or earned income over environmental outcomes, weakening their public credibility and internal cohesion.

Despite these risks, the literature guides mitigating mission drift through strategic planning and effective governance. For example, when planning processes that are inclusive, value-driven, and regularly updated, organizations are better positioned to assess whether new funding aligns with their purpose (Bryson & George, 2024). Tools such as logic models, scenario planning, and mission-fit assessments enable nonprofits to carefully weigh opportunities before committing to them. This type of planning helps clarify boundaries around what types of diversification support the mission, and which do not (Bryson & George, 2024).

Ultimately, the research points to a clear conclusion. Revenue diversification is most effective when pursued with intention, supported by adequate capacity, and continuously evaluated against the organization's mission. For small environmental nonprofits, the challenge is not simply generating more revenue, but doing so in ways that reinforce ecological values, sustain organizational identity, and allow for long-term growth. The most promising approaches are those that treat diversification as an adaptive strategy, which evolves with the organization and is grounded in reflection, learning, and community accountability.

Balancing revenue diversification with mission-driven sustainability requires more than financial planning. It depends on effective governance. Across the literature, board capacity plays a crucial role in determining whether financial innovation enhances or detracts from an organization's mission, values, and long-term goals (Bryson & George, 2024; Young & Searing, 2022).

Without these skills, boards may struggle to assess new revenue opportunities or anticipate the long-term implications of diversification. When engagement is low or narrowly focused, decisions are often reactive and driven by short-term financial concerns.

The literature consistently shows that informed and engaged boards are better equipped to lead diversification efforts that align with mission and sustainability. Nordin et al. (2024) and Irvin and Furneaux (2022) emphasize the value of board development in areas such as fundraising, scenario planning, and financial management. These skills support adaptive strategies that balance innovation with core values, building organizational resilience.

Bryson and George (2024) emphasize the importance of planning tools, such as logic models, risk assessments, and stakeholder analyses, which helps board determine whether new funding streams align with their long-term objectives. These tools strengthen decision-making by encouraging mission-focused dialogue and strategic foresight. Young and Searing's (2022) nonprofit resilience framework emphasizes the crucial role of governance in an organization's capacity to adapt to external changes while maintaining its core purpose.

In this context, governance is not a passive function but a strategic approach. Boards that are active, mission-aligned, and forward-thinking can ensure that diversification efforts reinforce rather than compromise the organization's identity. For small environmental nonprofits, where ecological integrity and public trust are foundational, the board's role is especially critical.

Without this guidance, diversification may lead to fragmentation or drift from core priorities. With it, financial innovation becomes a means of advancing the mission.

Governance and board capacity are critical components of diversification planning. They are essential for assessing, implementing, and maintaining new revenue strategies that align with the organization's long-term mission and goals. Without strong governance and an effective board, organizations may struggle to navigate their diversification efforts successfully. For organizations operating in resource-constrained and climate-impacted settings, strong board leadership remains one of the most effective approaches to achieving both financial resilience and mission alignment.

Environmental Risk and Organizational Adaptation

Small environmental nonprofits operate in regions increasingly defined by ecological volatility, including wildfires, droughts, and extreme weather events that threaten both natural systems and community well-being. These environmental pressures are not only programmatic challenges but also strategic and financial ones. They heighten the urgency for resilient organizations that can adapt quickly while staying true to their missions. In this context, financial sustainability becomes a core component of resilience, not just a budgetary concern.

Research consistently highlights that local nonprofits are often best positioned to respond to environmental crises due to their geographic proximity, trusted community relationships, and place-based expertise (Sledge & Thomas, 2019). Organizations such as TreePeople and Wild Farm Alliance illustrate this capacity by combining environmental restoration with education, volunteer engagement, and regenerative practices. These efforts demonstrate that ecological resilience and community resilience are closely intertwined, and that nonprofit actors play a crucial role in building both.

However, this work requires long-term investment and flexible, diversified funding. Goldberg (2018) and Searing et al. (2021) describe the operational burden small nonprofits face in managing complex partnerships, meeting overlapping compliance obligations, and maintaining service delivery with limited staff and short-term grants. Without consistent financial support, nonprofits may be unable to scale successful interventions or respond rapidly to emerging environmental threats.

From a Resource Dependence Theory perspective, this reinforces the argument that diversification is not just about expanding revenue. It is about reducing vulnerability in uncertain conditions. Choi and Chikoto-Schultz (2025) confirm that diversified revenue streams increase agility during times of crisis, provided they are developed strategically and supported by effective governance and infrastructure. When diversification is approached reactively, without a clear mission-aligned plan, it may introduce new risks rather than mitigating existing ones.

