

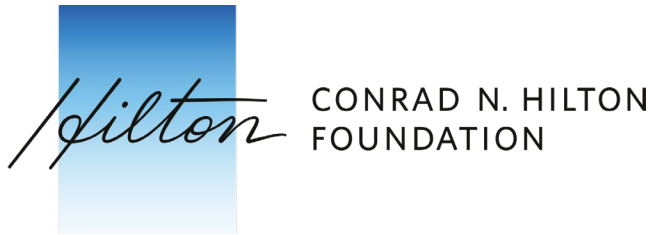
# A SECTOR IN CRISIS:

How Nonprofits and Foundations  
Are Navigating Challenge



THE CENTER FOR  
EFFECTIVE PHILANTHROPY

# PROJECT FUNDERS



This research also draws from CEP's Nonprofit Voice Project, which is funded in part by:



MCKNIGHT FOUNDATION

# WHERE THE DATA COME FROM

## NONPROFITS

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Representative sample of U.S.-based nonprofit organizations that have received funding from foundations that give \$5 million or more annually

## FOUNDATIONS

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All U.S.-based independent or community foundations that give \$5 million or more annually

# WHERE THE DATA COME FROM

DATA SOURCE	TIMING	# OF ORGANIZATIONS	RESPONSE RATE
Survey of nonprofit leaders	Aug – Sep 2025	408	46%
Survey of foundation leaders	Aug – Sep 2025	227	30%
Interviews with nonprofit leaders	Sep 2025	27	N/A
Interviews with foundation leaders	Sep 2025	31	N/A

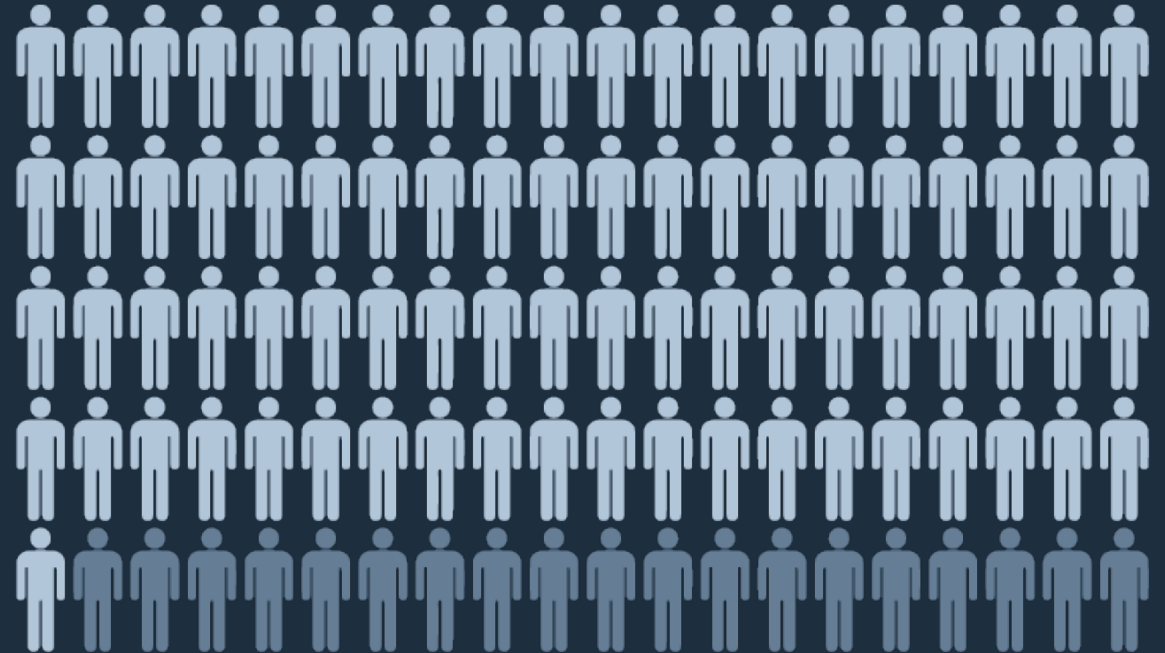
# FINDING 1

Nonprofit leaders see this as a time of **existential threat** to their organizations and the communities they serve as they face both **increased demand** for their services and **significant cuts** to their funding.

