2026 State of the Nonprofit Sector

Funding Your Mission

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In the past year, nonprofit organizations weathered the crosswinds of funding challenges and shifting demographics amid an evolving regulatory environment, all while addressing some of the most urgent needs of the communities they serve. The landscape is complex, and the changes are fast-moving; however, organizations have risen to the occasion by adopting creative approaches to "doing more with less" and an innovation-first mindset for tackling their most urgent priorities.

At Forvis Mazars, we understand the challenges our nonprofit clients face to keep up with rapid change. From our experience with funding and board governance to audit and tax knowledge, our team knows firsthand the issues organizations face—and that they are eager for actionable takeaways that they can put into practice today.

Our 2026 State of the Nonprofit Sector reporting serves to do exactly that. In it, we share our insights on the current trends, shifts, and challenges impacting the industry, and provide nonprofit leaders and industry professionals with practical insights and actionable takeaways. We will share our top observations, based on our experience working with nonprofit clients across the U.S., as well as highlight some best practices from our conversations with organizations at the forefront of the sector.

This year, our annual report will be published in four parts, organized on four pillars that are essential components of organizational success in the nonprofits we serve, including:

- Funding Your Mission
- Evolving Technology
- People & Operations
- Programmatic Issues

We'll begin with Funding Your Mission. We hope you find the information valuable as you prepare for what's next in 2026 and beyond.

Dan Prater
Senior Manager, Forvis Mazars

Section 1
The Federal Funding Landscape

For nonprofit organizations, the federal funding environment remains fraught with uncertainty. According to the Urban Institute, in 2025, one-third of nonprofits surveyed reported disruptions in government funding, leading to reduced services and staff cuts.[1] From federal grant freezes and cancellations leading to disruptions or delays in their programs and services, to changes in tax credits impacting donor giving and the unpredictability of reimbursement for federal and state grants, the financial position of nonprofits remains in flux.

This unpredictability—coupled with the additional pressures of rising operational expenses—has led to significant operational challenges, such as having to lay off staff or suspend projects, services, and programs, with many organizations in a "wait and see" posture until they have greater clarity on how donors will rise to the occasion.

To address these challenges, nonprofits are taking the following next steps:

> **Diversifying revenue streams** by increasing reliance on foundations, corporate partnerships, individual donors, and earned income.
>
> **Strengthening advocacy efforts** to protect funding, secure designated budget line items, and grow related funds.
>
> **Engaging in scenario planning** to prepare for funding volatility, including contingency budgets and flexible staffing models.

1 "How Government Funding Disruptions Affected Nonprofits in Early 2025," urban.org, October 7, 2025.

Unpredictability in Government Grants

The importance of government funding for nonprofits to serve their communities cannot be overstated. In fact, according to the Nonprofit Finance Fund's (NFF) 2025 National State of the Nonprofit Sector Survey, "in 2024, more than 70% of respondents received money from federal, state, or local government." [2]

Amid the evolving grant funding environment, however, many organizations may find themselves in one of three main categories:

1. Organizations unable to get reimbursed for expenses already incurred
2. Those whose grants were canceled before funds were received
3. Nonprofits anticipating future funding losses

At the same time that nonprofits are looking for ways to overcome the challenge of canceled grants after expenses have been incurred and the broader challenge of revenue diversification, the needs of their communities are growing— the severity and number of people needing help are increasing. According to the 2025 NFF Survey, in 2024, 80% of nonprofit respondents reported that "service demand—an indicator of how people are faring—increased compared to 2023." [3]

Nonprofits are being asked to provide more services with fewer resources, creating a significant challenge for organizations trying to develop sustainable models in such a volatile environment.

