Mission-Based Objectives, Market-Based Funding: The Relationship between Nonprofit Enterprise and Service Delivery

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Abstract:

This paper addresses the relationship between earned revenue activities and core service delivery in nonprofit organizations. Two key assumptions drive this study: (1) organizations are resource-dependent and (2) nonprofit organizations are mission-driven. Past studies have examined earned revenue as aggregate measures, i.e.: the sum of all market-driven income activities, or the sum of revenue from program/service related activities. Some of these studies argue earned revenue complements service delivery because organizations can use this financial resource to invest in the organizational technologies and acquire the resources needed to deliver their core services. Other studies have considered the potential negative effects because the pursuit of this type of income can crowd out income from other sources, in effect becoming a substitute for service activities. However, not all market-based activities may affect service volume and access in the same way. This study uses fixed effects regression to analyze data from 2115 arts and culture organizations over a period of four years in order to to assess the embeddedness (use of the same organizational technologies, targeting the same markets) of the market-driven activity relative to the core mission activity. Findings show that activities that are fully embedded are positively related to increases in service volume, but earned revenue activities that are not fully embedded – that is, that share some but not all organizational inputs or target markets – are negatively related to both service volume and service access. These findings may help nonprofit organizations considering the pursuit of earned revenue to determine the best strategy to complement service delivery.

INTRODUCTION

Nonprofit organizations have been engaged in increasing levels of commercial, market-driven earned revenue activity[1], which now account for 52% of funding in this sector (Young, Salamon, and Grinsfelder 2012). This paper addresses how changes in earned revenue activities affect service delivery in nonprofit organizations. Some past studies have focused on the advantages of earned revenue, finding it to be a complement to mission-driven activity because organizations can procure much-needed financial resources that can be invested in program and service delivery. Other studies have found market-driven activity to distract from mission-driven

[1] Commercial revenue: income earned through the sale of goods/services, exclusive of donations and government grants (Anheir and Toepler 1998)

programs and services, leading organizational attention needed for programs to be invested in earned revenue pursuits without yielding support for the core activities (Weisbrod 1998b).

Earned revenue has been studied as an aggregate sum of all market-driven income streams. However, not all earned revenue may be created equal when it comes to the effect of market-driven activities on mission-driven service delivery. Some market-based activities are embedded within the organization's core mission-driven activities, using the same organizational resources, and targeting the same markets. Given these shared elements, embedded activities may serve as complements to services. Other market-based activities are external to the service activities, using separate organizational technologies, and targeting different markets. Removing these shared elements of programming could be a distraction, leading to a decrease in service delivery outcomes.

A third class of revenue activities can be integrated within the service activities, either using sharing organizational technologies, or targeting the same markets as the core mission-driven services. The effect these activities will have on service delivery is unknown. On the one hand, by drawing on existing organizational technologies and skills to make headway in new markets, the organization may be able to generate added revenue at minimal cost. Similarly, the organization may be able to see positive service delivery outcomes by leveraging current market relationships to deliver new services. On the other hand, the use of existing organizational technologies may distract resources or take the attention of target stakeholders (donor and client) away from core mission-driven activities, thus negatively impacting service. Regardless, the relationship between mission- and market- activities, and the level of embeddedness, is expected to matter when it comes to addressing whether earned revenue complements or substitutes for core programs and services.

Using data from the Cultural Data Project, which collects financial and program information from arts and culture organizations in 12 states, I analyze financial and program information from 2000 organizations over a period of four years to determine the effects of changes in revenue on program service delivery. Findings suggest that, indeed, the relationship between market- and mission-driven activities matters. Embedded revenue activities are positively related to some aspects of service delivery. However, integrated activities, especially those integrated on the technology dimension, have a negative effect on service-level outcomes. These findings may offer cause for concern, given the fact that integrated activities are trending upwards in this sector, even as income from government, donated, and investment sources is decreasing.

The following section explores the nature of embeddedness and expected effects on service delivery. The third section contains an empirical analysis of the relationship the various forms of earned revenue and service level outcomes. A discussion of the findings follows, and the last section presents conclusions, limitations, and steps for future study.

THEORY: THE NATURE OF EMBEDDEDNESS

This study rests on two key assumptions: organizations are resource-dependent, and nonprofit organizations are mission-driven. Resource dependence refers to the fact that organizational survival is predicated on the acquisition and management of resources (Pfeffer and Salancik 1978) in order to increase or merely maintain stable output levels (Weisbrod 1998b). These resources can include funding, human capital, space, program materials, technology, etc.

Beyond survival, Pfeffer and Salancik (1978) also describe organizational effectiveness, or the extent to which organizations can create outcomes acceptable to the stakeholders on whom they are most dependent. Nonprofit organizations are mission-driven, dedicated to important spiritual and secular values that serve the public good (Frumkin and Andre-Clark 2000). They are non-distributive, meaning they do not distribute earnings to shareholders, and non-coercive – no one has to give support to these organizations (Frumkin 2005). A nonprofit organization chooses to operate as such in the belief this is the best way to gain much-needed support from donors and volunteers (Moore 2000; Knutsen 2012) as well as to respond to public mandates (Rentschler, Hede and Ramsey 2004). For example, the nonprofit designation can signal trustworthiness to private donors, status as preferred mechanism for delivering quasi-public services, and/or the means of pursuing ideological objectives (James 2003).

These key assumptions can come into tension with each other (Tuckman 1998, Weisbrod 2004). Pursuit of resources can supplant mission-driven focus. A key resource is funding. Nonprofits can be funded through private donations and/or government funding. They can also pursue earned revenue. Organizations presumably pursue this latter type of funding in order to support their mission-driven activities. However, previous studies have mixed findings as to whether earned revenue does, indeed, complement (Froelich 1999) or become a substitute for service delivery (Hughes and Luksetich 2004, Frumkin and Keating 2002).

Other studies have attempted to link the revenue and mission activities in order to examine the adoption of market-based initiatives. James (1983, 2003) links the two activities in terms of outputs, ascribing an unfavorable designation to non-mission activities justified by the organization's ability to cross-subsidize mission-driven programs and services. Similarly, Young (1998) classifies revenue activities by how they contribute to the mission – favored

mission-related services, neutral/disfavored pure fund-raising; or favored/neutral activities that both generate revenues and contribute to the mission.