# MORE DEMAND, LESS FUNDING

**81%**

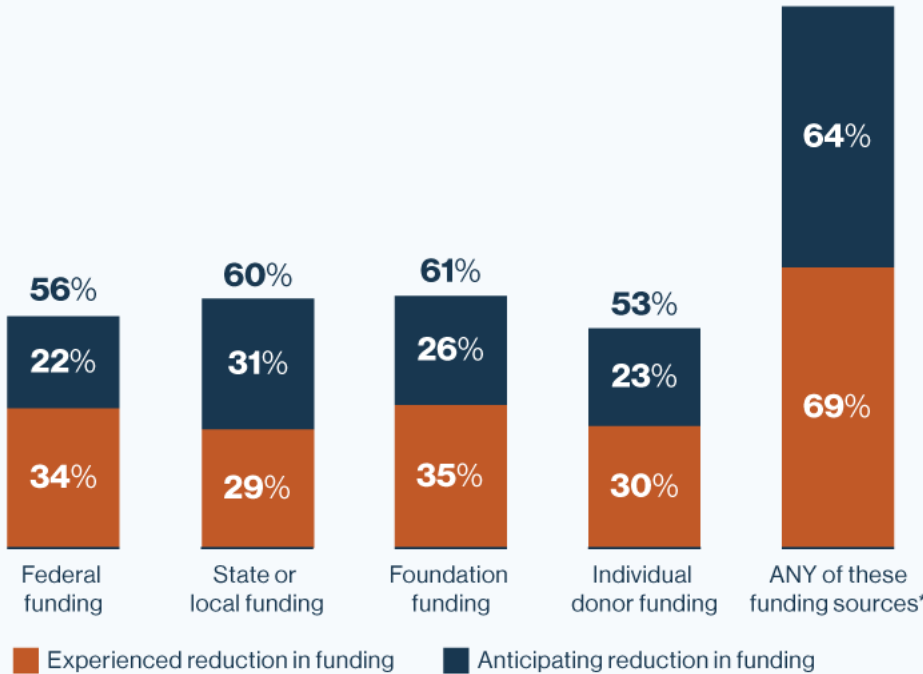
of nonprofits have experienced  
or anticipate experiencing  
increased demand for services



# MORE DEMAND, LESS FUNDING

## Nonprofit Funding Cuts by Funding Source as Result of Current Context

(N=404-406)



\*Note: This bar adds up to more than 100 because percentages reflect the total number of respondents who lost or anticipate losing funding from any of the sources shown in the figure.

# THREATS TO NONPROFITS' WORK

71%

of nonprofit leaders are concerned about their organization's **financial stability**

68%

of nonprofits say that the current context has had a **negative impact on their ability to carry out work**

“Approximately 80 percent of our revenue is federal funds. Last year, **we were already anticipating facing the fiscal cliff** because of the end of COVID funding. Our revenue last year was about \$17 million; it’s about \$10 million this year. I’m working on next year’s budget, and **if we lose the federal funds we have, we’ll be down to probably \$4 million.**”

— Nonprofit leader

## FINDING 2

Many foundation leaders recognize the **high stakes** of the current context for nonprofits and have made **changes to their grantmaking and processes** in response.

