WORLD SCOUTING

Income Diversification Toolkit

Prepare | Respond | Renew

Guidance: Income Diversification

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November 2026

World Scout Bureau
Global Support Centre
Kuala Lumpur

scout.org

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Income Diversification Toolkit

Guidance: Income Diversification

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1. Introduction

Funding concentrations are a feature of the funding profile of many Member Organizations (MOs) and present a risk to their resilience at times of shock. Government funding and membership fees tend to make up large elements of MOs' funding in many countries. Reliance upon such a narrow group of funding sources can expose MOs to risk. If these funds suffer a sharp decline (such as in relation to membership fees during the COVID-19 pandemic), this can have a material impact on the viability of MOs. Political change can influence government funding, and increasingly, its reliability as source of funding is declining. However these funding sources have proven themselves to be reasonably resilient, and some argue that "if it isn't broken, don't fix it". Equally many argue that if Scouting is increasingly funded either by philanthropy or private/corporate sources, this may disincentivise governments from providing funding, and it may lead to compromised independence of MOs.

All of these factors come at a time when MOs are exposed to increasing core costs. These arise from growing legal and compliance burdens, the need to maintain necessary technology infrastructure and a general rise in the cost of professional services. At the same time, MOs may be embarking on essential initiatives to bolster their resilience, such as enhancing programme, diversifying and growing membership, managing their profile in society, enhancing social impact, and investing in their sustainability. Meanwhile, other organisations present valid and compelling cases to funders for a finite pool of funds.

The draw on organisational financial resources is high, and the environment is increasingly complex. For this reason, this income diversification guidance was prepared to support MOs navigate this complex landscape.

Income diversification and the Organisational Resilience Framework

The Income Diversification Guidance is a practical tool supporting the Procedures & Management Area of the Organisational Resilience Framework, in particular the Available Resources enabler. A resilient organisation needs access to sufficient and sustainable resources to deliver its strategy, maintain essential activities and respond when circumstances change. Diversifying income can reduce exposure to the loss or reduction of a single funding source, strengthen financial flexibility and create greater capacity to invest in organisational priorities. The Guidance also supports the Risk Management enabler by helping organisations identify and manage funding concentration and income-related risks, and Change Management by encouraging organisations to adapt their funding models as their operating environment evolves. Through the cross-cutting Connected Organisation enabler, income diversification can also strengthen relationships with donors, funders, partners, communities and other external stakeholders. In this way, the Guidance contributes across the Framework's

strategic, tactical and operational outcomes, linking long-term financial sustainability with practical decisions about how resources are secured, managed and deployed.

This guidance will suggest that income diversification should be a deliberate and planned process. Decisions to diversify income can have knock-on effects. MOs must take account of the skills and resources needed to do so, and ask themselves questions such as:

- **Does the organisation have the skills to manage a more complex entity, which may bring additional compliance obligations?**
- **Does the organisation have the capacity to deliver necessary reporting?**
- **Can the organisation allocate the project management and relationship management time and skills to a changed funding model?**

Organisations can develop all these things, but they may take time, investment and planning. Such plans require support by leadership, shared vision, a supportive organisational culture, and appropriate procedures.

While at first glance income diversification looks to be an essential part of having a funding base resilient to shocks, it is important that it is done in a structured way, taking into account national specificities. It often means devoting more time to relationship management activities, which may not necessarily be within the scope of skills of those working on financial management. More funders means more reporting, which must be completed to a high standard and to deadline, which can place an additional burden on organisation's resources. Aspects of diversification may require initial investment for longer term returns. This needs to be done within an agreed organisational appetite and with a focus on delivering Scouting's method and objectives, for the benefit of young people.

This guidance will look at some of the key issues, suggest approaches and empower MOs looking at income diversification projects with information which may support their decision-making processes. It is designed to support national boards expand their existing understanding of their own organisation's context, using their own judgement, rather than imply a standardised answer for all MOs.

2. What is income diversification?

It is a strategy that can help the MO increase its revenue, reduce its dependence on a single source, and protect the organisation from economic or financial fluctuations. However, it also comes with some challenges and risks that the organisation needs to avoid or manage.

3. The case for income diversification

3.1 Income diversification and financial resilience

Financial resources are essential to the ability of Scout organisations to fulfil their mission, deliver programmes, support volunteers, and invest in future development. While no funding model can eliminate uncertainty, organisations that draw income from a range of complementary sources are often better positioned to withstand disruption and adapt to changing circumstances.

Income diversification is therefore not simply a fundraising activity. It is a strategic approach to building organisational resilience and sustainability. By reducing reliance on any single source of income, organisations can improve their ability to continue operating during periods of financial stress and maintain greater flexibility in pursuing their strategic objectives.

A diversified funding model can help organisations respond to changes in government policy, economic conditions, donor priorities, membership trends, or other external factors that may affect income.

3.2 Benefits of income diversification

Income diversification can offer a range of strategic benefits. A diversified funding portfolio may:

- Reduce vulnerability to the loss of a single income source.
- Improve financial stability during localised or organisation-specific challenges.
- Increase access to new networks, expertise, and partnerships.
- Create opportunities to undertake ambitious projects and strategic investments.
- Reduce dependency on public or institutional funding.
- Increase engagement and ownership among members, supporters, and communities.
- Strengthen organisational flexibility and long-term sustainability.

Diversification can also encourage organisations to engage more actively with their external environment, building relationships that may provide benefits beyond financial support alone.

3.3 Risks and challenges of income diversification

While diversification can strengthen resilience, it can also introduce new risks and complexities. Potential challenges include:

- Increased administrative and reporting requirements.
- Greater complexity in financial management and governance.
- The need for specialist fundraising, partnership, or donor-management skills.
- More volatile or unpredictable income streams.
- Ethical and reputational risks associated with certain funding sources.
- Commercialisation pressures that may distract from organisational purpose.
- Real or perceived influence by significant donors, sponsors, or funders.