In their evaluations of earned revenue, many of these studies have looked earned revenue as an aggregate measure – i.e.: commercial revenue (Child 2010) or program service revenue (Okten and Weisbrod 2000). However, earned revenue activities may not uniformly affect organizations and service delivery. The degree to which these earned revenue activities are connected to the mission-driven activities needs to be taken into account. This connection between mission and market activities can be nonprofit income composition and considered on two dimensions: 1) the organizational technology each uses to produce outputs; and 2) the markets each target.

Organizational technology refers to organizational resources, human resources, tech systems used to turn inputs into organizational activities and outputs. These include financial requirements, managerial expertise, and production capabilities (Lovelock 2004). Using the same organizational technology to produce core and market activities reflects integration and coordination (Gonzalez et al. 2002).

Target markets refer to the audience(s) to whom the activity in question targets/seeks to benefit. Nonprofits seek to fill a need of a defined target market (Lovelock 2004). Typically, the beneficiaries of mission-driven services are considered clients. These clients tend to come to the nonprofit, and the organization responds to the needs of these clients (Alter 2004). Conversely, organizations selling a good or service for revenue need to attract paying customers. Target markets overlap if the customer of the revenue service is also the mission-driven service's client. In this sense, nonprofits that have a dual market orientation meet the needs of both clients and

donors. The extent to which consumption of the market service is contingent on the consumption of the mission service also reflects overlap. Excludability, or the imposition on the use of the good or service (Weimer and Vining 2005), can also reflect overlap. If the organization can exclude non-clients from its customer base, the target markets may not overlap.

A revenue activity that uses the same organizational technologies as the mission-driven service and targets the same markets by limiting customers to those who are also clients can considered embedded within the core service. Revenue activity that shares neither organizational technology nor targets the same markets by keeping revenue activities exclusive is external to the core mission activity. Revenue activity that either uses the same technologies or targets the same markets, overlapping on one dimension, but not both, can be considered integrated. Table 1 demonstrates the two dimensions of embeddedness.

Table 1: The Embeddedness Matrix

different **TARGET MARKET**	**INTEGRATED Revenue**	**EXTERNAL Revenue**
same	EMBEDDED Revenue	INTEGRATED Revenue
	same	different
	ORGANIZATIONAL TECHNOLOGY	

Service delivery can be conceptualized in terms of volume and composition. Volume refers to the number/quantity of services consumed, i.e.: dollars spent (Barber, Daniel, Roberts 2002), total attendance (White and Simas 2007). Composition captures the breakdown between paying customers and non-paying clients to reflect the public responsibility nonprofit organizations have (Bailey and Falconer 1998; Cain and Meritt 1998; Rentschler, Hede, and Ramsey 2004).

Meyer and Rowan's discussion (1977) of tight and loose coupling can be applied to the relationship between market and mission activity (Cooney 2006). A market activity that uses the same organizational resources and targets the same audience as the mission activity is thought to be tightly coupled, or fully embedded. Market activities that share no commonalities in organizational resources or target markets with mission activities are loosely coupled, or external. Organizations pursuing embedded earned revenue are charging for what they already do, finding ways to sustain themselves by carrying out their core mission. For example, an improv theater company selling tickets to its shows is pursuing embedded earned revenue. The revenue activity is, essentially, the mission-driven service. A customer cannot consume the revenue activity without also partaking of the mission-driven service. By engaging in this type of activity, the theater can capitalize on existing resources and relationships, minimizing reliance on external resources, and sustain its core mission activities by doing its core mission activities.

H1: A change in embedded revenue will be positively associated with a change in service volume.

However, service delivery outcomes are not uniform. Service delivery can be thought of in terms of absolute volume (the total number of people utilizing the service/program), but it can

also be considered in terms of access (who can utilize the programs/services at free or reduced cost) or other manifestations. Some of these goals can come at the expense of others. Embedded revenue activities could price out target consumers, affecting access (Salamon 1995; Guo 2006). Depending on how the organization defines and prioritizes service delivery outcomes, the pursuit of embedded revenue could actually act as a substitute to service delivery.

H2: A change in embedded revenue will be negatively associated with a change in service composition.

Whereas embedded revenue activities share organizational technologies and target markets with mission-driven activities, external revenue activities use different organizational technologies and target other markets. This type of revenue comprises activities that are not central to the organization's mission, what Young (1998a) classifies as unfavorable, designed solely to generate revenue – for example, an improv theater company running a café or offering and charging for valet services. Organizations pursuing this type of revenue may have to sink costs into acquiring new technologies or resources needed to deliver this external service. In addition, revenue pursued through external activities may crowd out donor support of if they think the organization is now engaged in for-profit activity unrelated to the core mission (Segal and Weisbrod 1998). Therefore, external revenue is expected to be negatively related to both service volume and service composition

H3: A change in external revenue will be negatively associated with a change in service volume.

H4: A change in external revenue will be negatively associated with a change in service composition.

The potential effects of integrated revenue are more difficult to predict. For example, integrated revenue activities could capitalize on the cost complementarities of shared technologies. If the activity is embedded along the market dimension, service volume could be positively affected by drawing more resources from existing clients/customers. Therefore, an argument could be made for a positive relationship between integrated revenue and service volume.

H5: A change in integrated revenue will be positively associated with a change in service volume.

However, some of the issues that may plague external revenue activities could also have similar adverse effects for integrated revenue. Organizations attempting to use new technologies to address current markets may face unexpected costs when it comes to execution. Clients in current markets may also not respond positively to the new service being provided. Similarly, the use of existing technologies to reach new markets could distract much needed resources from mission-driven activities, thereby decreasing service delivery. The partial but not complete overlap of revenue and core mission activities may lead to tension between revenue and service delivery goals (Eikenberry and Kluver 2004). Unlike external activities, however, measuring profitability from integrated activities is difficult because of the shared nature between these and core mission activities. Similarly, eliminating costly aspects may not be possible if these organizational technologies are needed to deliver core services. Engaging in integrated revenue activities may negatively affect mission-driven activities but leave the organization little recourse in reversing these trends.

H6: A change in integrated revenue will be negatively associated with a change service volume.

Additionally, the pursuit of resources from, for example, paying customers, may come at the expense of those who traditionally have received the service at free or reduced cost (Huszar and Seckler 1974), affecting who can access these services. This potential diversion of services away from the core activity's target market would negatively affect service composition.

H7: A change in integrated revenue will be negatively associated with a change in service composition.