# GREATER DEMAND FOR SUPPORT

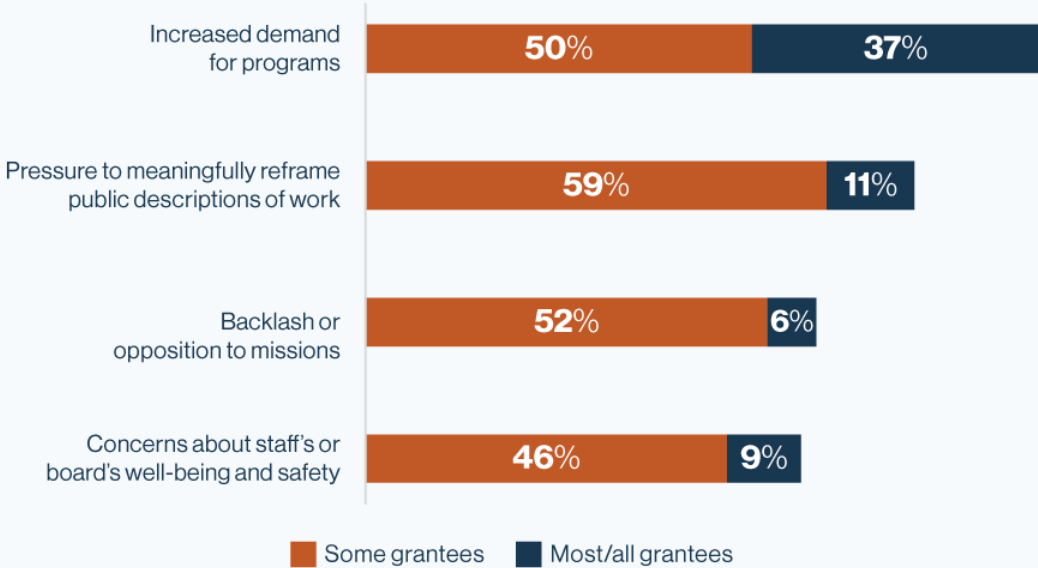
87%

of foundation leaders report **increased demand for funding** in 2025

# FUNDERS ARE AWARE OF GRANTEES' CHALLENGES

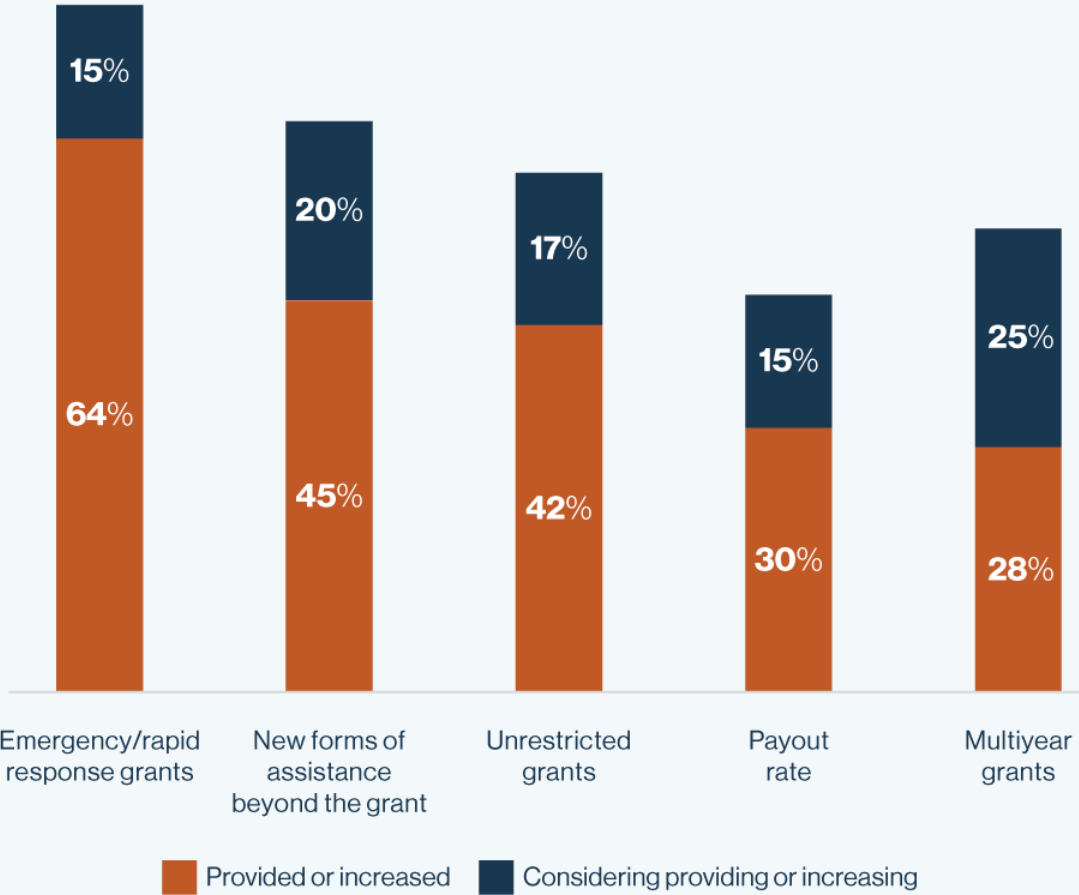
## Foundations' Awareness of Effects of Current Context on Grantees in 2025