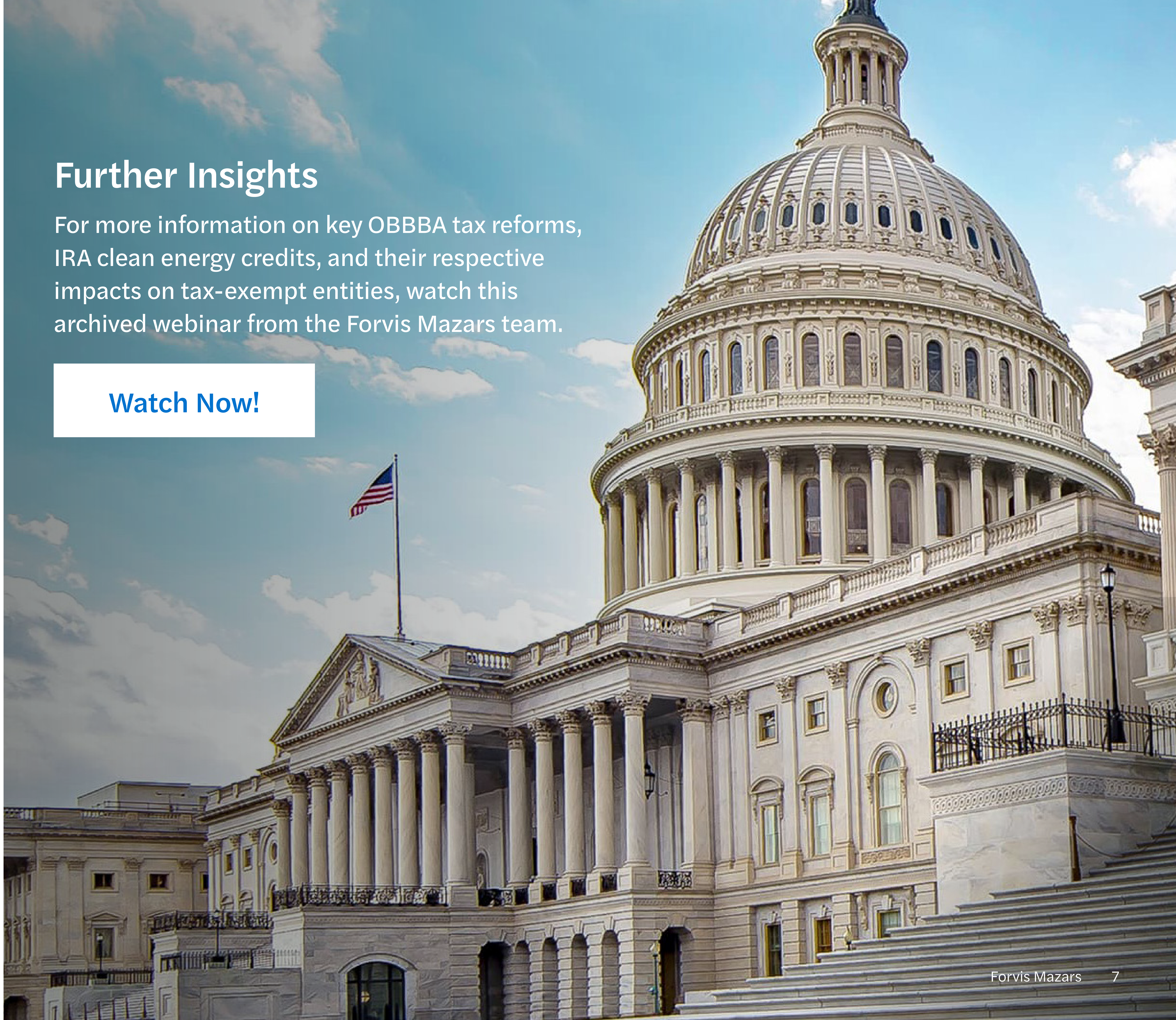
2 "2025 National State of the Nonprofit Sector Survey Findings – Essential, Enduring, and Under Strain: The Nonprofit Sector's Strength and Struggle in a Shifting Landscape," nff.org, 2025.
3 "2025 National State of the Nonprofit Sector Survey Findings – Essential, Enduring, and Under Strain: The Nonprofit Sector's Strength and Struggle in a Shifting Landscape," nff.org, 2025.

Overview of Tax Legislation Changes

In 2017, when the *Tax Cuts and Jobs Act* (TCJA) was enacted, the industry experienced a notable shift in donor giving, with individuals "bunching" their charitable contributions, *i.e.*, giving larger financial contributions less often to surpass the deduction threshold and achieve greater tax savings. Fast forward to 2026, and with a new floor for charitable contribution deductions in the *One Big Beautiful Bill Act* (OBBBA), many organizations are uncertain about possible changes in how often and how much donors are expected to give. As both individuals and corporations must exceed a certain percentage of their income, specifically 0.5% for individuals and 1% for corporations, bunching contributions is expected to continue as a donor trend. Exactly how the new floor for charitable contribution deductions will impact donor activity remains to be seen.

IRA Energy Credits

At the same time as organizations are grappling with understanding donor patterns in the near-term future, their planning strategies are also impacted by changes to *Inflation Reduction Act of 2022* (IRA) energy credits. Confusion surrounding the timing and availability of these credits has led organizations to re-evaluate or postpone certain projects, such as solar installations, as nonprofits are reluctant to spend funds on nonessential initiatives.