Table 2: Summary of Hypotheses

	Service – Volume (money spent on programs, people attending)	Service – Composition (clients attending for free)
Embedded Revenue (same org. tech *and* same target market)	H1: +	H2: -
External Revenue (different org. tech. *and* different target market)	H3: -	H4: -
Integrated Revenue (same org tech. *or* same target market)	H5: + H6: -	H7: -

+ indicates an expected positive relationship
-indicates an expected negative relationship

DATA

The data for this analysis comes from the Cultural Data Project (CDP), which consists of data profiles from 14,000 arts and culture organizations in twelve states. Each profile contains financial, operational, and program data from a single fiscal year, as well as a board-approved audit or year-end financial statement. The sample in this paper includes organizations with data profiles for each of the years from 2007-2010, yielding a panel of 2115 organizations. Since this study controls for organization type (using only arts and culture organizations), financial and organizational characteristics can be measured against each other based on reasonable assumptions of similar overhead cost. I use fixed effects regression[2] to analyze this data, examining the relationship between earned income and service provision.

VARIABLES

Dependent Variables

PROGRAM SPENDING

Measures for service delivery fall in the following three categories: program spending, program output, and program access. Program spending quantifies how much is being spent on the programs and services specified by the organization's mission (Barber, Daniel, Roberts 2002), which can demonstrate institutional priorities (Chabotar 1989; Hughes and Luksetich 2004). Program spending is quantified in 2 ways: *program expenses*, and the *program expense ratio*. *Program expenses* is an absolute measure that captures the total number of dollars an organization spends on programs. The mean in this sample, measured in $1000s, is $147.37, meaning organizations spent, on average, $147,370 annually on core, mission-driven activities. Program expenses increased over time by an average of $5,838 from the initial time period in 2007 to 2010.

The *program expense ratio* is a relative measure that captures how much of every dollar goes toward program expenses. Program expense ratios are commonly used by popular rating entities such as Charity

[2]I ran initial estimates using OLS regression, but fixed effects is preferred because it addresses omitted variable biases and latent variables. The results from the OLS regressions and a comparison to the fixed effects results can be found in appendix A.

Navigator and GuideStar as a measure of an organization's financial healthy because they are viewed as representative of core mission and can serve as a proxy for organizational priority. According to Hager and Flack (2004), arts, culture, and humanities organizations, programming accounted for an average of 72% of total expenses. The organizations in this sample show a similar trend, with the program expenses accounting for 72.6 % of expenses. These expenses were relatively unchanged during the time period of interest (increasing .4% from 2007-2010).

PROGRAM OUTPUTS

White and Simas (2007) suggest measuring *total attendance* (the number of people receiving services/coming to programs) as a measure of program outputs. This is an absolute measure of consumption. Organizations in this sample had a mean total attendance of 14,159, showing a positive increase over time.

PROGRAM ACCESS

Assuming public access is the organization's mission, the effects of revenue can be measured against free service delivery as a proxy of mission attainment (Bailey and Falconer 1998; Cain and Meritt 1998; Rentschler, Hede and Ramsey 2003). Access is measured in two ways: *total free attendance* and *free attendance ratio*. *Total free attendance* reflects the absolute consumption of free programs/services over time. Organizations report a mean of 11,936, which can be interpreted as 11,936 people attending free per year during the time period in question.

The *free attendance ratio* is a relative measure demonstrating the proportion of people attending free relative to total program attendance. Organizations in this sample show a mean of .493, translating to 49.3% of people attending programs/services for free, with a change over time of 2.6%

Independent Variables

The CDP data includes 22 measures of earned revenue. Revenue is first measured in total, and then each stream is categorized based on its relationship to the core mission activity, based on organizational

technology and market dimensions (Dart 2004; Alter 2004; Anheir and Toepler 1998, and Weisbrod 1998). If revenue is generated from the mission-related service – i.e.: the business activity has a substantial causal relationship with the exempt activity, the market-based activity can be considered embedded. Similarly, if the market activity is different from the core mission-based activity, but uses the same organizational technology to produce a product or service that can be monetized, this market activity is embedded along the organizational technology dimension.

If the earned revenue activity targets as consumers the same people the mission-driven activity targets as clients, the activity can be said to be fully embedded. Similarly, to the extent customers can consume the revenue activity only if s/he also consumes the core service will also determine embeddedness – i.e.: An organization that serves its core clients' needs, possibly involving its clients in the generation of revenue, and that limits consumption to clients has an earned revenue activity that is embedded on the target market dimension.

A revenue activity using the same organizational technology and pursuing the same target market is fully embedded. If only one, or neither, dimension is embedded, the activity is considered nonembedded, and can be further categorized as either integrated or external.[3]

Total earned revenue is the sum of all 22 measures and represents an aggregate measure of all 22 measures. The mean is $92,788 in revenue. From 2007 to 2010, the mean increased almost 32%, demonstrating an uptick in earned revenue activities across the arts and culture organizations in this sample.

Embedded revenue is the sum of admissions, tickets, performance subscriptions membership dues, workshops, tuitions, and touring income. The mean for this is $62,237. This mean is the highest of all income types, and has been increasing over time (showing a change of $3477 from 2007-2010).

[3] A full list of earned revenue streams and decision-rules for classification can be found in appendix B.

Nonembedded revenue, the sum of all non-embedded earned revenue activities, has a mean of $30, 551. Revenue from this stream fell $3158 over time

Nonembedded revenue is further broken down into the following measures: total integrated revenue and external revenue. *Total integrated revenue* comprises contracted performances, gallery sales, media subscriptions, and royalties. Organizations report a mean of $5865 for *total integrated revenue*, increasing by $283 over time.

External revenue aggregates revenue from concessions, parking, rent, advertising, sponsorship, special events, and other earned revenue (earned revenue not otherwise included in previously mentioned categories). External revenue mean is $24,686, and this type of revenue has also decreased over time, dropping $3441 from 2007-2010.

Additional, total integrated revenue can be broken down into its component parts: *integrated-market* and *integrated-technology.* The bulk of integrated revenue appears to be concentrated along the technology dimension, with integrated-technology showing a mean of $5523. The mean for integrated-market is $342. Both types of integrated revenue increased during the period of this study (integrated-market by $148, integrated-technology by $135.

Control Variables

In order to isolate the effects of earned revenue on service delivery, the control variables take into account the 9[4] types of non-earned income, the revenue diversification of each organization's financial portfolio, and organizational characteristics. The 9 income categories are collapsed into three categories: government income, donation income, and investment, based on work by Young, Wilsker and Grinsfelder (2010) who examine the connection between nonprofit income composition and the services the

[4] The CDP data includes data on income from tribal, other contrib., parent org. support., related org., and in-kind sources, but revenue from these streams is negligible. Because these variables were not shown to have significance, they have been omitted from the models.

organization produces *Government income* comprises city, county, state, and federal contributions. The mean for government income is $21680, and decreased over time by $1137.

