



GENERAL

Insufficient Help From Funders For Beleaguered Nonprofits. Why?

02.11.26 | Linda J. Rosenthal, JD



During periods of relative calm as well as in crises, the prestigious Center for Effective Philanthropy (CEP) tracks and analyzes how the nation’s charitable nonprofits and their funders fare.

For the second time in five years, this sector is experiencing relentless disruptions, chaos, and uncertainty – though of a nature far different in origin and effect than the earlier COVID-19 global pandemic.

CEP has coined a special phrase – the “Current Context” – to identify and define this era; namely, “the series of events led by the U.S. federal government – including legislative actions, executive orders, and budget decisions – that went into effect in 2025 with the potential for wide-ranging effects on nonprofits’ funding and work.”

On January 29, 2026, CEP published a full and final report comprising the cumulative data and analyses of its year-long research project: *A Sector in Crisis: How U.S. Nonprofits and Foundations Are Responding to Threats*. [36 pp. PDF].

A week ago, in *Center for Effective Philanthropy Reports “A Sector in Crisis”* (February 6, 2026), we began a discussion of these research results. There are more than a few interesting and provocative points to pursue.

So let’s begin

A Full Year of Chaos



Beginning on Election Night 2024, the Center for Effective Philanthropy's expert staff had turned their attention closely to [Project 2025](#), the GOP's 900+-page blueprint for a second Trump term. It had been released and circulated much earlier, but the election results made it immediately relevant again.

Wasting no time at all on Inauguration Day, the returning president ordered a [Shock-and-Awe 2.0 blitz](#) of radical executive orders. Among the most notable actions within the first week was the abrupt cut-off of almost all previously authorized federal grant and contract funds.

The CEP team [sprang into action immediately](#) to document the fast-moving wave of alarming actions. By the first week of February 2025, the researchers had scheduled surveys and then follow-up interviews of leaders of 501(c)(3) operating charities as well as of grant-making private foundations.

They published an interim report in March 2025 describing many troubling moves by the second Trump administration. There was a second round of surveys and interviews in August and September, the results of which were released in another interim report in November 2025. The trends noted in March had intensified by November.

They worsened further by the date that the [final report dated January 29, 2026](#),

Additional Insights

For additional commentary on these important findings, see – for example – a blog post by CEP's Dr. Ellie Buteau and her associate Seara Grundhoefer: [New Data Reveals a Sector in Crisis, But Steadfastly Mission-Focused](#) (January 29, 2026) *CEP Blog*.

"The importance of nonprofits' work in the United States cannot be understated" especially in times of rapid-fire upheaval," they wrote. "[N]onprofits across the country report facing existential threats – simultaneously experiencing significant cuts in funding and increased demand for the services they provide...." In fact, data collected throughout the year 2025 confirmed that demand was significantly higher than during the COVID-19 pandemic.

Philanthropy veteran and podcast host, Eric Brown, opened his 117th episode of "Let's Hear It," on February 3, 2026, saying this "might be the most important [episode] we've ever released. Titled [A Sector in Crisis: CEP's Elisha Smith Arrillaga Exposes the Dangerous Disconnect Between Foundations and Nonprofits](#) [transcript included], the host and guest dug into the findings of CEP's newest report.

Mr. Brown said: "The tops of our heads are coming off." Why? "Nonprofits are facing record demand—higher than during COVID—while getting LESS funding. Not just from government. From foundations too. And here's the disconnect that should keep every foundation leader up at night: 40% of nonprofits say funders have shifted priorities in ways that are less helpful at this dire moment."

He added: "[Even worse?](#) 20% of foundations say they don't have much responsibility to help nonprofits navigate this moment at all. If your grantees are drowning and you don't think it's your job to throw them a rope, what exactly are you in business for?"



The epic “disconnect” in the podcast title boils down to this point made by Dr. Arrillaga: “Most foundation leaders told us that they believe foundations have a significant role to play in supporting the nonprofit sector. However, the majority of nonprofits, and a sizeable portion of the foundation leaders CEP interviewed, are dissatisfied with the overall response from foundations.”

The data from the Center for Effective Philanthropy report confirmed these statistics. Nonprofits – in dire need of help – are getting far less than they need. Many foundation leaders are unaware that their response has been underwhelming but (incorrectly) believe it’s been just fine.

Key Report Takeaways

To recap, the key takeaways from [the January 29, 2026, CEP Report](#) are:

- “The abrupt and unconscionable block of already appropriated federal funds has been such a body blow to so many organizations that almost half of them report they may soon have to close.
- The demand from the public for charitable assistance and support has risen to levels topping those seen during the COVID-19 pandemic.
- Throughout 2025, there has been a shocking disconnect between the accurate assessment by the grantee-organizations of their own urgent needs and the (lack of) understanding by the funders of the depth of those grantee needs. These foundations also mistakenly believe that their support has been sufficient and has satisfied their grantees’ requests and expectations. ‘Not even close,’ say the grantees.”

“In a little less than a year, the U.S. nonprofit sector — comprised of more than 1.5 million organizations, employing 14 million people, engaging millions more as volunteers, and collectively improving quality of life for every American — has been massively destabilized.”

“That’s a mild word for it, really,” wrote Phil Buchanan, president of the Center for Effective Philanthropy, in the first of a new monthly blog series, addressing the findings of the CEP Report. The federal funding may be a lost cause, but what about foundations stepping up to the plate?

Excuses ... and More Excuses

In [Three Misconceptions Impeding More Action from Funders](#) (January 13, 2026), Mr. Buchanan rebutted each and every one of the three most common excuses he’s been hearing from foundations about why they cannot give more.

To summarize, the three “justifications” are:

- **Concern 1: “We can’t possibly fill the gaps left by cuts in government funding.”**

“That’s undoubtedly true, ... but also hardly a good reason not to act....[T]hey can make strategic choices to shore up the organizations they believe are most vital. They can also ensure they are using their non-monetary resources – including their public voices, reputations, and connections — to assist key grantees.”

- **Concern 2: “We have a fiduciary responsibility not to erode the purchasing power of the endowment.”**



“...[T]hat’s not, in fact, what fiduciary responsibility — a term that is often distorted in arguments to keep payout low — actually means. It does not require ensuring the purchasing power of the endowment remains constant or increases.”

He adds: While many “foundations are committed to existing in perpetuity,” and he has “long believed such foundations play a crucial role in our society,” they can pursue that goal and still take a flexible response to conditions, taking advantage, as MacArthur Foundation President John Palfrey has urged, of that long time horizon to be a counter-cyclical force in times of challenge.”

• *Concern 3: “We need to be careful not to be seen as partisan or to make ourselves a target for politicized attacks.”*

“[O]ur values are not illegal” — and it’s crucial that funders fight for what they believe in.”

“Foundations should exercise their freedoms and fund what they believe in, not walk back past commitments — or go quiet – out of fear.” Phil Buchanan, about a year ago, wrote: “Nonprofits are facing significant, arguably unprecedented, challenges and it’s crucial that donors, whatever their ideologies or particular programmatic goals or priorities, pay attention.”

“That was then. The situation for nonprofits is far worse today. More is needed from more foundations in 2026.”

Conclusion

Each of these proffered justifications for the less-than-stellar foundation response to our sector’s needs during the “Current Context,” is a large enough topic to easily fill its own full blog post.

We’ll see. Unfortunately, there’s so much else from this Report to discuss, we may have to move on.

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