Further Insights

For more information on key OBBBA tax reforms, IRA clean energy credits, and their respective impacts on tax-exempt entities, watch this archived webinar from the Forvis Mazars team.

Watch Now!

Preparing for What's Next

Federal funding policies are evolving at a rapid pace; therefore, nonprofits must stay informed and actively monitor developments from government agencies for any new or proposed changes in regulations. In addition, as nonprofits navigate uncertainty in funding sources, they must commit to remaining flexible and innovative in diversifying their funding streams and exploring creative ways to raise revenue (*e.g.*, consider renting office space as employees work from home or incorporating fee-for-service activities) to help offset operating costs.

Section 2
Donor Trends

Exploring alternative revenue streams is essential for organizations to help improve their financial position and achieve greater financial stability. In particular, nonprofits may consider engaging new generations of donors by enhancing digital fundraising efforts and app-based giving.

Donor Trends

During times of crisis, donor engagement tends to peak. However, as inflation, tariffs, and economic uncertainty have a trickle-down effect on individual philanthropy, organizations find themselves in an increasingly competitive funding environment. As a result, organizations must be thoughtful and results-driven to find support for their missions. Below are some of the key shifts we have observed in donor trends:

Donor Advised Funds

Giving through a Donor Advised Fund (DAF) is on the rise, in large part due to its "flexibility and tax benefits," according to the Annual DAF Report 2025.[4] Notably, in 2024, Fidelity Charitable donors granted $14.9 billion in 2024, an increase of 25% from the previous year, to more than 213,000 nonprofits around the globe.[5]

Private Giving

The present-day philanthropic culture is largely shaped by wealthy donors—high-net-worth individuals, sometimes referred to as "mega donors," are giving more frequently and giving bigger gifts, while mid and smaller donors are fewer and giving less.

4 "The 2025 DAF Report Is Here," highgroundadvisors.org, December 15, 2025.
5 "2025 Giving Report," fidelitycharitable.org, 2025; "Top 12 Takeaways from Fidelity Charitable's 2025 Giving Report," givechariot.com, March 11, 2025.

Generational Giving

Each generation has its own definition of philanthropy, and nonprofit organizations must learn to speak their respective languages to communicate in a way that effectively engages prospective donors.

- **Boomers** – Loyal, planned giving via mail and events
- **Gen X** – Monthly giving, data-driven impact
- **Millennials** – Crowdfunding, social media, peer-to-peer
- **Gen Z** – Activism-driven, mobile-first, crypto-friendly

While Generation X and Boomers provide the majority of large major gifts, their focus tends to align with long-term stewardship and legacy giving to trusted organizations, motivated by a desire to "make a difference" and set an example for their families. This generation often relies on methods like bequests, charitable trusts, and DAFs to make gifts through their estates, often seeking tax advantages or ways to involve multiple generations.

Younger donors, by contrast, tend to view their work and purchasing decisions as forms of philanthropy, seeking alignment with their values in both employment and consumer choices. For Millennials and Gen Z—who tend to give more frequently but in smaller amounts—transparency and digital engagement on social media platforms are paramount as they place a high value on social responsibility, measurable impacts, and accountability.

Nonprofits are adapting by investing in digital platforms, donor analytics, and personalized engagement. Practically speaking, to reach Generation Z and Millennials who prioritize issue-based giving, transparency, and digital engagement, nonprofits should consider simplifying their online donation pages—making it easy for younger donors to provide recurring gifts.

Case Study

Make-A-Wish International

To better connect with nontraditional donors and increase engagement, Make-A-Wish International, based in Phoenix, Arizona, developed new fundraising strategies. Gaming and peer-to-peer methods surged over the past few years, driven by online, mobile, and social media. These included the following:

Gamified Campaigns – Influencer-led campaigns setting donation goals during participation with video game company engagement, offering in-game purchases with proceeds benefiting nonprofits to capture multiple revenue streams and a unique engagement experience for all involved.

Peer-to-Peer Event Challenges – Examples included global marathons, Mt. Kilimanjaro climbs, sky diving, rowing the English Channel, or handing out fist pumps and delivering positivity.

Volunteer Engagement – Nothing builds a stronger affinity for a nonprofit's mission: the impact is having the donor/volunteer participate in the activity that creates the magic and reinforces the values that started the global phenomenon of Make-A-Wish. Donors/volunteers who experience the mission firsthand become the best advocates, referrals, and lifelong donors for the organization.

Launching micro-campaigns, charging program fees, and building strong donor relationships are becoming more common as organizations seek to innovate their fundraising and operations. Storytelling and humanizing data—such as sharing individual success stories—are increasingly vital for engaging donors, in an effort to make fundraising personal and demonstrate tangible returns on investment (ROI).