Diversification should therefore be approached thoughtfully and strategically. The objective is not to maximise the number of income streams, but to develop a balanced funding portfolio that supports the organisation's mission, reflects its values, and is appropriate to its capacity.

3.4 Funding core functions and funding projects

When considering income diversification, it is important to distinguish between funding that supports the organisation itself and funding that supports specific activities.

Core funding supports the ongoing operation of the organisation. This may include governance, administration, volunteer support, communications, staff costs, membership systems, and strategic development. Core funding provides the stability required to sustain the organisation over time.

Project funding is typically linked to a specific initiative, programme, event, or development activity. While project funding can enable innovation and growth, it is often restricted, time-limited, and tied to specific deliverables or outcomes.

A resilient funding model requires an appropriate balance between these two forms of income. Organisations that rely heavily on project funding may find themselves able to launch new initiatives while struggling to resource the systems and structures needed to support them. Conversely, organisations that focus solely on maintaining core funding may miss opportunities for innovation and development.

This topic is covered in more detail in chapter 6.1.2.

3.5 Key strategic questions

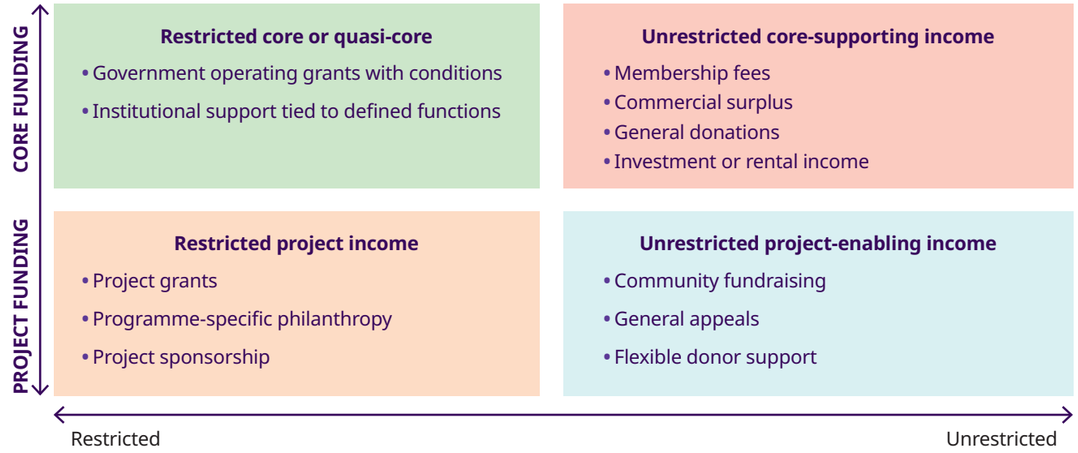
Before pursuing diversification, Scout organisations may wish to consider:

- How is our income structured at this moment?
- What are our main sources of income and what is the largest source of income?
- How dependent are we on our largest source of income?
- Which of our income sources are most vulnerable to change?
- Do we have sufficient unrestricted income to support core functions?
- What opportunities exist to broaden our funding base?
- What skills, systems, and governance arrangements are needed to manage a more diversified portfolio?
- How can we ensure that funding decisions remain aligned with our values and mission?

There is no single model of income diversification that suits every organisation. The most effective approach is one that reflects the organisation's size, context, ambitions, and capacity while supporting its long-term sustainability and resilience.

Funding Portfolio Balance

Balancing core and project funding, restricted and unrestricted income



A resilient funding model is not only diverse. It also has the right balance between restricted and unrestricted income, and between core stability and project development.

4. Characteristics of a financially resilient Scout organisation

Being financially resilient allows Scout organisations to devote energy and ambition into delivering qualitative Youth programme to more young people.

What resilience means in your national context may be different, but at a high level, **a financially resilient Scout organisation** is one that can withstand a short-term financial shock without having to reduce quality in programme delivery and which can, in the medium-term, return to delivering ambitious objectives in line with Scouting's aim.

The following may be features of financial resilience:

- The ability to absorb the sudden withdrawal of a funding source in the short-term, allowing the organisation to take the time needed to address the change
- The organisation has in place financial contingency plans for a tightening of the broader funding environment
- The availability of a reasonable level of reserves to allow for a gradual slow-down in an income source, giving the organisation time to implement contingency plans, engage in re prioritisation or make changes to plans, without a notable diminution in the ability to deliver on organisational aims
- The existence of trusting relationships with funders which allow the organisation to engage with them in times of financial stress
- The organisation uses appropriate measures of financial health and has adequate reporting structures in place to ensure sound financial governance.
- Capacity to deliver reports to funders in line with expectations, ensuring it is attractive organisation for future funding

It is clear that diverse income sources would support these features, making income diversification a valid topic for the leaders of organisation to consider.

5. Types of income stream

The broad menu of funding sources

Type of Funding	Advantages	Disadvantages
Government Funding	• Stable and predictable source of income. • Can enhance credibility and reputation. • Often aligned with community or youth development objectives.	• Can come with restrictions and bureaucracy. • Subject to political changes and government priorities. • Can be competitive and difficult to secure.
Membership Fees	• Within the control of the MO • Consistent, self-sustaining revenue stream. • Builds a sense of ownership and commitment among members. • Encourages engagement and active participation.	• May deter potential members if fees are too high. • Revenue can fluctuate with membership numbers. • Membership fee structure might be inaccessible to lower-income families.
Income from commercial activities	• Generates income while also promoting the organisation's brand. • Potential for high margins on certain items. • Offers opportunities for community engagement.	• In the case of uniform shops, the income is dependent on membership numbers, so a fall in membership could have impacts on both fees and commercial income • Can be dependent on location and seasonality, leading to variable income. • Requires management, inventory, and up-front investment in stock. • Competition with other retail outlets might reduce sales potential.
Major Gifts and Philanthropic Giving	• Can provide significant one-time or recurring funding. • Allows for flexibility in funding specific projects or initiatives. • Strengthens community ties and supports wider social goals.	• Dependent on the interests and capacity of donors. • May create reliance on a few high-value donors. • Donor expectations may require a shift in organisational focus.
Corporate Sponsorship	• Provides funding and enhances visibility through brand association. • Can lead to long-term partnerships and access to expertise or resources. • Can leverage sponsor networks to expand outreach and impact.	• Potential for conflicts of interest if sponsors' goals don't align with the organisation's values. • Risk of becoming too dependent on a limited number of corporate sponsors. • Sponsorship may come with heavy branding requirements, possibly undermining the organisation's identity.