Contributions from individuals, board/trustees, corporations, foundations, and other (non-specified) sources make up *donation income*. This income stream has a mean of $105, 327, making it the primary source of income in this sample. However, this stream, too, is decreasing, showing a drop of $14,279 over the four years of this study.

Investment income aggregates revenue from realized gains and losses, unrealized gains/losses, interest and dividends. The mean for this type of income is $5693, and income from this stream dropped significantly over time (falling $15,914 from 2007 to 2010).

Revenue diversification can offer a tool for organizational stability and more control over income deployment (Froelich 1999; Carroll and Slater 2009; Bathurst et al. 2007). More control over income deployment would presumably make program spending a priority, so the relationship between revenue diversification and service delivery is expected to be positive. However, as Frumkin and Keating (2002) demonstrate, less diversification may benefit the organization by lowering administrative and fundraising expenses, potentially freeing more funding for programs. Conversely, more diversification may increase spending in both areas, leading to less spending on programs and demonstrating the relationship between revenue diversification and service delivery may be positive or negative. To control for these effects, *revenue diversification* is operationalized based on the concept of a Herfindahl-Hirschman Index (Chang and Tuckman 1994; Young, et al. 2010). The proportion of each stream (relative to total income) Each stream is squared. The sum of the squares is subtracted from 1 and used to represent diversification, where 0 is total concentration and 1 is total diversification. The organizations in this sample are relatively diversified, with a mean HHI of 0.741, though this mean did fall marginally over time (by 0.007 during the 4 years covered in this study).

Larger organizations may have more capacity to diversify and allocate resources to earned revenue activities[5]. To control for this, size is accounted for using staff size (captured as full-time equivalents, or FTEs). Organizations show an FTE mean of 10.384, with a slight decrease of .218 over time.

In sum, embedded revenue and both types of integrated revenue are increasing, while external revenue is decreasing. Additionally, income from all non-earned sources (government, donation, income) is also decreasing. Table XX reports the summary statistics for all variables.

Table 3: Summary Statistics for all Variables

Summary Statistics	Obs	Mean	Std. Dev.	Min	Max	Change from 2007-2010
Program Expenses*	8218	147.372	601.084	0	9922.335	5.838
Program Expense Ratio	4909	0.726	0.152	0	1	0.004
Total Attendance*	8460	14.159	262.919	0	15000.4	14.855
Total Free Attendance*	8460	11.936	262.745	0	15000.4	14.857
Free Attendance Ratio	8308	0.493	0.371	0	1	0.026
Total Earned Revenue*	8460	92.788	406.274	0	8404.067	0.319
Embedded Revenue*	8460	62.237	311.431	0	7542.928	3.477
Nonembedded Revenue*	8460	30.551	144.551	0	3925.6	-3.158
Integrated Revenue*	8460	5.865	69.919	0	3246.714	0.283
Integrated-Market Revenue*	8460	0.342	3.788	0	178.2547	0.148
Integrated-Tech Revenue*	8460	5.523	69.831	0	3246.714	0.135
External Revenue*	8460	24.686	115.261	0	2303.595	-3.441
Government Income*	8460	21.680	123.120	0	3775.468	-1.137
Donated Income*	8460	105.327	486.490	0	19348.46	-14.279
Investment Income*	8460	5.693	446.904	-15672.61	12478.97	-15.914
Size (Full Time Equivalent)	8460	10.384	34.115	0	559	-0.218
Revenue Diversification (Herdindahl-Hirschmann Index)	8460	0.740	0.281	0	9.369428	0.007

*= measured in 1000s

MODEL

The model used to explore the effects of earned income on service delivery looks like this:

$$\text{SERVICE DELIVERY}_{it} = (\text{alpha}+u_i) + \beta_1\text{EARNED REVENUE} + \beta_2\text{GOVERNMENT INCOME} + \beta_3\text{DONATED INCOME} + \beta_4\text{INVESTMENT INCOME} + \beta_5\text{SIZE} + \varepsilon_{it}$$

[5] Location may also affect earned income and service delivery trends, and was controlled for in the OLS models. However, since the location is (presumed to be) constant, this control was dropped from the fixed effects models.

where service delivery (represents the vector of dependent variables), i = each organization in the sample, and t represents a year between 2007-2010.

Service delivery is represented by 5 different dependent variables: program expenses, program expense ratio, total attendance, total free attendance, and free attendance ratio. For each dependent variable, 8 models are run, with earned revenue representing the following variables:

In Models 1 and 2, Earned Revenue represents total earned revenue reported by the organization.
In Models 3 and 4, Earned Revenue includes the variables of embedded revenue and nonembedded revenue.
In Models 5 and 6, Earned Revenue is further disseminated into embedded revenue, total integrated revenue, and external revenue.
In Models 7 and 8, Earned Revenue comprises embedded revenue, integrated-market revenue, integrated-tech revenue, and external revenue.

All models control for government income, donated income, investment income, and size. Additionally, models 2, 4, 6, and 8 include a control for revenue diversification, so the model becomes:

$Y_{it} = (\text{alpha}+u_i) + \beta_1 \text{EARNED REVENUE} + \beta_2 \text{REVENUE DIVERSIFICATION} + \beta_3 \text{GOVERNMENT INCOME} + \beta_4 \text{DONATED INCOME} + \beta_5 \text{INVESTMENT INCOME} + \beta_6 \text{SIZE} + \varepsilon_{it}$

RESULTS

Program Spending

Earned Revenue and Program Expenses

As Table 2 demonstrates, earned revenue is related with statistical significance to program expenses (total dollars spent on programs) – almost all types are positively related. Model 1 shows a $1000 increase in total earned revenue is related to a $414 increase in program spending. When revenue diversification is controlled for (Model 2), a $1000 increase in total earned revenue is related to a $414 increase in program spending.

When earned revenue is broken down into embedded and nonembedded revenue, both types are still positively related to program spending. A $1000 increase in embedded revenue is related to a $756

increase in program revenue in Model 3. In Model 4, a $1000 increase in nonembedded revenue is related to a $90 dollar increase in program revenue when controlling for revenue diversification.

