2026 Nonprofit & Higher Education Industry Predictions

The nonprofit sector demonstrated remarkable resilience in 2025. But as organizations enter a new year, leaders must be prepared for an environment characterized by unpredictability and heightened scrutiny from policymakers. Success will require creativity and adaptability in pursuit of long-term growth.

In this year's outlook, we highlight **seven trends we expect to shape the nonprofit industry** in 2026, offering insight into how evolving economic conditions, regulatory shifts, and funding dynamics will influence strategy, sustainability, and long-term impact. By examining these trends, leaders can position their organizations to respond strategically, maintain mission focus, and continue delivering meaningful impact. ▶

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Most Nonprofits Will Overestimate Revenue Growth in 2026

Nonprofit leaders are optimistic heading into 2026 — a reflection of their success in adapting to new challenges in 2025. Many organizations pivoted their programming, forged new partnerships, and employed innovative fundraising strategies to maintain momentum amid change. This brighter outlook will dim in 2026, with actual outcomes diverging by subsector. Nonprofits will be up against tighter donor budgets and growing economic uncertainty that will test the resilience of even the most agile organizations.

According to BDO's ***2025 Nonprofit Standards Benchmarking Survey***, 86% of organizations reported revenue gains in their most recent fiscal year and 90% anticipate continued growth. But leaders also ranked economic volatility and funding stability as their top concerns for the year ahead. Organizations that had strong years in 2025 may still face flat or modest growth in 2026, particularly while economic uncertainty persists. We expect social service organizations, backed by government funding and philanthropy will secure moderate gains, while many others turn to diversified revenue and intentional reserve building as their primary financial strategy.

90%

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Read the full report to learn more. ▶

Efficiency Will Eclipse Expansion as the Defining Measure of Success

Nonprofit funding structures are often designed to reward visible programmatic growth. Faced with this reality, organizations often choose to widen their scope, expand their geographic footprint, and reach out to new audiences instead of making back-end improvements or pursuing work that may improve speed and quality of service ("doing more with less"). This strategy further reinforces systems that prioritize scale over long-term planning and system viability. This style of organizational expansion was once key for attracting funders, meeting key milestones, and providing fodder for momentum announcements, but it may be less prudent in the year ahead.

The Nonprofit Standards Benchmarking Survey found that 40% of nonprofits are pursuing operational efficiencies to manage costs. In 2026, we expect to see this trend continue. Operational efficiency is an effective cost management strategy and is typically supported by donors and key stakeholders. Examples of efficiency may include consolidating redundant systems and processes across regional chapters of an organization, investing in integrated data platforms to unify donors and program metrics, or using artificial intelligence (AI)-enabled tools to automate measurements of outcomes.

Heightened Regulatory Scrutiny Will Prompt Evolution

Increased political scrutiny is a major driving force behind the need for greater efficiency. In fact, 37% of nonprofits say they have consolidated operations in response to recent changes to federal policies and priorities. Tighter government budgets will make funding cycles less predictable, compelling nonprofits to demonstrate measurable outcomes to justify continued support. Organizations may also face growing compliance risks due to a potential increase in IRS scrutiny.

Mission-driven organizations will need to adopt a more strategic posture: monitoring legislative proposals, aligning advocacy activities with tax-exempt requirements, and instituting robust governance practices to help them navigate political headwinds. At a minimum, boards must deepen their oversight functions and strengthen transparency for regulators. Leadership will be tasked with rethinking their advocacy approaches or engaging in new frameworks that support resilience in a tougher regulatory environment.

To prepare for this shift, nonprofits can prioritize scenario planning to anticipate funding disruptions, formalize compliance review processes for advocacy efforts, and invest in board training around fiduciary and political activity oversight. Additionally, using real-time data and feedback on program successes to update key performance indicators (KPIs) in annual reporting will allow organizations to demonstrate accountability while remaining agile. Taking these steps now can help organizations sustain trust and attract funding moving forward.

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of nonprofits say they have **consolidated operations** in response to recent changes to federal policies and priorities.

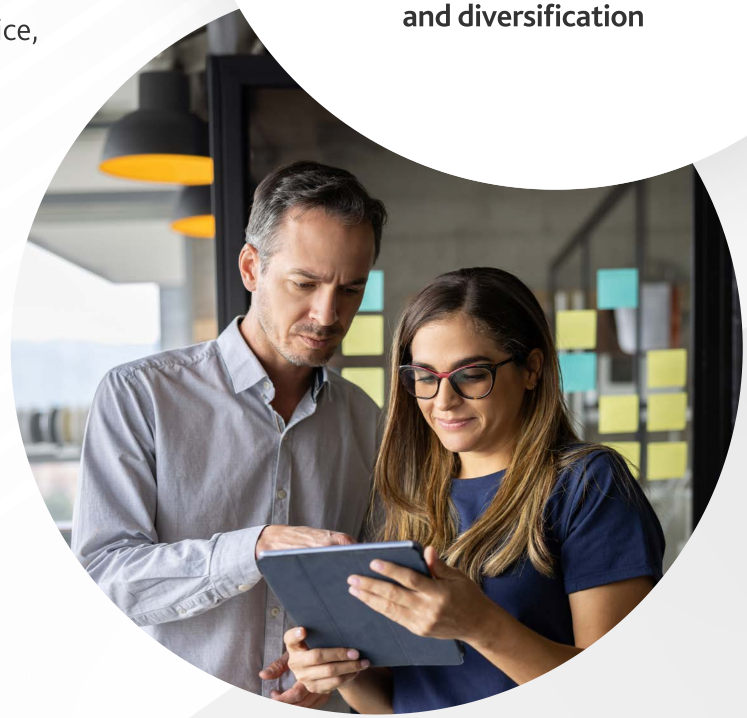
Gaps Will Widen Between Scalable Winners and Struggling Small Players

The nonprofit sector will face a bifurcated landscape in 2026. Larger, more diversified organizations with robust infrastructure and multiple funding sources can develop resilience, even in the face of government funding cuts. Smaller organizations dependent on one revenue source, particularly those without strong digital or operational foundations, may face restructuring, consolidation, or closures.