(N=222-223)



# FUNDER RESPONSES

Changes to Foundation Practice in Response to Current Context (N=216-222)

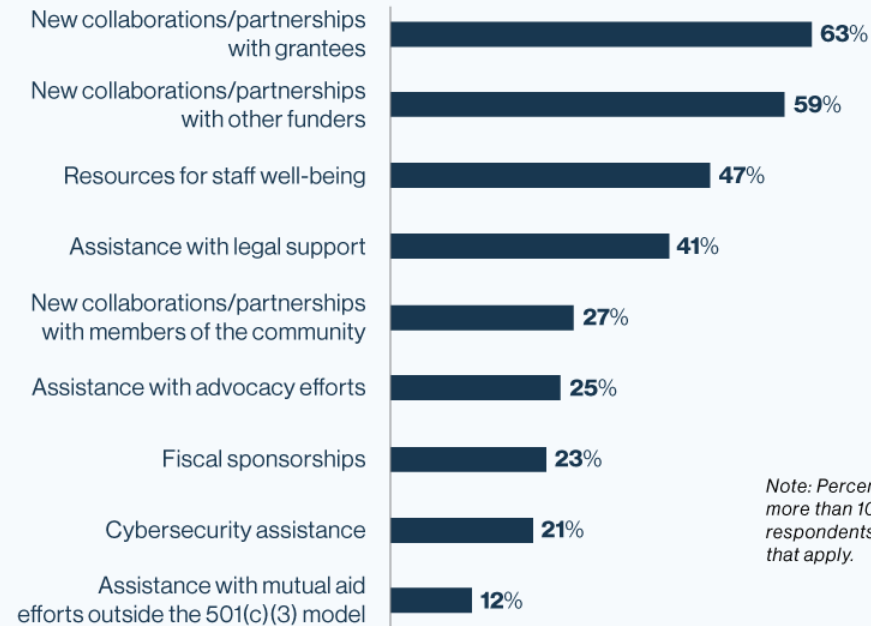


“I think, for any organization, **how you show up in moments of challenge really defines you**. That was one of the rationales we went to with our board. Yes, five percent is a floor. But it’s always been set at 5 percent. Our framework and criteria for when we consider **giving more should not just be when we’re able to**. It should be based on the needs of the community. First and foremost, **we are here to serve the community.**”

— Foundation leader

# ASSISTANCE BEYOND THE GRANT

## New Forms of Assistance Beyond the Grant Foundations Are Providing (N=99)



*Note: Percentages add up to more than 100 because respondents could select all that apply.*

# EDUCATION FUNDERS

Foundations funding in education reported **lower rates** of making **changes to grantmaking and processes** in response to the current context.

In 2025, **slightly less likely** to have:

- Increased payout beyond what was originally planned
- Provided a larger number of unrestricted grants than previously
- Streamlined application and reporting processes

# SOCIAL JUSTICE FUNDERS

Conversely, foundations funding social justice work show a **somewhat heightened response to** the current context

In 2025, **slightly more likely** to have:

- Modified programmatic goals
- Changed programmatic strategies
- Provided emergency or rapid response grants
- Provided a larger number of unrestricted grants than previously
- Begun providing new forms of assistance beyond the grant