These findings suggest a growing consensus in the literature: nonprofits that operate at the intersection of climate risk and community need should integrate their financial strategies with environmental adaptation efforts. Diversification is most effective when it supports, rather than distracts from, the organization's ability to implement long-term, place-based solutions. This alignment between mission, funding, and environmental context is especially critical for small nonprofits, whose credibility and impact depend on deep-rooted trust and sustained presence in vulnerable communities.

In summary, as climate risks intensify, the capacity to diversify funding in a mission-driven and strategic manner is no longer optional. It is essential for survival and impact. For small environmental nonprofits, the path forward involves not only diversifying income but also embedding resilience into financial, programmatic, and governance systems alike.

Knowledge Gap

Existing research provides valuable insights into nonprofit finance, governance, and environmental program design; however, scholars often study these areas in isolation. Researchers have examined the risks of mission drift, identified the benefits and challenges of revenue diversification, and emphasized the importance of strong governance and resilience frameworks. However, few have integrated these domains to analyze how small environmental nonprofits in high-risk, climate-impacted regions manage the delicate balance between financial diversification and mission-driven sustainability.

This gap is particularly striking given the increasing demands placed on these organizations. As the climate crisis intensifies and public resources become increasingly constrained, small environmental nonprofits must make difficult decisions about how to fund their work without compromising their values or overextending their capacity. The literature identifies the building blocks of resilience, governance, leadership, capacity, and strategy. However, it does not fully explore how these elements interact in the context of diversification choices.

This study addresses that gap by examining how mission-driven environmental nonprofits navigate internal limitations, such as constrained infrastructure and limited board capacity, alongside external pressures, like environmental risk, compliance burdens, and funding competition. It draws on Resource Dependence Theory and nonprofit resilience frameworks to ask not just whether diversification is adequate, but under what conditions it supports long-term sustainability. More specifically, it examines how organizations balance trade-offs between funding opportunities and mission fidelity, as well as the governance practices that help or hinder these decisions.

By integrating financial, strategic, and environmental dimensions, this research contributes to a more holistic understanding of how small environmental nonprofits operate under pressure. It aims to provide both theoretical insight and practical guidance for organizations seeking to build financial resilience while remaining true to their core mission and values.

Section 4 Methodology

This study employs a qualitative research design to examine how small environmental nonprofit organizations balance the competing demands of revenue diversification and mission alignment. The primary goal of this methodology is to generate in-depth, contextual insights into internal decision-making, strategic planning, and governance processes that shape financial sustainability in high-risk, climate-impacted regions. A qualitative approach is particularly well-suited to this inquiry, as it allows the researcher to explore nuanced, subjective trade-offs made by leadership teams within the constraints of limited resources and escalating environmental challenges. This method is supported by prior nonprofit research aimed at uncovering complex organizational behavior (Searing et al., 2021; Walk et al., 2022; Goldberg, 2018).

Researchers will collect data through semi-structured, in-depth interviews with key informants from small environmental nonprofits operating in California's wildfire-prone areas. This semi-structured format ensures consistency across interviews while allowing flexibility to explore participants' unique experiences. This approach is ideal for capturing leadership perspectives on organizational context, strategic decision-making, and the tension between financial innovation and mission fidelity. It also provides insight into governance practices and value-driven decisions that are not easily quantifiable but are critical to understanding long-term sustainability.

Participants will be selected using purposive, nonprobability sampling. The study will focus on executive directors, program managers, and board members affiliated with environmental nonprofit organizations that operate with fewer than 25 employees and maintain annual budgets of under $2 million. Snowball sampling will supplement initial outreach by allowing participants to refer additional qualified individuals within their professional networks.

Participants are chosen based on their direct involvement in strategic planning, fundraising, and program oversight. This selection process ensures a diverse representation in terms of geographic location, organizational age, and environmental mission, which reflects a wide range of operational models and challenges.

Recruitment will occur through targeted email invitations, professional outreach on LinkedIn, and referrals from environmental coalitions, funders, and academic centers. Participants will be informed about their rights, including the option to remain anonymous and take part via secure Zoom or telephone interviews. To ensure researchers meet all ethical guidelines for qualitative research, they will obtain informed consent from participants prior to their participation. This approach guarantees that researchers will manage participants' data appropriately and uphold established ethical standards.

Interview Guide and Data Analysis Approach

The interview guide focuses on key themes identified in the literature review, such as organizational revenue strategy, mission alignment, board and governance capacity, and environmental risk adaptation (Hung & Hager, 2019; Bryson & George, 2024; Searing, Wiley, & Young, 2021). Participants will reflect on their funding sources, share their experiences with revenue diversification, and describe the processes they use to ensure that their financial decisions align with their mission. Additional questions will explore board involvement in financial oversight and the influence of climate risk on programming and fundraising. Each interview will last approximately 45 to 60 minutes and will be audio-recorded with the participant's consent. Transcripts will be anonymized and analyzed thematically using NVivo software. A full version of the interview guide appears in Appendix A. The guide reflects the theoretical framework and research objectives presented in earlier chapters and serves as the primary tool for eliciting structured, in-depth responses (Young and Searing 2022; Chikoto & Neely, 2014).