Type of Funding	Advantages	Disadvantages
Project and Grant Funding *(including philanthropic foundations, EU programmes, Erasmus+, European Solidarity Corps and the European Youth Foundation)*	• Can provide substantial funding for defined programmes, innovation, capacity-building and international cooperation. • May enable activities that could not otherwise be funded from the MO's core resources. • Participation in international programmes can create partnerships, networks, learning opportunities and organisational visibility. • Some programmes support multi-year projects and can contribute to organisational development as well as direct programme delivery.	• Funding is normally restricted to agreed activities, outputs and eligible costs and may provide limited support for core organisational expenditure. • Applications can be competitive and resource-intensive to prepare. • Reporting, financial management, monitoring and evaluation requirements can be significant. • Some programmes require co-financing, expenditure to be incurred before reimbursement, or partnership with organisations in other countries. • There is a risk of designing activities around available funding rather than the organisation's strategic priorities.
Crowdfunding Campaigns	• Can mobilise members, families, alumni and the wider public around a clear and compelling goal. • Particularly suitable for tangible projects where supporters can easily understand what their contribution will achieve. • Can raise awareness of the organisation as well as generate income. • □ Digital platforms can enable organisations to reach supporters beyond their traditional networks.	• Success is highly dependent on effective communications, storytelling and promotion. • Income is uncertain and campaigns may fail to reach their target. • Platform and payment-processing fees may reduce the amount ultimately received. • Usually more suitable for specific or time-limited projects than for recurring organisational costs.
Individual donations	• Can provide flexible, unrestricted income that the MO can direct towards its priorities. • Builds a wider community of supporters and alumni around the organisation. • Regular giving can develop into a stable recurring income stream over time. • Relatively small donations from a broad donor base can reduce dependence on a small number of funders.	• Income can be unpredictable, particularly where giving is primarily based on one-off appeals. • Requires investment in donor communications, relationship management and fundraising systems. • Competition for individual giving can be significant. • Donor fatigue can arise if supporters are approached too frequently.

6. Using this Guidance

This guidance suggests a four-stage model:

PLAN
Develop a diversification strategy.

DO
Implement funding initiatives.

CHECK
Monitor performance and risk.

ACT
Refine and improve the funding mix.

Income Diversification Journey

From funding concentration to financial resilience



Concentrated funding
- High dependence on one or two sources
- Vulnerable to shocks



Balanced portfolio
- Mix of public, private and community income
- Reduced single-source dependency



Governed diversification
- Capacity, ethics, reporting, risk appetite
- Funding aligned with mission



Financial Resilience
- Absorb shocks
- Protect programme delivery
- Invest in future development

6.1 PLAN: Develop a diversification strategy

Any consideration of financial operations should start with **WOSM's Toolkit on Financial Management for NSOs**. Financial Management for NSOs is a three-part Toolkit providing explanations of the topics presented, examples of solutions and references to further resources.

- Volume 1 guides MOs through the basics of financial accounting and financial roles within an NSO
- Volume 2 describes budgets and the budgetary process, including information about the fixed assets register, inventory and procurement procedures and guidelines
- Volume 3 unveils advanced topics of financial reporting and financial control

The information and solutions presented through the Toolkit are designed to help MOs move towards effectively utilising available resources and obtaining financial stability and growth. Achieving this will ultimately help the MO raise finances through lower cost expenditure, maximise their income and expand their capital value in the long-term.

The **Global Support Assessment Tool (GSAT)** is a complete and powerful tool to identify an MO's strengths and areas of improvement. Dimension 7 of GSAT focuses on financial policies, resource generation and allocation, and financial controls. The objective determines the organisation's levels of financial accountability and transparency. This is done through the examination and measurement of an organisation's financial systems and processes in place (or lack of) and the identification of areas of improvement to address any weak aspects in its financial system.

The GSAT standards are as follows:

- **0701** The NSO is not overly reliant on any one source of revenue (averaged over the last three fiscal years).
- **0702** The NSO has defined and implemented a financial accountability system (full disclosure) that enables it to track funds (earmarked or not) down to their use in programmes/projects (e.g. total, cost of fund-raising, sources of funds).
- **0703** The NSO has defined and implemented a control system to prevent any financial misuse of funds.
- **0704** The NSO operates based on an annual (or possibly at longer intervals) budget that is clearly linked to an operational plan and approved by the national board or the General Assembly.
- **0705** The NSO actively uses the monitoring and reporting of administrative costs, fundraising and operational expenses as inputs to regularly adjust its budget (either midstream or for its next cycle).
- **0706** The NSO has financial reports that include a balance sheet, income and expenditure statement, assets, and liabilities. If a commercial activity (e.g. Scout Shop) is part of the NSO, financial statements are also available in the report.
- **0707** The NSO has an internal financial audit committee appointed by the national board and/or General Assembly that meet at least twice a year to review:

  a. Internal financial controls.

  b. Audit programme of auditors.

  c. Financial statements.

  d. They make recommendations to the national board on financial reporting. While serving on the internal financial audit committee, no member can hold another office at the national level.