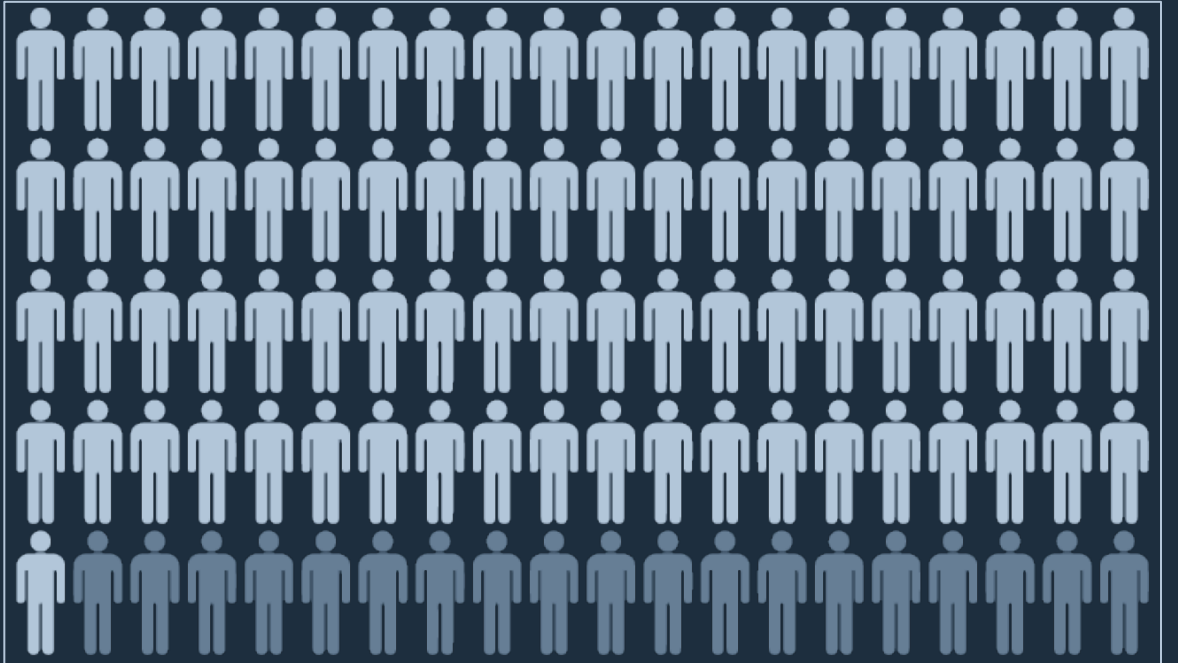
## FINDING 3

Many foundation and nonprofit leaders believe that **foundations have an even larger role to play** in supporting nonprofits during this time, and many suggest that **foundations could and should be doing more.**

# MOST FUNDERS BELIEVE IN SUPPORTING THE NONPROFIT SECTOR

**81%**

of interviewed foundation  
leaders believe foundations  
have a significant role to play in  
supporting the nonprofit sector



# BUT SOME FUNDERS DISAGREE

20%

of interviewed foundation  
leaders **do not** believe  
foundations have much  
responsibility to help nonprofits  
navigate the current context



“Regardless of this or any other shortfall, nonprofits have to understand that **it’s not the requirement of the foundation to make sure they have enough operational funding**. If they try to grow beyond their means, it’s just like household funding. You have to grow to an extent that you can take care of yourself. And **don’t expect somebody to give you money** because you want it.”