This coming divide stems from disparities in resources and capacity across organizations. Small and mid-sized organizations may predominantly rely on grants, fee-for-service, and/or community-level donations and volunteer support. On the other hand, larger nonprofits tend to have greater revenue diversity and can leverage their data and technology to quickly adapt to government funding cuts or other shifts in the funding landscape. Most smaller organizations will struggle to pivot quickly amid evolving digital transformation needs and rising operational costs.

Anticipated cuts to federal funding and heightened scrutiny around transparency and impact measurement may accelerate this divergence. Such changes would naturally favor nonprofits with the infrastructure to meet stricter reporting standards and leave smaller organizations at greater risk.

The gap between large and small nonprofits is widening, and resilience will depend on scale, strategy, and diversification



Closings Will Outpace Mergers

Given the bifurcation in the sector, we may see an uptick in both mergers and organizational closures. Merger activity will increase particularly in the health and human services sector, due to thin margins. But many nonprofits can be resistant to consolidation. Leaders facing funding challenges or other hurdles that affect long-term sustainability may choose to dissolve rather than merge. This is especially true when boards are tasked with weighing financial viability against mission preservation.

Worsening economic and political conditions could exacerbate organizational closures. Inflationary pressures, shifting donor priorities, and uncertainty around government funding are likely to leave many small and midsize nonprofits struggling to sustain operations. Nonprofits may find that the pool of viable merger partners is narrowing, as peer organizations face comparable constraints.

So even though consolidation remains a proven tool to build resilience and scale impact, fewer organizations will be structurally or financially positioned to pursue it.

But nonprofits can, and will, experiment with alternative forms of collaboration. We can expect to see nonprofits enter into shared service agreements, fiscal sponsorships, or networked partnerships that allow organizations to sustain operations and continue delivering on their missions without fully merging. Executive boards can prepare by identifying where collaboration can fill capacity gaps and setting up new structures that support joint decision-making while still maintaining independence.

Alternative Forms of Capital Will Become a Core Funding Strategy

As nonprofits work to offset tightening budgets, we expect “blended” finance and impact investing to gain traction in 2026, linking social impact outcomes with investor returns. These alternative approaches use a mix of public, philanthropic, and private capital to fund projects that deliver on nonprofits’ missions while also generating financial returns.

Organizations are increasingly turning to innovative financial tools such as social impact bonds and community investment funds to diversify revenue and attract mission-driven investors. This evolution reflects a broader shift on the part of investors, who are now treating financial and social impact as mutually reinforcing goals, rather than competing priorities.

Low-interest loans from community development financial institutions (CDFIs) which specialize in mission-drive organizations can help organizations gain necessary funding for expansion projects. In addition, high-net-worth individuals and private equity (PE) funds may also expand their philanthropic footprint through mission-aligned investments and strategic partnerships. Over the long term, the current nonprofit sector pinch may be remembered as a catalyst for industry-wide funding model transformation.

Impact investing and blended-finance models are reshaping how nonprofits fund their futures

Technology-Enabled Adaptive Planning Will Drive Nonprofit Resilience

Nonprofits will increasingly leverage digital tools to adopt dynamic planning models that integrate rolling forecasts, scenario planning, and flexible budgeting. With these capabilities in hand, organizations will be equipped to meet current needs and invest in their future viability. Integrating AI-enabled planning tools, standardizing real-time data reporting, and training staff across departments to interpret analytics will let organizations put their insights to work, informing strategic decisions and resource allocation.

Using technology to break down silos will help both large and small organizations stand up inclusive, data-informed planning processes that strengthen alignment across departments and empower their professionals to share knowledge and drive efficiency.

As the sector **continues to navigate volatility**, these fundamentals will anchor mission-driven work, ensuring nonprofits can remain focused, resilient, and capable of delivering lasting impact when and where it matters most.

Leaders will need to pair agility with disciplined financial management — maintaining operating reserves, diversifying funding, and forming strategic partnerships — while using technology to optimize decision-making.

Are You Ready for the Year Ahead?

Even the most dedicated nonprofit leaders can't anticipate every change in the communities they serve or the broader landscape. Building for resilience and flexibility empowers your organization to continue making a difference, even when the unexpected happens.

Explore our curated resources to discover how strategic resilience can help your team stay mission-focused and prepared for whatever the new year brings.

Interested in learning more about how BDO can help your organization adapt in 2026?

Contact us to get started. ▶

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Even the most diligent organizations can't predict every shift in industry and market trends. The key to success lies in building resilience and agility, enabling your business to adapt to unexpected changes with confidence. Explore our curated resources to learn how strategic resilience can position you for a successful year.

An Agile Framework for Navigating Economic Shifts

Read now. ▶

Activate Resilience in Your Organization

Read now. ▶

How AI Drives Strategic Resilience and Business ROI

Read now. ▶

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