- **0708** The NSO's financial reports from the last three fiscal years have been audited by an independent and duly accredited auditor. Audit results have enabled this auditor to express an opinion and make recommendations (e.g. through a management letter).
- **0709** The NSO has defined and implemented an inventory system (including of the organisation's properties, equipment, and supplies). This inventory is properly reflected in the financial statement.
- **0710** Case 1: The NSO must have enough short-term liquidity or assets to cover any short- and mid-term liabilities or debts, including operational expenses and staff salaries.
  Case 2: Where the NSO receives funds as needed from a specific set of donors, the organisation has a legal agreement which ensures that donors cover the liabilities (responsibility) to which the NSO is committed by supporting all expenses related to the activities to be performed over the duration of the project.
- **0711** The NSO has defined and implemented a procurement procedure which explicitly states that above a certain threshold, a competitive bidding system is the preferred mode of procurement.
- **0712** The NSO has defined and implemented a resource generation policy or strategy that considers different sustainable revenue streams (e.g. membership fees, commercial activities, individual donations, government grants, fundraising, funding proposal submissions). The policy or strategy is periodically reviewed.

This guidance is intended to complement those comprehensive documents.

6.1.1 Setting goals, aligning with strategy, risk environment and future needs

Successful implementation of income diversification relies upon:

- Leadership level understanding of why diversification is proposed, proposals on how it will be achieved, and what specific actions would be undertaken
- A detailed understanding of existing funding profile
- Detailed projections on the cost of delivering Scouting over future years, taking into account conservative projections of core costs, and the projected cost of strategic initiatives
- An understanding of what additional costs may be accrued from income diversification, for example, will it require additional staff support
- A shared vision among organisational leadership on agreed objectives
- A supportive organisational culture
- A commitment to develop policies and procedures to manage a more complex funding portfolio

An income diversification planning cycle might look like this:

Agreeing the why

- Understanding the organisation's needs and ambitions
- Finding a shared vision at leadership level
- Committing to explore options based on organisational strategy and consultation with the organisational risk register

Focussing on the how

- Charging a group with assessing benefits and risks of different options
- Putting in place enablers for income diversification such as
  - brand management,
  - impact reporting
  - relationship building,
  - resources for research and analysis,
  - initiatives to build a supportive organisational culture

Delivering the What

- Once the direction is agreed, put in place the specific structures and supports needed to deliver the plan
- Gathering and reflecting on learnings through the process
- In-kind services

While not a form of standard income, receiving services with no cost or at a reduced cost can be part of your approach also. This can ease significant burdens, and organisations will need to ensure such provision of services is legally acceptable and does not create a dependence on an individual or group of people, who then may hold some inappropriate influence on decision making. Whenever such services are offered, organisations should ensure that have a plan if the offer is withdrawn suddenly.

Current common funding models

Most MOs fund their operations primarily from a mix of government funding and membership fees, supplemented by elements of commercial, sponsorship, asset usage (rental, for example), investment and philanthropic sources.

You might ask yourself:

- Does your Scout organisation calculate what percentage of its income comes from different sources? Is this something its board or executive considers at least annually?
- Has it monitored how this has changed over time, perhaps the last 5 years?
- What percentage of this income is "stable"?
- How does this compare with peer organisations?
- Are you happy with this mix?
- Does this allow you to meet your obligations in future, including under a reasonable stress scenario?
- Does this allow you to deliver your strategic ambitions?
- How do you consider this in the context of your risk management? Are funding matters on your risk register, how have you graded this risk, and what mitigants do you have in place?
- Who has ownership over your organisation funding strategy, and is everyone clear on this?

6.1.2 Returning to funding core functions vs funding projects

It is important to distinguish clearly between **funding core organisational functions** and **funding specific projects or activities**, as these serve different purposes and carry different implications for sustainability.

Core funding refers to income that supports the ongoing operation of the organisation. This includes:

- Staff or volunteer support structures
- Governance and compliance
- Infrastructure (e.g. systems, facilities)
- Central programme development and coordination

Core funding is typically **flexible and predictable**, and is essential for organisational stability. Without adequate core funding, organisations may struggle to maintain continuity, even if project funding is available.

Project funding, by contrast, is usually:

- Time-limited
- Restricted to specific activities or outputs
- Tied to defined outcomes or deliverables

While project funding can enable innovation and growth, it does not usually support the underlying systems required to sustain those activities over time.

An over-reliance on project funding can lead to:

- Fragmentation of effort
- Short-term planning cycles
- Increased administrative burden
- Gaps in essential organisational capacity

A resilient funding model therefore requires a balance, ensuring that core functions are adequately resourced while project funding is used strategically to develop and expand activities.

6.2 DO: Implementing Income Diversification

6.2.1 Securing External Funds

Once an organisation has identified suitable funding opportunities and developed a diversification strategy, the next step is securing external funding. This may include grants, sponsorship, donations, philanthropic support, partnerships, or other forms of external investment.

Successful fundraising is rarely the result of a single application or approach. It is typically built upon:

- A clear understanding of organisational priorities and funding needs.
- Strong relationships with potential funders and partners.
- Demonstrated evidence of impact and organisational effectiveness.
- Well-developed project proposals and realistic budgets.
- Consistent follow-up and stewardship of existing supporters.

Member Organisations should seek to maintain a pipeline of funding opportunities rather than relying on individual applications or funding cycles. This can help reduce uncertainty and create greater financial stability over time.

External funding should support the organisation's strategic priorities. Organisations should avoid pursuing funding opportunities solely because they are available if doing so risks diverting resources away from their mission or strategic objectives.

6.2.2 Reviewing Capacity to Deliver Projects Ahead of Applying for Funding

Before applying for funding, organisations should assess whether they have the capacity to deliver the proposed activity successfully.

Securing funding creates obligations. Failure to deliver agreed outcomes can damage relationships with funders, create financial liabilities, and affect future funding opportunities.

Key considerations include:

- Availability of volunteers, staff, and project leadership.
- Financial management and reporting capacity.
- Procurement, safeguarding, and compliance requirements.
- Project management capability.
- Ability to collect and report outcome data.
- Existing organisational workload and competing priorities.