Breaking embedded revenue into embedded, integrated, and external components shows some different effects of each. Embedded revenue is still positively associated with program expenses: a $1000 increase is associated with a $760 in program expenses (Model 5), and a $756 increase in program expenses when controlling for revenue diversification (Model 6). External revenue is also positively associated with program expenses – a $1000 increase is associated with $117 in increased program expenses (Model 5), or $114 increase when controlling for revenue diversification (Model 6).

Total integrated revenue shows a negative relationship with program expenses. That is, a $1000 increase in total integrated revenue is associated with $794 decrease in program expenses (Model 5). When controlling for revenue diversification, a $1000 increase in total integrated revenue is associated with a $799 decrease in program expenses (Model 6).

Models 7 and 8 explore the effect of the two different dimensions of integrated revenue: integrated-market and integrated-technology. In both models, integrated-market revenue is positively associated with program expenses. For a $1000 increase in this revenue type, program expenses increase by $1523 (Model 7), and they increase by $1497 when controlling for revenue diversification.

However, integrated-technology revenue is negatively related to program spending. Model 7 shows a $1000 increase in this revenue type is associated with a $1020 decrease in program expenses. When revenue diversification is controlled for (Model 8), the decrease in program expenses measures $1022.

Revenue diversification is negatively related to program spending – i.e., as the number of revenue types increases, raising the Herfindahl-Hirschman Index measuring revenue diversification, program expenses show a decrease across all models, regardless of how earned revenue is specified. When earned revenue is measured as total earned revenue (Model 2), a one-unit increase in is associated with a decrease in program expenses of $149,785. The effect is similar when earned revenue is represented in Model 4 as

embedded and nonembedded revenue – the decrease in program expenses is $138,976. Measuring earned revenue as embedded, integrated-total, and external still reflects a negative relationship between revenue diversification and program expenses, as the latter decreases by $141,029 with a one-unit HHI increase. Further disseminating earned revenue into embedded, integrated-market, integrated-technology, and external streams reflects a similar relationship, with program expenses decrease by $135,504 as HHI increases by one unit.

Table 4: The Effects of Earned Revenue on Program Expenses

Program Expenses ($1000s)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Total Earned Revenue	0.414***	0.411***						
Embedded Revenue			0.756***	0.752***	0.760***	0.756***	0.765***	0.761***
Nonembedded Revenue			0.090***	0.087***				
Integrated Revenue - Total					-0.794***	-0.799***		
Integrated Revenue - Market							1.523***	1.497***
Integrated Revenue - Tech							-1.020***	-1.022***
External Revenue					0.117***	0.114***	0.113***	0.110***
Revenue Diversification		-149.785**		-138.976**		-141.029**		-135.504**
Government Income	-0.174***	-0.177***	-0.155***	-0.158***	-0.156***	-0.158***	-0.155***	-0.158***
Donation Income	0.022***	0.021***	0.026***	0.025***	0.024***	0.023***	0.022***	0.022***
Investment Income	-0.032***	-0.035***	-0.031***	-0.034***	-0.032***	-0.035***	-0.032***	-0.034***
Size (FTE)	4.638*	4.642*	3.051	3.058	2.853	2.859	2.783	2.789
n=8218 (2115 groups)								

***p<.01
**p<.05
*p<.1

Table 5: The Effects of Earned Revenue on Program Expense Ratios

Program Expense Ratio	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Earned Revenue	0.00000774***	0.00000767***						
Embedded Revenue			0.0000122***	0.0000121***	0.0000121***	0.0000121***	0.0000122***	0.0000121***
Nonembedded Revenue			0.00000393*	0.00000388*				
Integrated Revenue - Total					0.0000165	0.0000164		
Integrated Revenue - Market							0.0000397	0.0000392
Integrated Revenue - Tech							0.0000142	0.0000142
External Revenue					3.57E-06	3.52E-06	3.54E-06	3.48E-06
Revenue Diversification		-0.0030094		-0.002827		-0.0028008		-0.0027383
Government Income	-1.40E-06	-1.45E-06	-1.16E-06	-1.21E-06	-1.14E-06	-1.20E-06	-1.14E-06	-1.19E-06
Donation Income	2.78E-07	2.63E-07	3.20E-07	3.06E-07	3.44E-07	3.30E-07	3.29E-07	3.16E-07
Investment Income	-2.40E-07	-2.98E-07	-2.27E-07	-2.82E-07	-2.19E-07	-2.73E-07	-2.15E-07	-2.69E-07
Size (FTE)	0.0000924	0.0000925	0.0000701	0.0000703	0.0000728	0.000073	0.0000722	0.0000724

n=4909 (1288 groups)
****p<.01*
***p<.05*

Earned Revenue and Program Expense Ratios

As Table 3 demonstrates, earned revenue appears to have some statistically significant relationships with program expense ratios, but the real value of these coefficients reflects nominal, if any, effect on the absolute value of these ratios. For example, in Model 1, though a $1000 increase in total earned revenue is positively associated with an increase in the program expense ratio, the value of the coefficient is so small (.00000774), this is essentially an increase of 0. The effect is similar in Model 2, when controlling for revenue diversification, though in this case, revenue diversification itself is not statistically significant.

Embedded revenue shows a statistically significant relationship with the program expense ratio across all models (3-8). Nonembedded revenue is also significant, both on its own (Model 3) and with a revenue diversification control (Model 4), though the latter is not significant.. Again, however, the coefficients of these variables are so small as to have no real effect on the program expense ratio.

Program Outputs

Earned Revenue and Total Attendance

As Table 4 demonstrates, earned revenue showed no statistically significant relationship with total attendance, no matter how earned revenue was measured (total, or its component parts). Controlling for revenue diversification also shows no effect.

Table 6: The Effects of Earned Revenue on Total Program Attendance

Total Attendance (1000s)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Total Earned Revenue	-0.007	-0.007						
Embedded Revenue			-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
Nonembedded Revenue			-0.012	-0.012				
Integrated Revenue - Total					-0.065	-0.064		
Integrated Revenue - Market							-0.074	-0.070
Integrated Revenue - Tech							-0.064	-0.064
External Revenue					-0.011	-0.010	-0.011	-0.010
Revenue Diversification		20.415		20.596		20.469		20.455
Government Income	-0.003	-0.003	-0.003	-0.002	-0.003	-0.003	-0.003	-0.003
Donation Income	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Investment Income	0.000	0.001	0.000	0.001	0.000	0.001	0.000	0.001
Size (FTE)	2.091	2.090	2.064	2.063	2.052	2.052	2.053	2.052
n=8460 (2115 groups)								

****p<.01*
***p<.05*
**p<.1*

Program Access

Earned Revenue and Program Access

As Table 5 demonstrates, earned revenue showed no statistically significant relationship with total attendance, no matter how earned revenue was measured (total, or its component parts). Controlling for revenue diversification also shows no effect.