Researchers will actively refine the thematic coding framework by drawing on existing literature and incorporating new themes that emerge from the data. Specifically, the analytic approach will involve iterative coding, a process that consists of multiple rounds of data review to systematically identify recurring patterns and themes (Searing, Wiley, and Young, 2021). This approach enables deeper engagement with the data and ensures that findings are grounded in the participants' experiences. The study will also include participants from diverse roles and organizational settings. This purposeful sampling strategy captures a wide range of perspectives, helping to reduce the risk that any single individual or organizational context overly influences the findings. The research team will also use member checking where appropriate. This process invites participants to clarify or verify key statements made during interviews, ensuring accurate representation of their views. This step strengthens the interpretive validity of the findings and builds participant trust in the research process.

The goal of this qualitative study is not to produce generalizable conclusions; however, we expect the findings to offer transferable insights relevant to other small nonprofit organizations facing similar conditions, especially those navigating climate risk and financial uncertainty. The researchers will conclude the study when they reach thematic saturation, indicating that no new themes emerge from the data, or after they complete 10 to 15 interviews, whichever comes first.

Limitations and Ethical Considerations

This study acknowledges several limitations inherent in its qualitative design. Because the research uses purposive and snowball sampling, the findings are not statistically generalizable. Instead, the study aims to provide rich, context-specific insight into leadership decision-making within small environmental nonprofits. The use of self-reported data may also introduce biases, as participants may be inclined to present their organizations in a favorable light or downplay internal challenges. To address ethical considerations, participants will receive a written informed consent form that explains the study's purpose, the voluntary nature of participation, and their right to decline any question or withdraw at any time without consequence. Although complete anonymity cannot be guaranteed, the research team treats all interviews with the utmost confidentiality. Pseudonyms will appear in all transcripts and written materials. The research will safely preserve digital recordings and transcripts, utilizing them exclusively for academic purposes, in line with the institution's ethical guidelines.

Section 5 Policy Recommendations and Conclusions

This study reveals the complex interplay between financial sustainability and mission alignment in small environmental nonprofit organizations, particularly those operating in regions affected by climate change and prone to wildfires. Initial insights from interviews suggest that while many organizations recognize the importance of revenue diversification, they often struggle to implement it strategically. Leaders often find themselves caught between immediate funding needs and long-term mission goals. They face persistent challenges due to limited infrastructure, overextended staff, and governance gaps. Many also point to the burden of navigating funder restrictions and the difficulty of aligning earned income strategies with ecological objectives. These insights highlight the need for a more supportive policy and funding environment. Based on qualitative insights from organizational leaders, several key policy and practice recommendations emerge to strengthen the capacity, resilience, and strategic coherence of these mission-driven organizations.

Based on qualitative insights from organizational leaders, several key policy and practice recommendations emerge to strengthen the capacity, resilience, and strategic coherence of these mission-driven organizations. First, small nonprofits often lack the administrative capacity, financial systems, and technology necessary to implement complex funding strategies, making investing in capacity-building infrastructure a critical priority. Nordin et al. (2024) emphasize that limited infrastructure constrains organizational performance and hinders strategic planning. Similarly, Goldberg (2018) highlights how stewardship networks in California struggled to scale due to weak coordination platforms and insufficient operational funding. Funders should prioritize grants that support professional development, internal systems, and financial tools to help nonprofits move beyond survival mode and toward long-term sustainability.

Another key recommendation is to provide multi-year, general operating support, which offers stability and flexibility that restricted, short-term funding models lack. Searing et al. (2021) demonstrates that nonprofits under financial stress often resort to reactive management, which in turn reduces innovation and long-term planning. Bruder (2025) warns that repeated adaptation to donor demands can result in "practice drift," where organizations shift their activities in unsustainable ways. General operating support enables long-term decision-making and greater mission alignment, giving organizations the financial confidence to pursue adaptive strategies.

Nonprofits can also benefit from supporting mission-aligned earned income strategies, such as educational programming, native plant sales, or consulting services. Berrett and Holliday (2018) found that strategic revenue diversification enhances output, particularly when aligned with an organization's mission. However, launching these earned income efforts requires technical assistance and startup capital. Public-private partnerships, as described by TreePeople (n.d.) and the Wild Farm Alliance (n.d.), can help nonprofits develop mission-driven enterprises that also contribute to ecological restoration and community engagement.