Organisations should consider not only whether they can secure funding, but whether they can deliver the project to the expected standard.

Useful questions include:

- Do we have the people required to deliver this work?
- Do we have the necessary expertise?
- Can we meet reporting requirements?
- What risks could affect delivery?
- What will happen when the funding period ends?

A smaller project delivered successfully is often more valuable than a larger project that exceeds organisational capacity.

6.2.3 Commercial Income Streams

Commercial income can provide an important source of unrestricted funding that supports organisational sustainability and resilience.

Examples may include:

- Membership-related products and merchandise.
- Training courses and educational services.
- Events and conferences.
- Facility hire and property rental.
- Equipment hire.
- Consultancy or specialist expertise.

Commercial activities should be carefully assessed to ensure they:

- Align with the organisation's mission and values.
- Can be legally delivered, considering statutory provisions, fiscal obligations of the Scout organisations and other national-level rules and regulations regarding non-profit organisations
- Meet a genuine market need.
- Do not create unacceptable financial or reputational risks.
- Can be delivered within available capacity.

Before launching a commercial initiative, organisations should consider:

- Start-up and operating costs.
- Potential demand.
- Competition and pricing.
- Legal and tax implications.
- Governance and oversight arrangements.

Commercial activities should be reviewed regularly to ensure they remain financially viable and continue to contribute positively to organisational objectives.

The purpose of commercial income is not simply to generate revenue, but to strengthen the organisation's ability to fulfil its mission.

6.2.4 Philanthropy strategies

Relationship-based fundraising can be incredibly worthwhile and provides facility for those with deep affinity for Scouting's values to contribute to its future.

Key steps in developing a philanthropic giving programme include:

- Ensuring a robust brand
- The availability of impact metrics and reporting, including details of specific outcomes in the case of large donations
- Offering the credibility and assurance that may be needed from a donor who will expect their funds to be managed with the highest professional standards
- The time and patience to build long-term relationships through understanding donor priorities and communicating with them in a way that suits their preferences

6.2.5 Developing partnerships and sponsorship

Corporate sponsorship and partnerships can provide both financial and non-financial support, including expertise, visibility, and access to networks.

Effective partnerships are characterised by:

- **Mutual benefit:** both the organisation and the partner derive value
- **Alignment of values:** avoiding partnerships that may conflict with Scouting's principles or the Organisations' mission, vision and values
- **Clarity of expectations:** defined deliverables, branding arrangements, and reporting

Organisations should:

- Develop a clear **partnership proposition,** outlining what they offer (e.g. brand association, community impact, youth engagement)
- Identify sectors or companies aligned with their mission
- Manage relationships actively, rather than treating sponsorship as a one-off transaction

Care should be taken to avoid **over-dependence on a small number of sponsors** or arrangements that compromise independence.

6.2.6 In-kind support

In-kind contributions (e.g. provision of services, facilities, expertise, or equipment) can reduce costs and enhance capacity.

To manage in-kind support effectively:

- Ensure clarity on the **value and scope** of the support provided
- Consider dependency risks if the support is withdrawn
- Ensure arrangements are **transparent and appropriately governed**
- Recognise and acknowledge contributions appropriately

In-kind support should complement, rather than substitute for, sustainable financial planning.

6.2.7 Writing grants

Applying to existing grant programmes can be an effective way to meet needs for specific projects.

Applying for grants can be an effective way to secure funding for specific projects or strategic initiatives. However, grant funding is typically **restricted, time-bound, and administratively demanding**, and therefore should be approached in a structured way. Some academic literature has noted that organisations which shift their funding profile to be strongly dependent on grant funding to be more vulnerable in the longer term.

A strong grant approach involves three stages:

1. Identifying suitable opportunities

- Focus on grants aligned with your organisation's **strategic priorities**, rather than adapting your strategy to fit funding opportunities
- Assess eligibility criteria carefully, including geographic, thematic, and organisational requirements
- Consider the size and complexity of the grant relative to your organisation's capacity

2. Preparing high-quality applications

- Clearly articulate the **problem being addressed**, supported where possible by data
- Demonstrate how the proposed activity aligns with both the funder's objectives and your organisation's strategy
- Provide realistic and transparent budgets, including full cost recovery where permitted
- Outline measurable outcomes and impact

3. Managing delivery and reporting

- Ensure capacity exists to deliver the project as described
- Assign clear ownership for grant management and reporting
- Maintain strong communication with the funder throughout the lifecycle of the grant
- Capture learning to inform future applications

It is important to recognise that **grant funding rarely supports core organisational costs**. Over-reliance on grants can lead to fragmentation of activities and increased administrative burden. For this reason, grant funding should be considered as one element of a balanced funding portfolio.

6.3 CHECK: Monitoring performance and risk

6.3.1 SMART Targets, Goals, and Clear Objectives

Income diversification should be supported by clear objectives and measurable indicators of progress.

Objectives should be SMART:

Specific – clearly define what is to be achieved.

Measurable – progress can be quantified or assessed.

Achievable – realistic given available resources.

Relevant – linked to organisational priorities.

Time-bound – associated with a defined timeframe.

Examples may include:

- Reduce reliance on the largest income source from 70% to 50% within three years.
- Secure three new funding partners within two years.
- Increase unrestricted income by 20% over a three-year period.
- Develop one new commercial income stream by the end of the strategic plan period.

Targets should focus not only on the amount of funding secured but also on improving the balance, sustainability, and resilience of the overall funding portfolio.

Regular review of progress allows organisations to identify emerging challenges and adapt their approach where necessary.

6.3.2 Reporting on External Funds

Effective reporting demonstrates accountability, builds trust, and strengthens relationships with funders and partners.

Reporting should communicate:

- Activities delivered.
- Outputs achieved.
- Outcomes and social impact generated.
- Financial expenditure.
- Lessons learned and future plans.

Where possible, organisations should combine quantitative data with qualitative evidence, including stories and testimonials that illustrate the impact of funded activities.