Table 7: The Effects of Earned Revenue on Total Free Attendance

Total Free Attendance (1000s)	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Total Earned Revenue	-0.0169845	-0.0165183						
Embedded Revenue			-0.0178577	-0.0173074	-0.0176447	-0.0170991	-0.0177082	-0.0171569
Nonembedded Revenue			-0.0161544	-0.0157693				
Integrated Revenue - Total					-0.0641085	-0.0634468		
Integrated Revenue - Market							-0.0897906	-0.0862111
Integrated Revenue - Tech							-0.0616064	-0.061231
External Revenue					-0.0147201	-0.0143456	-0.0146814	-0.0143125
Revenue Diversification		19.00316		18.97851		18.86253		18.80846
Government Income	-0.003754	-0.0034101	-0.0038038	-0.0034555	-0.00385	-0.0035036	-0.0038544	-0.0035085
Donation Income	-0.0006673	-0.0005739	-0.0006757	-0.0005816	-0.0007664	-0.0006724	-0.0007506	-0.0006587
Investment Income	0.0003892	0.0007638	0.0003866	0.000761	0.0003558	0.0007281	0.0003523	0.000724
Size (FTE)	2.242723	2.242206	2.246765	2.245857	2.23608	2.235239	2.236853	2.235927
n=8460 (2115 groups)								

****p<.01*
***p<.05*
**p<.1*

Table 8: The Effects of Earned Revenue on the Free Attendance Ratio

Free Attendance Ratio	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Earned Revenue	-0.00000642**	-0.00000649**						
Embedded Revenue			-0.00000974**	-0.00000981**	-0.00000952**	-0.0000096**	-0.00000959**	-0.00000967**
Nonembedded Revenue			-3.17E-06	-3.23E-06				
Integrated Revenue - Total					-0.0000516**	-0.0000517**		
Integrated Revenue - Market							-0.0000785	-0.000079
Integrated Revenue - Tech							-0.000049**	-0.000049**
External Revenue					-1.72E-06	-1.79E-06	-1.68E-06	-1.75E-06
Revenue Diversification		-0.0021703		-0.0021898		-0.0023169		-0.0023831
Government Income	2.87E-06	2.84E-06	2.67E-06	2.63E-06	2.62E-06	2.58E-06	2.62E-06	2.58E-06
Donation Income	-6.29E-07	-6.41E-07	-6.59E-07	-6.71E-07	-7.52E-07	-7.65E-07	-7.36E-07	-7.48E-07
Investment Income	-1.01E-07	-1.47E-07	-9.71E-08	-1.44E-07	-1.28E-07	-1.77E-07	-1.31E-07	-1.83E-07
Size (FTE)	0.0000159	0.0000156	0.000033	0.0000327	0.0000213	0.000021	0.0000222	0.000022
n=8460 (2115 groups)								
****p<.01*								
***p<.05*								
**p<.1*								

Earned Revenue and Free Attendance Ratio

Although earned revenue showed no significant relationship with the total number of people attending programs for free, it does appear to affect the relative number of people attending for free. However, as Table 6 demonstrates, the real value of these coefficients reflects nominal, if any, effect on the absolute value of these ratios. For example, in Model 1, though a $1000 increase in total earned revenue is negatively related to the free attendance ratio, the value of the coefficient is so small (.00000974), that this is essentially an increase in the free attendance ratio of 0.

Though the coefficients of the variables are so small as to have no real effect on the change in the free attendance ratio, the directionality of the variables that are significant is worth noting, because they are all negative, whether or not the models are controlling for revenue diversification. Total earned revenue (Models 1 and 2), Embedded

revenue (models 3-8), and total integrated revenue (Models 5 and 6) all show a negative relationship. Further exploration of integrated revenue demonstrates that integrated-technology is driving the relationship. A $1000 increase in these types of revenue is related to a decrease in the proportion of all people attending free, relative to those paying to attend programs.

Key Takeaways

Embeddedness matters. This analysis demonstrates a connection between embedded revenue, integrated revenue, and service delivery. Embedded revenue may support service volume, specifically, program spending, but may be a substitute when it comes to the nature of clientele. Integrated revenue seems to act as a substitute for both service volume and service composition.

Table 9: Summary of Key Findings

	Service – Volume (money spent on programs, people attending)	Service – Composition (clients attending for free)
Embedded Revenue (same org. tech *and* same target market)	H1: + SUPPORTED for program spending	H2: - SUPPORTED for % attending free
External Revenue (different org. tech. *and* different target market)	H3: - Not supported	H4: - Not supported
Integrated Revenue (same org tech. *or* same target market)	H5: + Not supported H6: - SUPPORTED, specifically integrated-tech activities/program spending & % attending free	H7: - SUPPORTED, specifically for integrated-tech activities

CONCLUSIONS, IMPLICATIONS, & NEXT STEPS

How, if it all, does a change in revenue affect a nonprofit organization's behavior? This study addresses this question, what Weisbrod (1998b) identifies as the fundamental question of commercialization in the nonprofit sector, by linking market- and mission-driven activities through organizational technology and markets served. Fully embedded revenue activities appear to support service delivery, or at the very least, service volume, since it is positively related to program spending, a measure of organizational priority. Since more organizations appear to be engaging in this type of activity, this is an encouraging finding.

However, as Weisbrod (1998b) postulates, nonprofits pursing commercial revenue may "undermine the fundamental justification for their own special social and economic role". This type of mission displacement appears to be most evident in integrated revenue, which is negatively related to all measures of service delivery in this study: program spending, program outputs, and program access. This negative relationship is significant when the revenue activity is integrated with the mission activity through organizational technology. This suggests that applying organizational resources to integrated activities may come at the expense of the organization's core purpose. These findings may offer cause for concern, given the fact that integrated activities are trending upwards in this sector, even as income from government, donated, and investment sources is decreasing. Additionally, revenue concentration is also negatively to both volume and composition, lending support to the idea organizations should approach integrated revenue activities with caution – while increasing revenue sources may benefit the organization, the type matters.