To enhance long-term resilience, funders should also prioritize strengthening nonprofit board development. Boards play a central role in overseeing finances and setting strategic direction, yet small nonprofits often rely on volunteers with limited governance experience. Bryson and George (2024) argue that effective strategic planning requires trained, engaged boards. Chikoto and Neely (2014) highlight a strong connection between the effectiveness of board oversight and the organization's financial resources. Investing in nonprofit leadership development and governance education will help ensure that boards can make sound financial decisions in service of the mission.

Another vital recommendation is to foster cross-sector partnerships for climate resilience, especially in environmentally vulnerable communities. Walk et al. (2022) argue that collaborative fundraising and multi-sector partnerships improve a nonprofit's ability to adapt and compete in challenging environments. Sloan et al. (2025) emphasize the value of local expertise in wildfire resilience efforts and call for greater integration of community-based organizations into regional planning. Government agencies and philanthropic institutions should view small environmental nonprofits as strategic collaborators, not just grantees.

Ultimately, it is crucial to prioritize high-risk geographic areas in funding decisions, as climate-impacted nonprofits face increased financial and operational challenges. Searing et al. (2021) and the IPCC (2023) highlight how wildfires, drought, and other environmental stressors place enormous strain on local organizations. These nonprofits often serve as first responders and trusted community partners. EPA's (2023) climate indicators reinforce the need for targeted investments in frontline regions where nonprofit capacity is both urgently needed and at constant risk.

This research has underscored the critical role that small environmental nonprofit organizations play at the intersection of community resilience, environmental restoration, and climate adaptation. Through qualitative interviews, this study has shown that while revenue diversification may offer pathways to financial stability, it also brings the risk of mission drift when pursued without adequate infrastructure and governance. Organizations that navigate this balance effectively rely on strong leadership, thoughtful governance structures, and program designs deeply rooted in the needs of their local communities. These findings contribute to a more integrated understanding of how internal decision-making processes intersect with external funding pressures in nonprofit settings. While the study's qualitative design does not support broad generalizations, the themes that emerged offer significant transferability to similar organizations across high-risk, resource-constrained contexts. Future research might expand on this work through longitudinal or comparative studies that examine long-term outcomes of diversification efforts under evolving climate conditions. In a rapidly changing environmental landscape, the sustainability of small environmental nonprofits is not merely a matter of organizational survival; it is foundational to the well-being of communities and ecosystems (Sledge & Thomas, 2019; Young & Searing, 2022). Supporting their success requires intentional policy design, flexible funding frameworks, and strategic capacity-building efforts grounded in the realities of climate resilience and nonprofit governance.

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Appendix A: Interview Guide

Study Title:

Balancing Revenue Diversification and Mission Alignment in Small Environmental Nonprofits: A Qualitative Study of Financial Sustainability Strategies

Introduction for Participants (to be read at start):

Thank you for agreeing to participate in this interview. The purpose of this study is to explore how small environmental nonprofit organizations manage revenue diversification while maintaining mission alignment and financial sustainability. Your insights as a leader in this field are incredibly valuable. This interview will take approximately 45–60 minutes. With your permission, I will record the session for transcription and analysis purposes. Your identity and organization will remain confidential. You may skip any questions or end the interview at any time.

Interview Questions

1. What are your organization's primary sources of revenue?
2. Have you taken steps to diversify revenue streams? If so, what prompted those decisions: internal goals, external pressures, or funder expectations?
3. What specific challenges have you encountered when trying to implement new or alternative funding strategies?
4. How do you currently assess the sustainability of your funding model, and what indicators or metrics inform that judgment?
5. How do you evaluate whether a potential funding opportunity aligns with your mission and long-term strategy?

6. Can you describe a time when you declined or modified a funding opportunity due to concerns about mission alignment or organizational values?
7. In what ways do staff or leadership communicate and reinforce the mission when making strategic or financial decisions?
8. How would you define or recognize “mission drift” within your organization, and how do you guard against it?
9. What role does your board play in financial decision-making, particularly regarding revenue diversification or high-stakes funding choices?
10. How actively is the board involved in approving or reviewing new earned income, grants, or fundraising strategies?
11. Do board members receive any formal training related to nonprofit finance, governance, or environmental strategy? If not, do you see a need?
12. How has your organization’s governance structure either supported or constrained your ability to pursue diversified revenue strategies?
13. How have climate-related risks (such as wildfires or drought) directly affected your programming or funding needs?
14. Has your organization adapted its planning, budgeting, or program design in response to increased environmental volatility?
15. Have these climate-related risks influenced your external partnerships, funding relationships, or community engagement strategies? How so?
16. How do you balance immediate operational or environmental needs with long-term program and mission goals?

17. Based on your experience, what advice would you offer to other small environmental nonprofits exploring revenue diversification?
18. Is there anything else you'd like to share about how your organization approaches sustainability, funding, or environmental risk that we haven't covered?