Good reporting can:

- Improve relationships with existing funders.
- Increase the likelihood of future funding.
- Demonstrate organisational credibility.
- Support wider communications and advocacy efforts.

Reporting should not be viewed solely as a compliance requirement. It is an opportunity to demonstrate the value created through the support received.

6.3.3 Managing Income Risk

Monitoring income diversification is not only about measuring success; it is also about identifying and managing risk.

Organisations should regularly review:

- Dependence on individual funding sources.
- Concentration of income among a small number of donors or funders.
- Trends in membership income and participation.
- Reliability and predictability of income streams.
- Exposure to economic, political, or regulatory changes.

Questions for periodic review may include:

- What would happen if our largest funding source disappeared?
- Which income streams are most vulnerable to external shocks?
- Are we becoming dependent on a small number of supporters?
- Do any funding relationships present governance or reputational risks?
- Do we have sufficient unrestricted income to support core functions?

Simple tools such as funding concentration analysis, scenario planning, and risk registers can help organisations understand vulnerabilities and plan appropriate responses.

The objective is to ensure that income risks are understood, monitored, and managed in a way that supports the long-term sustainability of the organisation.

6.4 ACT: Refine and improve the funding mix

The purpose of the ACT stage is to ensure that income diversification remains a deliberate, strategic and governed process. Once an organisation has planned its approach, implemented funding initiatives, and monitored results, it should use that evidence to make informed decisions about the future funding mix.

This stage is about learning, rebalancing and improvement. It helps Member Organisations decide which income streams should be strengthened, which should be adapted, and which should be reduced or discontinued. It also ensures that income diversification continues to support Scouting's mission, values and long-term resilience.

Income diversification should not be treated as a one-off project. Funding environments change, organisational capacity changes, and the needs of young people and communities change. For this reason, the funding model should be reviewed regularly and adjusted where necessary.

6.4.1 Building on Strengths and Addressing Weaknesses

Member Organisations should use monitoring information to identify which elements of their income diversification approach are working well and which require adjustment.

Areas of strength may include income streams that are growing steadily, partnerships that are producing both financial and non-financial benefits, successful grant programmes, effective commercial activities, or improvements in unrestricted income. These strengths should be understood, documented and, where appropriate, scaled.

Areas of weakness may include funding streams that require disproportionate staff or volunteer time, partnerships that are not aligned with organisational values, grants that create excessive reporting burdens, or commercial activities that do not generate sufficient return. These should not automatically be continued simply because they have existed for some time.

Questions for review may include:

- Which income streams are making the greatest contribution to financial resilience?
- Which income streams are producing unrestricted income that can support core functions?
- Which activities are consuming significant capacity without producing proportionate benefit?
- Which partnerships are strengthening Scouting's impact and reputation?
- Which funding relationships create strategic, operational, ethical or reputational concerns?
- What have we learned from unsuccessful funding applications or underperforming initiatives?

Pursuing growth in every income stream is neither possible nor advisable. It is developing a balanced and manageable funding portfolio that will ultimately support the organisation's strategy, capacity and values.

6.4.2 Rebalancing the funding portfolio

A diversified funding model requires periodic rebalancing. An income stream that was appropriate at one point may become too dominant, too unpredictable, too restricted, or too demanding to manage.

Equally, a small income stream may show potential for growth if the organisation invests in the right relationships, systems or skills.

Member Organisations should periodically review whether their funding mix remains appropriate. This review should consider both financial value and strategic fit. A large income source may still create vulnerability if it is highly restricted, politically exposed, dependent on one relationship, or inconsistent with the organisation's values. A smaller income source may be strategically valuable if it is unrestricted, reliable, mission-aligned, or capable of strengthening external relationships.

Boards and senior leadership may wish to consider:

- Are we over-reliant on one funder, donor, income stream or political source?
- Has project funding grown faster than our ability to fund core organisational functions?
- Are we developing enough unrestricted income?
- Are reporting and compliance obligations proportionate to the value of the funding?
- Are any funding sources changing the focus of the organisation in unintended ways?
- Are we investing enough in the systems, people and relationships needed to sustain a more complex funding model?

Rebalancing may involve growing a promising income stream, reducing dependency on a vulnerable source, renegotiating a funding arrangement, increasing investment in fundraising capacity, or deciding not to pursue certain types of funding.

6.4.3 Growing Long-Term Partnerships

Successful partnerships are built on trust, mutual benefit, and a shared commitment to creating positive outcomes for young people and communities. While securing support is important, the long-term value of a partnership often lies in the strength of the relationship rather than any single financial contribution.

6.4.4 Maintaining and strengthening relationships

Partnerships should be actively nurtured and managed over time. Organisations should seek to understand the interests, priorities, and motivations of their partners and maintain regular communication beyond funding requests or project reporting.

Simple actions can help strengthen relationships, including:

- Providing timely updates on activities and achievements.
- Sharing evidence of impact and outcomes.
- Inviting partners to events, celebrations, or project launches.
- Seeking feedback and opportunities for collaboration.
- Recognising contributions publicly where appropriate.
- Demonstrating how a partner's support has contributed to positive outcomes helps build confidence and encourages continued engagement.Rebalancing may involve growing a promising income stream, reducing dependency on a vulnerable source, renegotiating a funding arrangement, increasing investment in fundraising capacity, or deciding not to pursue certain types of funding.

6.4.5 Thanking and recognising partners

Recognition is an important part of maintaining strong partnerships. Organisations should ensure that partners feel valued and appreciated for their contribution.

Approaches may include:

- Personal thank-you letters from organisational leaders or young people.
- Public acknowledgement in annual reports, newsletters, websites, or social media.
- Certificates, awards, or other forms of recognition.
- Invitations to key events and milestones.
- Sharing stories that illustrate the impact of the partnership.

Recognition should always be proportionate and appropriate. The objective is to acknowledge support while preserving the independence and integrity of the organisation.