Limitations and Next Steps

This study is several limitations. The first is the specification of the variables. While the theory may be clean and precise, the application of the embeddedness dimensions is a less than perfect practice. Even though this study controls for subsector by only looking at arts and culture, these organizations are not homogenous, and do not all have the same mission. Some focus on cultural preservation, others on cultural preservation, still others on research and education, and so on. In addition, some arts organizations create media to sell, while others use media to support core activities. This means that one organization's media subscriptions may be integrated (as categorized in this paper) because it targets different paying customers outside of its client base. However, another organization's media subscriptions could be embedded because the material produced is exclusively available to clients who also consume core services. Further refinement is necessary, included but not limited to an exploration of unrelated business income tax (UBIT) language and practices. In addition, the consideration of income share thresholds may be appropriate – i.e., in cases where a revenue-generating activity could be considered embedded or integrated, the deciding factor could be the share of total income the activity represents.

In addition to specifying the variables more precisely, the models need to be developed more fully. One the one hand, these models presume that earned revenue is the independent variable. In fact, the mission-driven activity may be the independent variable that influences and affects the adoption of certain revenue strategies (Segal and Weisbrod 1998, Young, Wilsker and Grisnfelder 2010). The concept of embeddedness is still relevant, but the relationships need further exploration.

Lastly, the time period in this study needs to be expanded. The years 2007-2010 span unusual economic activity, including the Great Recession, that may have influenced both the adoption and size effects of various revenue activities on service delivery. Including more years in the panel data would help address the question of whether the demonstrated relationships reflect reaction to unique constraints or are indicative of more long-standing trends.

Despite these limitations, this study aims to add nuance to the discussion of earned revenue in the nonprofit sector by offering a framework for analyzing the connections between mission- and market-driven activities. Initial analysis shows embeddedness matters. While fully embedded activities are positively associated with some aspects of service delivery, integrated activities have a negative relationship with both service volume and service composition. In addition to contributing to the theory of nonprofit enterprise, this study has practical application. These findings may help nonprofit organizations considering the pursuit of earned revenue to determine the best strategy to complement service delivery.

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APPENDIX A: OLS Results[6] and Comparison to Fixed Effects

Earned Revenue and Service Volume: OLS[7]

Table 10: Earned Revenue and Program Expenses

Program Expenses ($1000s), 2010	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Earned Revenue	0.673***	0.676***						
Embedded Revenue			0.647***	0.651***	0.646***	0.653***	0.648***	0.654***
Nonembedded Revenue			0.749***	0.750***				
Integrated Revenue - Total					0.746***	0.759***		
Integrated Revenue - Market							3.159***	3.083***
Integrated Revenue - Tech							0.001***	0.001***
External Revenue					0.753***	0.742***	0.754***	0.743***
Revenue Diversification		1331.334***		1322.364***		1325.58***		1306.662***
Government Income	0.373***	0.381***	0.368***	0.376***	0.367***	0.377***	0.362***	0.372***
Donation Income	0.409***	0.412***	0.411***	0.414***	0.411***	0.413***	0.41***	0.412***
Investment Income	-0.018	-0.017	-0.024	-0.023	-0.024	-0.022	-0.024	-0.022
State	-17.965	-15.608	-18.673	-16.307	-18.749	-16.117	-19.492	-16.871
Size (FTE)	47.517***	46.265***	47.644***	46.396***	47.656***	46.362***	47.488***	46.218***
n=2097								

Table 11: Earned Revenue and Program Expense Ratios

Program Expense Ratio (%) 2010	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Earned Revenue	0.0000030**	0.0000028**						
Embedded Revenue			1.76E-06	1.58E-06	1.76E-06	1.48E-06	1.79E-06	1.51E-06
Nonembedded Revenue			0.0000066**	0.0000065**				
Integrated Revenue - Total					6.59E-06	5.98E-06		
Integrated Revenue - Market							0.0000481	0.0000509
Integrated Revenue - Tech							6.42E-09	5.79E-09
External Revenue					6.69E-06	7.01E-06	6.70E-06	7.03E-06
Revenue Diversification		-0.069079**		-0.0693728**		-0.0696422**		-0.0701438**

[6] I estimated these regressions in various ways: using the absolute change in program level variables as the dependent variable, including the baseline 2007 revenue measures (total amounts, as well as logged), logging independent variables. When patterns of significance varied, they differed only slightly in level, and direction did not change, so I have reported results using the 2010 levels

[7] Sifnicance for all models: ***significant at p<.01, **significant at p<.05, *significant at p<.1

Government Income	3.36E-06	2.90E-06	3.10E-06	2.63E-06	3.10E-06	2.59E-06	3.01E-06	2.49E-06
Donation Income	1.43E-06	1.32E-06	1.53E-06	1.42E-06	1.53E-06	1.43E-06	1.51E-06	1.41E-06
Investment Income	-0.0000060 8***	-0.0000061 3***	-0.0000063 6***	-0.0000064 1***	-0.0000063 6***	-0.0000064 7***	-0.0000063 7***	-0.0000064 7***
State	-0.0031885 **	-0.0031903 **	-0.0032246 **	-0.0032269 **	-0.0032262 **	-0.0032435 **	-0.0032412 **	-0.00326**
Size (FTE)	-0.0000581	-3.99E-06	-0.0000482	6.28E-06	-0.000048	8.56E-06	-0.0000503	6.53E-06
n=1224								

Table 12: Earned Revenue and Total Attendance

Total Attendance (1000s), 2010	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Total Earned Revenue	0.002	0.002						
Embedded Revenue			-0.015	-0.015	-0.021	-0.020	-0.021	-0.020
Nonembedded Revenue			0.057	0.057				
Integrated Revenue - Total					0.027	0.028		
Integrated Revenue - Market							0.000	0.000
Integrated Revenue - Tech							0.000	0.000
External Revenue					0.068	0.068	0.068	0.067
Revenue Diversification		83.690		82.836		79.291		72.855
Government Income	0.035	0.036	0.029	0.029	0.029	0.029	0.029	0.029
Donation Income	0.001**	0.001**	0.003*	0.003	0.003	0.003	0.003	0.003
Investment Income	-0.011	-0.011	-0.014	-0.015	-0.015	-0.015	-0.015	-0.015
State	-22.159	-21.857	-22.711	-23.155	-23.155	-22.849	-23.211	-22.926
Size (FTE)	2.799	2.759	2.542	3.156	3.156	3.113	3.164	3.124
n=2115								