Transparency in Action: Q&A With The Commit Partnership

The Commit Partnership unites schools, higher education institutions, policymakers, businesses, and nonprofits to create systemic changes in the educational system to break the cycle of economic inequity in Dallas County and across Texas.[6] Its true north goal is that by 2040 at least half of all 25 to 34-year-old residents of Dallas County, irrespective of race, will be provided the opportunity to earn a living wage.[7] Chief Operating Officer Abby Eelsen shares her insights on transparency:

Q How has Commit Partnership demonstrated transparency in its programmatic outcomes?

A **Abby Eelsen:** Measuring and tracking data is a core component of what Commit is and what we do. We expect our school district partners and our higher ed partners to be transparent with their outcomes—and so we hold ourselves to that same standard.

Two years ago, we launched a long-term strategic plan called Opportunity 2040 in partnership with the Child Poverty Action Lab. Through that plan, our ultimate goal is that by 2040, we will help 150,000 more students get on a path to economic mobility. In that plan, we have also broken it down into segments. For example, for the first five years of the plan from 2023 through 2028, our goal is to get 38,000 more students on a path. We broke it down incrementally—how many do we think we can impact each year? We're really looking at the student-level outcomes and then we report on that with a tracker on our website—it has 11 indicators that show how many more students we have moved on this pathway in each of those areas. We share this information with our funders and we lead with these outcomes, which we hold ourselves accountable for to everyone at Commit—that is an organizationwide goal of ours. This year, there are 7,700 more students on a pathway, and each individual at Commit has a portion of their bonus attached to that organizational goal.

Action Items for Consideration:

- Create or strengthen a clear outcomes measurement framework.
- Consistently measure results at both the program and participant levels.
- Require partners to share outcomes and hold your own organization accountable to the same standard.
- Make transparency a requirement.

6 BlackRock Foundation Supports Economic Mobility in Dallas County with $4 Million Commitment to Support College and Career Readiness," blackrock.com, October 29, 2024.
7 Ibid.

Preparing for What's Next

As nonprofits navigate the nuances of generational giving, strategies for consideration include:

Investing in donor stewardship
Use CRM tools to personalize outreach and research tracking the donor journey.

Embracing transparency

Share impact reports and financials.

Peer-to-peer storytelling
Leverage donor narratives on social media.

Engaging younger donors
Use gamified campaigns, apps, challenges, social media, and influencer partnerships to drive engagement.

Participatory Philanthropy

There is a growing emphasis on participatory philanthropy, an approach that shifts decision-making power away from traditional methods to the communities and individuals directly affected by a specific issue. This approach empowers community members, recognizing the importance of their lived experiences and cultural insights.

Preparing for What’s Next

While organizations vary in their approach to fundraising—with some focusing on large grants and others on grassroots, small-scale donations—thinking strategically about what values appeal to each generation, and how to engage them for long term sustainability, is paramount. Greater transparency and clarity in fundraising appeals, with organizations being more open about their financial situations and the real-life impacts of funding gaps, will become increasingly vital as nonprofits seek to engage younger generations of donors.

Section 3
Governance & Collaboration

The reality that grant funding is not a guarantee and that diversified income streams are essential in a shifting funding landscape is a wake-up call at the governance level.

In response to fluctuating economic conditions and uncertainty in donor funding, organizations are managing instability through increased board engagement and strategic partnerships with similarly aligned organizations.

Creativity in Action: Q&A With The Central Indiana Community Foundation (CICF)

CICF is the community foundation for the region of Central Indiana—helping people give to the causes they care about and supporting nonprofits so they can do their work more effectively.[8] CEO Jennifer Bartenbach offers her thoughts on business and governance models:

Q **With uncertainty and changes happening at the federal level impacting funding sources, what changes are you seeing in response to this shifting landscape?**

A **Jennifer Bartenbach:** For the first time in my tenure in the nonprofit space, we're seeing more organizations pursue back-office shared models. In 2025, we held several office hours events for nonprofits to come and discuss what they were up against—some in-person and some remote. Altogether, we had 150 organizations turn out. While many of them wanted to know how to diversify revenue or enhance fundraising, a growing number wanted advice for consolidating services or finding like-minded collaborators. CICF is now exploring the creation of a fund to support and encourage more of that sustainable partnership and collaboration. How can we both ease the burden of this time and increase the sector's sustainability?

