EVOLVING FOUNDATION RESPONSES TO A SECTOR IN CRISIS

KEY FINDINGS

1. Risk aversion is one of the most common barriers to foundations making changes.
2. Support provided beyond the grant is frequently mismatched to nonprofits' needs.
3. Many nonprofits do not believe they can be honest with funders about their challenges.

1

Foundations are making many changes in response to the current context, but barriers — including **risk aversion** — are contributing to their **sense they have not been very effective** in response.

Twelve percent of foundation CEOs rate their foundation's response to the current context as very effective.

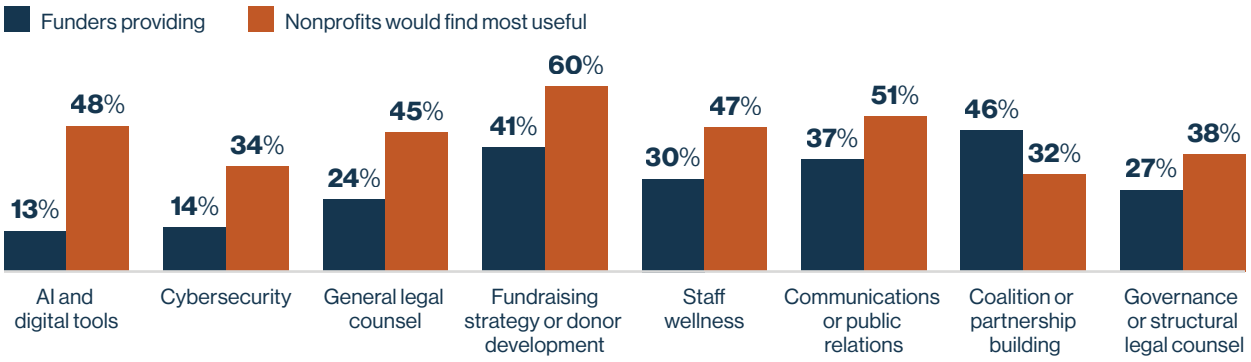
Foundation CEOs Report Top Barriers to Their Foundation's Response to the Current Context (N=152)

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

2

Most foundations are providing support beyond the grant to the nonprofits they fund, but that support is **frequently mismatched to nonprofits' needs**.

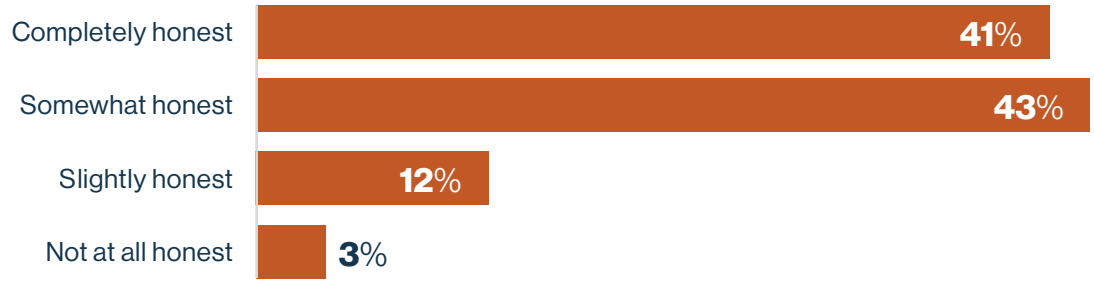
Beyond-the-Grant Support That Foundations Are Providing Versus Beyond-the-Grant Support Nonprofits Would Find Most Useful (N=176–326)



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

3 **Honest communication between nonprofits and funders is a challenge**, with nonprofits holding back in ways that may **limit funders' ability to know what is most needed**.

Nonprofit CEO Beliefs of How Honest They Can Be With Funders About Organizational Challenges (N=328)



Note: Percentages do not add up to 100 because of rounding.

Challenges to honest communication cited by nonprofits include fear of funding being reduced, limited opportunities to have honest communication with funders, believing funders aren't interested in hearing about their challenges, and fear of reputational harm.

QUESTIONS THIS RAISES FOR FOUNDATION CEOS AND BOARDS:

- Does your board openly discuss risk tolerance and how that relates to the foundation's response to nonprofits and communities in this current context?
- How does the foundation determine what support beyond the grant to provide? How does the foundation decide what support would be most useful to a particular grantee?
- What could the foundation do to support more honest communication from grantees? What could creating more opportunities to hear directly from grantees look like for your foundation?

RESOURCES TO LEARN MORE:

- The Center for Effective Philanthropy:
  - > Full CEP report from which this data was pulled: "Evolving Foundation Responses to a Sector in Crisis"
  - > "State of Nonprofits 2026: What Funders Need To Know"
  - > "The Debate That Belongs in Every Foundation Boardroom Right Now"
- Center on Nonprofits and Philanthropy at the Urban Institute: "How the Turbulence Facing US Nonprofits Might Transform the Giving Infrastructure"

If your staff or board is interested in learning more, or you would like someone from CEP to facilitate a conversation with your board based on these findings, please reach out to CEP's Vice President of Research, Elisha Smith Arrillaga, at elishas@cep.org.

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