Earned Revenue and Service Volume

Table 13: Earned Revenue and Total Attending Free

Total Free Attendance (1000s), 2010	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Earned Revenue	-0.005	-0.005						
Embedded Revenue			-0.020	-0.020	-0.022	-0.021	-0.022	-0.022
Nonembedded Revenue			0.040	0.040				
Integrated Revenue - Total					0.035	0.036		
Integrated Revenue - Market							0.000	0.000
Integrated Revenue - Tech							0.000	0.000
External Revenue					0.039	0.039	0.039	0.038
Revenue Diversification		33.713		33.006		35.481		28.871
Government Income	0.037	0.037	0.032	0.032	0.033	0.033	0.033	0.033
Donation Income	0.003	0.003	0.004	0.004	0.004	0.004	0.004	0.004
Investment Income	-0.010	-0.010	-0.020	-0.020	-0.019	-0.019	-0.019	-0.019
State	-22.516	-22.395	-22.973	-22.854	-23.009	-22.872	-23.064	-22.951
Size (FTE)	1.945	1.929	1.733	1.717	2.070	2.051	2.078	2.062
n=2116								

Table 14: Earned Revenue and Percent Attending Free

Percent Free Attendance, 2010	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Earned Revenue	-0.0000071**	-0.0000068**						
Embedded Revenue			-0.0000112***	-0.0000112***	-0.0000104**	-0.0000116***	-0.00001**	-0.0000112***
Nonembedded Revenue			5.50E-06	6.63E-06				
Integrated Revenue - Total					0.0000162	8.09E-06		
Integrated Revenue - Market							0.000000319**	0.000000334**
Integrated Revenue - Tech							1.49E-08	6.76E-09
External Revenue					2.47E-06	8.98E-06	2.76E-06	9.31E-06
Revenue Diversification		-0.7950257***		-0.7958922***		-0.7954878***		-0.796489***
Government Income	9.28E-06	5.12E-06	7.83E-06	3.57E-06	8.86E-06	3.93E-06	8.37E-06	3.40E-06
Donation Income	1.65E-06	4.66E-07	1.96E-06	8.03E-07	1.84E-06	8.28E-07	1.66E-06	6.33E-07
Investment Income	6.15E-06	5.11E-06	-2.23E-06	-3.10E-06	-1.42E-06	-3.02E-06	-1.38E-06	-2.98E-06
State	0.0018765	-0.0007195	0.0017341	-0.0008746	0.0018617	-0.0009038	0.0017664	-0.00101
Size (FTE)	-0.0003705	-0.0000228	-0.0004312	-0.0000872	-0.0004849	-0.0000849	-0.0005226	-0.000125
n=2116								

Table 15: Comparison of Fixed Effects and OLS Results – Significant Relationships and Direction

	Program Expenses		Program Expense Ratio		Total Attendance	
	Fixed Effects	OLS (2010)	Fixed Effects	OLS (2010)	Fixed Effects	OLS (2010)
Total Earned Revenue	significant	significant	significant	significant		significant
Embedded Revenue	significant	significant	significant	-significant		
Nonembedded Revenue	significant	significant		significant		
Integrated Revenue	-, significant	significant				
Integrated Revenue - Market	significant	significant				
Integrated Revenue - Tech	-, significant	significant				significant
External Revenue	significant	significant		sig when RD controlled		sig (with int-total)
Revenue Diversification	-, significant	significant		-significant		-significant
Government Income	-, significant	significant				significant
Donation Income	significant	significant				-sig (total earned rev)
Investment Income	-, significant	-, not significant		-significant		-sig (total earned rev)
State	N/A		N/A	-significant	N/A	
Size (FTE)		significant				

APPENDIX B: Decision Rules for Categorizing Earned Revenue Variables

Revenue Stream	**Key language (from CDP)**	**Org Tech**	**Target Market**	**Classification**	**Example**
admissions	result of visitation	same	clients as customers,exclusive	Embedded	museum exhibit
tickets	result of performance/presentation/exhibition	same	clients as customers, exclusive	Embedded	improv troupe show
performance subscriptions	tied directly to tickets sales	same	clients as customers, exclusive	Embedded	string of improv shows
membership dues	collection of dues/fees	same	most likely the same	Embedded	a theater company that uses membership dues from customers to subsidize client attendance and landmark preservation
workshops	one-time events	same	clients may be customers - unclear	Embedded	unclear - could go either way - depends on org - my assumption is to say it is mission-related
tuitions	onging series of classes/courses	same	clients as customers, exclusive	Embedded	similar to perf subscriptions
touring	performances away from home/usual venue	same	clients as customers, exclusive	Embedded	national touring company
contracted performance/services	under contract to another organization - fees for service, commissions, transaction fees, admin fees, application fees, fiscal sponsorship paid to org	maybe same, may not be	cliets as customers, may be exclusive, may not	Integrated	improv troupe contracted to do corporate team building
gallery	sales in gallery/sale of self-produced publications	same if art for sale is the same as displayed in gallery, but self-produced publications may be adjacent to core activity	clients may be customers, but not necessarily - not exclusive	Integrated	gallery selling the art on walls
media subscriptions	sale of subscriptions for media produced by org - magazines/newsletters/online exhibits/specialized content/webcasts/podcasts -	depends on mission - could be representative of core service delivery	customers may not be clients - especially if online, and customers may not be clients - depends on imposition of exclusivity	Integrated	a live radio show selling podcast subscriptions

royalties	use of intellectual property	same - property is already produced, someone is just purchasing	clients are beneficiaries, but not customers	Integrated	
gift shop	all merchandise sales - includes food sales of org runs own food/catering services	different	clients may or may not be customers; can walk in to gift shop without entering museum, not necessarily selling goods related to exhibits	External	
concession	concession commissions as a result of food sales (if run by outside vendor - *different org technologies)*	different	different - nonexclusive - can eat in café without going in to exhibits	External	
parking	fees generated by lot or garage owned/leased by organization	different	clients as beneficiaries, nonexclusive	External	a theater that offers parking services to all area customers, not just those attending its shows
Rent	renting out space for on-site events	n/a (except space)	nonexclusive	External	
advertising	sale of ad space	not necessarily tied to service activty	clients as beneficiaries, nonexclusive - do not have to consume service	External	
sponsorship	revenue from corporations/orgs in exchange for use of corp logo/promotions	not necessarily tied to service activty	clients as beneficiaries, nonexclusive - do not have to consume service	External	
special events (non-fundraising)	events not held for fundraising, not captured in workshops, etc.	unclear	unclear (but specifically different from all other lines)	External	
Other earned revenue	open ended		assumed different - not captured in other variables	External	