6.4.6 Ensuring alignment with values

Not all potential partnerships will be suitable. Organisations should consider whether a prospective partner's activities, reputation, and values are compatible with the principles and mission of Scouting.

Questions to consider include:

- Does this partnership support our mission and strategic objectives?
- Are the partner's activities consistent with our values?
- Could the partnership create reputational risks?
- Would members, volunteers, parents, or the wider public view the partnership positively?
- Could the arrangement compromise, or be perceived to compromise, organisational independence?

A partnership that provides financial benefit but creates reputational or ethical concerns may ultimately undermine trust and have a negative impact on the organisation.

6.4.7 Protecting Scouting's reputation

The reputation of Scouting is one of its most valuable assets. Organisations should therefore exercise appropriate due diligence before entering significant partnerships or sponsorship arrangements.

This may include:

- Reviewing the partner's public reputation and track record.
- Considering any legal, ethical, environmental, or social concerns.
- Assessing potential conflicts of interest.
- Establishing clear agreements on branding, communications, and expectations.
- Ensuring appropriate governance oversight for major partnerships.

Organisations should also periodically review existing partnerships to ensure they remain aligned with organisational values and strategic priorities.

Strong partnerships are not simply sources of funding. They are relationships that can provide expertise, networks, advocacy, and opportunities for young people. By investing in these relationships while remaining true to Scouting's values and purpose, Member Organisations can strengthen both their resilience and their long-term impact.

7. Literature on financial vulnerability in non-profits

There is a diverse literature on what makes non-profit entities financially vulnerable, and in particular what are the factors that make them fail. There are national nuances and particular debates, in particular in relation there are debates as to whether certain types of funding concentration make organisations financial vulnerable, whether large amounts of government funding attract private donations or deter them, whether third party funding leads to greater vulnerability, how diverse boards effect stability of funding, the interaction of income diversity, growth and stability, and much more.

While this guidance won't go into these in detail, you may wish to read some of this material to see how it applies to your situation, based on your detailed knowledge of your organisation's structure, skills and capability.

8. Conclusion

This guidance is designed to support MOs as they consider how to diversify their income to ensure resilience. It aims to provide high level perspective on the benefits and risks of different approaches and to guide MOs on potential journeys to greater financial stability in order that they can better deliver Scouting to more young people in more communities. If your Scout organisation is looking to receive direct support on analysing, reviewing or developing a funding strategy, you can create a **WOSM Services** request through the dedicated platform.

Further reading

World Scouting's documents

- Toolkit on Financial Management for NSOs (https://learn.scout.org/resource/toolkit-financial-management-nsos)
- Grants and Funding (https://www.scout.org/what-we-do/member-organizations/grants-and-funding)
- How to respond to socio-economic challenges (https://wosmlzs3.s3.eu-west-1.amazonaws.com/2023-03/ESD%20SP%202011_12_EN_0.pdf)
- T-Kit 9: Funding and Financial Management (https://pjp-eu.coe.int/en/web/youth-partnership/t-kit-9-funding-and-financial-management)

Other organisations

- Council of Europe: Funding and Financial Management (https://pjp-eu.coe.int/documents/42128013/47261296/tkit9.pdf/8ce14ff0-586b-46d6-9567-f99495a2ed49?t=1377278337000)

Academic literature

- *Brooks A.*, Public subsidies and charitable giving: Crowding out, crowding in, or both?, *Journal of Policy Analysis and Management*, 2002, vol. 19 3(pg. 451-64)
- *Carroll D. A., & Stater K. J. (2009)*. Revenue diversification in nonprofit organizations: Does it lead to financial stability? Journal of Public Administration Research & Theory, 19(4), 947–966. https://doi.org/10.1093/jopart/mun025.
- *Green, E., Ritchie, F., Bradley, P. et al. (2021)*. Financial Resilience, Income Dependence and Organisational Survival in UK Charities. Voluntas 32, 992–1008 (2021). https://doi.org/10.1007/s11266-020-00311-9

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November 2026

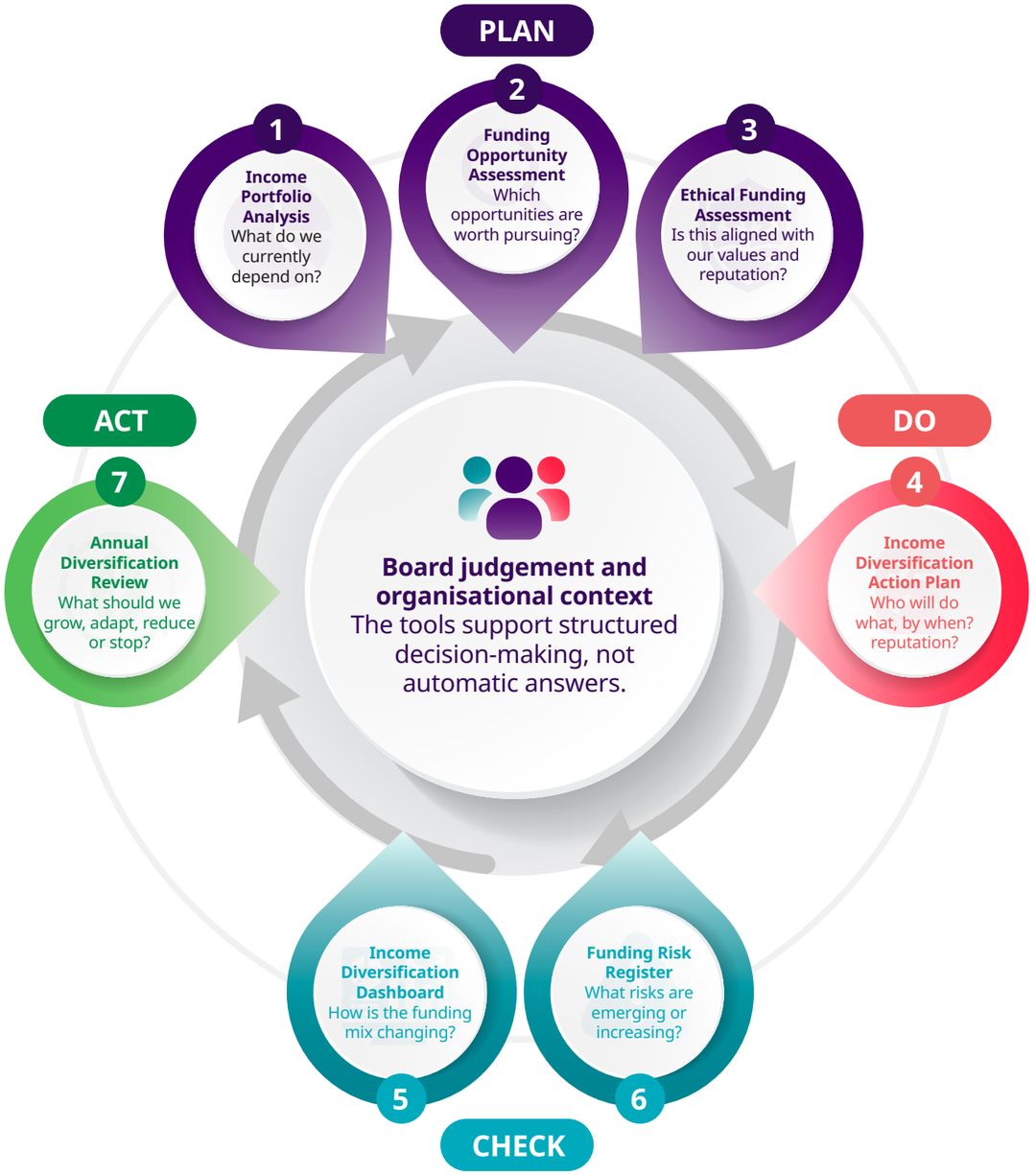
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Tools, templates and resources