I also think nonprofits are revisiting the story they tell when they fundraise. There is a critical balance to strike—stories and faces on the one hand and research and impact data on the other. If you can provide a concrete image of your impact, and then quantify it in a way people understand, it's powerful. And it can even help you be more effective in your mission. One of our office hours sessions was given over entirely to storytelling because of how critical that piece can be.

Action Items for Consideration:

- Explore opportunities for shared services (such as finance, HR, IT, data, and back-office).
- Have feasibility conversations with peer organizations.
- Prioritize shared systems that reduce overhead and improve efficiency.
- Launch small, targeted fundraising campaigns tied to specific outcomes and share measurable impacts of each micro-campaign.
- Integrate "heart and mind" into campaigns, donor meetings, and annual reporting.
- Use storytelling, social media, and community engagement to amplify outcomes.

8 About Us – CICF," cicf.org, 2025.

Governance Models

As organizations grapple with significant funding gaps, boards must become increasingly involved in scenario planning and outreach, leveraging their networks to secure resources and taking a more active role in fundraising and advocacy. Shifting toward greater demographic diversity in board composition, including age diversity, can lead to stronger community support. **Other changes to consider related to governance models include:**

- Increasing oversight of data protection, cybersecurity, and tech risk.
- Responding to political scrutiny by strengthening legal frameworks.
- Shifting toward impact measurement and strategic planning.

Collaboration

At the same time that funders are seeking greater accountability and clarity from nonprofits, they are increasingly encouraging collective impact and partnerships to maximize resources. As a result, the sector is focusing on collaboration including merging with similar organizations and sharing administrative resources that can help reduce the duplication of services.

Necessity fosters creativity—and for many nonprofits, that means unprecedented collaborative approaches such as back-office shared models and service consolidation. Mergers with organizations whose missions align offer a wide range of potential benefits to organizations looking to be sustainable and remain effective:

- **Increased Impact**
- **Operational Efficiency**
- **Financial Stability**
- **Stronger Talent Pool**
- **Improved Fundraising**
- **Stronger Advocacy**

Collaboration in Action: Q&A With The Rebound Foundation

The Rebound Foundation is a 501(c)(3) nonprofit whose goal is to end the cycle of abuse through safe housing and prevention education. Based in Springfield, Missouri, and Chicago, the organization partners with local community agencies to provide affordable housing solutions for survivors of abuse. Founder Christina Ford shares her insights on creative partnership strategies:

Q **What are some of the partnerships that you have, and have they positively impacted your ability to go out and raise funds for your programs?**

A **Christina Ford:** Absolutely. Collaboration has been the key for us since the very beginning. I like to stretch every dollar, so I am a firm believer in partnerships. We want our donors to understand that we care greatly about their trust in who we are and what we do with our finances and our spending. They have appreciated that we engage in partnerships because we know that we can't do everything. We're a small organization. We don't try to be anything outside of who we are.

One of our shelter partners has case management and outreach services—as a result, we don't necessarily have to hire a case manager because that outreach case manager can still continue with clients outside of the shelter. In that situation, instead of us spending that money on a case manager, we rely on their outreach case manager, because with their funding, they're still allowed to service our clients. We've learned to find ways that we can work together so that we're not trying to reinvent the wheel.

Our donors are very happy about that because sometimes they not only give to us, but they also give to partner agencies. They want to see the holistic approach and that's what we've been able to do for our clients: be who we are and let others do well at what they do.

There are so many nonprofits in Springfield and the Ozarks alone. That's why we didn't want to create services that were already available. We strived to offer something a little bit different and collaborate with other agencies who had existing services and providing those resources to our clients.

Action Items for Consideration:

- Focus on your mission and your unique value to the community you serve.
- Explore opportunities for partnerships with similarly aligned organizations in your area, including shared resources.
- Share collaboration wins with prospective donors.

Preparing for What's Next

As governance models anticipate the volatility in funding sources, there is a rising opportunity for boards to pursue collaboration among organizations with duplicative or complementary services and considering mergers or shared models to better serve their communities. Collaboration is more important than ever.

As organizations seek to be more innovative in their fundraising and operations, launching micro-campaigns, charging program fees, and building strong donor relationships are becoming more common. Storytelling and humanizing data—such as sharing individual success stories—are increasingly vital for engaging donors, in an effort to make fundraising personal and demonstrate tangible returns on investment.

Conclusion

Funding the mission will always be a top priority for nonprofit organizations. But as this report highlights, securing funds and remaining sustainable requires agility and creativity.

This report is the first in our four-part series that explores forces shaping the nonprofit sector and ways organizations are working to establish themselves for long-term success.

In our next report, we'll explore evolving technology and how digital tools and innovations are transforming organizations' impact.

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