— Foundation leader

# DISSATISFACTION WITH FUNDER RESPONSE

**42%**

of interviewed **foundation leaders**

**93%**

of interviewed **nonprofit leaders**

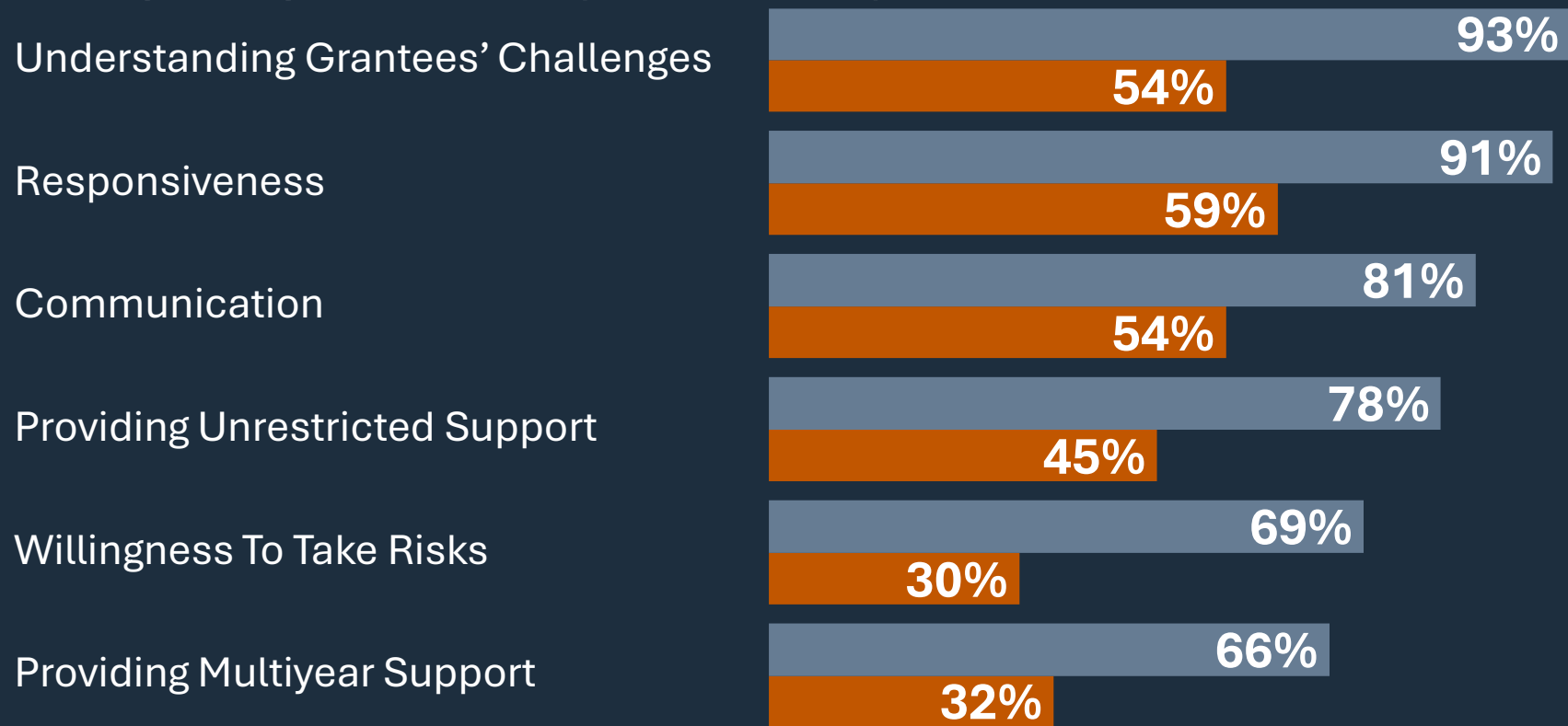
are dissatisfied with foundations'  
response to the current context

“In this time I’ve really been **questioning the value and utility of institutional legacy philanthropy**. I see institutional philanthropy, which has never been the boldest of players, moving more and more towards so-called **noncontroversial areas of work.**”

— Foundation leader

# NONPROFITS SEEKING MORE ACTION FROM FUNDERS

Proportion of Leaders Rating Foundation Response as Moderately/Very Effective (N=221-401)

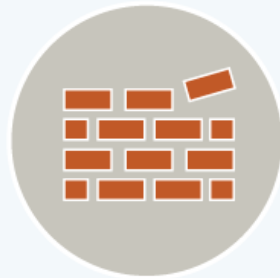


■ % OF FOUNDATION LEADERS    ■ % OF NONPROFIT LEADERS

# HOW FOUNDATIONS CAN BE MOST HELPFUL

**How Nonprofits and Foundations Believe Foundations Can Best Help Nonprofits Respond to the Current Context in 2026** (N=166-352)

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**Capacity-building support**  
(50% of nonprofits)



**Better relational/interpersonal communications**  
(41% of foundations)

“**We [foundations] are part of civil society.** That is incredibly unique when we think about other countries. Private philanthropy, in particular, has enough independence and freedom to use our resources in ways that others cannot. We have a **responsibility to fight back and push back** in this moment, and to be **strategic.**”

— Foundation leader

# CONCLUSION

- Nonprofits are facing **existential challenges** as they face both significantly **increased demand** and **decreased funding**.
- Many funders have **already made changes to their grantmaking and other processes** – by taking steps like increasing payout, providing emergency grants, and giving more assistance beyond the grant dollar.
- However, most foundation and nonprofit leaders believe **foundations could and should be doing even more** to support nonprofits during this time.

# WHAT'S NEXT?

CEP will continue to collect data on how the social sector is responding to ongoing and new challenges throughout 2026.