How the Tools Work Together

A practical cycle for governing income diversification



Tool 1: Income Portfolio Analysis Template

Purpose

This tool helps organisations understand their current funding mix and identify areas of dependency or concentration risk.

Instructions

List all significant sources of income and estimate their contribution to total organisational income.

Income Source	Annual Value (€)	% of Total Income	Restricted / Unrestricted	Stability (H/M/L)	Notes
Government Grant					
Membership Fees					
Donations					
Sponsorship					
Events					
Others					

Reflection Questions

- Which source contributes the largest share of income?
- What would happen if that source was reduced or removed?
- Do we have sufficient unrestricted income to support core functions?
- Which income sources have the greatest growth potential?

Tool 2: Funding Opportunity Assessment Tool

Purpose

This tool supports decisions on whether to pursue a funding opportunity.

Instructions

Score each criterion from 1 (low) to 5 (high).

Criteria	Score
Alignment with mission	
Alignment with strategic plan	
Likelihood of success	
Organisational capacity to deliver	
Sustainability of funding	
Reputational risk (reverse score)	
Administrative burden (reverse score)	

Decision Guide

30–40

Strong opportunity. Consider progressing.

20–29

Proceed with caution and review risks.

Below 20

May not justify investment of time and resources.

Tool 3: Ethical Funding Assessment Checklist

Purpose

To help ensure funding sources align with Scouting values and protect organisational reputation.

Questions

Mission Alignment

- ☐ Does the funding support our mission?
- ☐ Could this funding influence our programme priorities?
- ☐ Could this funding affect organisational independence?

Reputation

- ☐ Would members and volunteers be comfortable with this partnership?
- ☐ Would parents and the public view the arrangement positively?
- ☐ Could the partnership create reputational concerns?

Governance

- ☐ Have conflicts of interest been considered?
- ☐ Has appropriate due diligence been undertaken?
- ☐ Has approval been obtained through appropriate governance structures?

Decision

- ☐ Proceed
- ☐ Proceed with conditions
- ☐ Do not proceed

Reasoning:

Tool 4: Income Diversification Action Plan

Purpose

To translate diversification ambitions into practical actions.

Objective	Action	Owner	Timeline	Success Measure

Example

Objective: Reduce dependence on government funding.

Action: Develop sponsorship programme.

Owner: Treasurer.

Timeline: 12 months.

Success Measure: Three new corporate partners secured.

Tool 5: Income Diversification Dashboard

Purpose

For quarterly review by the Board or Executive Committee.

Key Indicators

Indicator	Target	Current
Largest income source (%)	<40%*	
Unrestricted income (%)	>30%*	
Number of active funding streams		
New funding secured (€)		
Donor retention rate (%)		
Grant success rate (%)		
Sponsorship income (€)		

*Indicative

Board Discussion Questions

- Are we becoming more or less dependent on a single source?
- Are diversification efforts generating meaningful returns?
- Are any income streams creating governance concerns?

Tool 6: Funding Risk Register

Purpose

To identify and monitor funding-related risks.

Indicator	Likelihood	Impact	Controls	Owner
Loss of major grant				
Unrestricted income (%)				
Sponsor withdrawal				
Economic downturn				
Donor concentration				

Review Questions

Has the risk profile changed?

Are additional controls required?

- Are there early warning indicators to be monitored in the case of larger risks?
- Which risks require mitigation, and could mitigation reduce the risk profile?
- Have any new funding risks emerged?

Tool 7: Annual Diversification Review Template

Purpose

To support annual reflection and continuous improvement.

Review Questions

Performance

Which diversification initiatives were successful?

Which initiatives did not achieve expected outcomes?

Which income streams grew?

Which declined?

Capacity

Did we have sufficient people and skills?

Were reporting and compliance requirements manageable?

Risk

Have any new dependencies emerged?

Have any partnerships created governance concerns?

Future Direction

Which income streams should be expanded?

Which should be reduced or discontinued?

What new opportunities should be explored?

Key Decisions for the Coming Year

1.
2.
3.