

2026 Q2 Social Sector Trends

The gap between service demands and organizational capacity is widening due to diminishing funding and continued funding disruptions. Community needs have increased significantly, exacerbating critical access gaps in affordable housing, financial security, youth programs, and mental health and substance use services. Looking ahead, [85% of organizations anticipate](#) that this demand will continue to climb throughout the year, and a [sobering 54%](#) of these providers do not expect to have the capacity or resources to meet the needs of those they serve.

The rise in demand coincides with two years of significant financial volatility, marked by rising insurance costs, high inflation, federal funding cuts, funding delays, grant terminations, and sudden policy changes. It is no wonder that the social sector workforce is feeling the pressure, leading to staffing shortages and high rates of burnout, turnover, and mental health concerns.

Consequently, this trends report, compiled by the experts at Social Current, focuses on financial and funding-related trends and solutions. It identifies the economic and operational considerations expected to define the remainder of the year, ranging from legislative impacts on housing affordability to the critical need for funding the true cost of services. By enacting diversified revenue strategies and prioritizing long-term fiscal resilience, social sector organizations can better navigate current constraints and secure their mission-critical work.

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Government Affairs and Advocacy

Housing Affordability

As millions of Americans face critical barriers to accessing affordable housing, Congress considers a landmark bill. The [21st Century ROAD to Housing Act](#) has garnered broad bipartisan support. The bill was first passed in the House 390 to 9 and then amended and passed by the Senate 89 to 10. House representatives now have the critical choice to either accept the changes and send to the president or introduce further amendments.

Key provisions of the bill include:

- Streamlines environmental reviews to accelerate the Department of Housing and Urban Development (HUD) projects and reduce regulatory delays
- Reforms and permanently reauthorizes the [HOME Investment Partnerships Program](#), a model that [has provided direct rental assistance](#) to 430,000 households and been proven to safeguard housing affordability, including for first-time home buyers

- Permanently authorizes the [Community Development Block Grant–Disaster Recovery \(CDBG-DR\) program](#) and creates a HUD office to oversee disaster housing recovery
- Expands [Community Development Block Grant](#) programs, allowing recipients to use up to 20% of their funds specifically for new affordable housing construction
- Authorizes HUD to review the performance of housing counseling agencies and counselors, require additional training for underperforming counselors, and subject consistently noncompliant counselors to enhanced oversight or loss of certification; this provision is intended to strengthen the quality, accountability, and effectiveness of services nationwide
- Modernizes federal mortgage programs, including adjusting Federal Housing Administration (FHA) multifamily loan limits
- Streamlines rural housing assistance, housing vouchers, and homelessness initiatives
- Issues a temporary ban on large institutional investors purchasing single-family homes

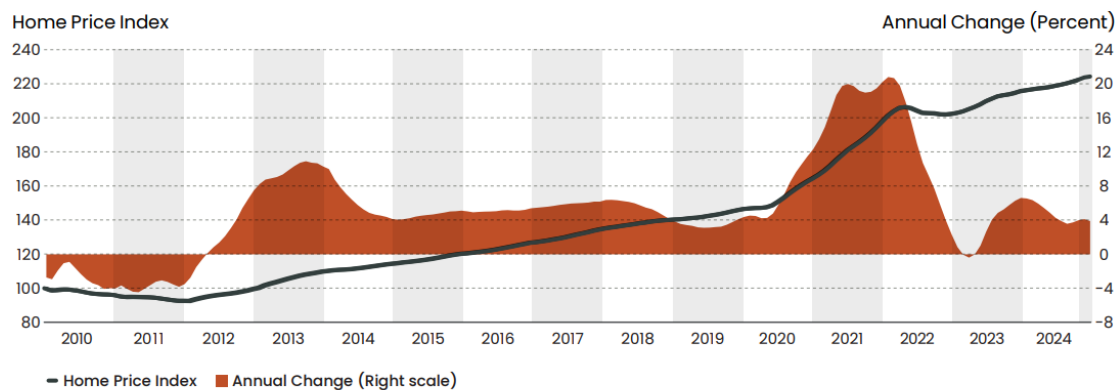
Recent executive orders also intend to expand access to affordable housing. Signed March 13, the executive orders include [Promoting Access to Mortgage Credit](#) and [Removing Regulatory Barriers to Affordable Home Construction](#). **For more details on the expected changes and impact of latest executive actions, visit Social Current's [Executive Order Tracker](#).**

Cascading Impacts of the Housing Crisis

These congressional and executive measures attempt to address the [growing housing affordability crisis](#), driven by high costs, low inventory, and a reduction in housing assistance. The urgency of this reform is underscored by the 33% rise in homelessness since 2020 and record-high rates of chronic homelessness (being without housing for more than one year).

In just seven years, the median price for a single-family home has increased to [five times the median annual household income](#). Renters are struggling as well, reaching a record-high number of cost-burdened renters (those spending more than 30% of their monthly income on rent) for the third year in a row. These numbers paint a sharp picture of the urgent need for economic and policy reform to increase housing affordability.

Home Prices Continue to Grow



Source: JCHS tabulations of S&P CoreLogic Case-Shiller US National Home Price Index.

The Office of Disease Prevention and Health Promotion, within the Department of Health and Human Services, has [characterized housing instability as a social determinant of health](#), noting

its profound impact on health and well-being. Stable, affordable, quality housing forms the foundations of our communities' socio-emotional and physical health. Without it, programs for food security, mental health, substance use treatment, and job training lose their efficacy.

Downstream effects of housing insecurity on children are particularly profound. Housing instability, including frequent moves, overcrowding, the threat of eviction, and homelessness are [known predictors of adverse outcomes](#) for youth, including trauma and education disruption. The inability to secure safe, adequate housing can also put families at increased risk of child welfare involvement.

The recent expiration of Affordable Care Act enhanced premium tax credits and recent passage of H.R. 1 is expected to further [burden families in poverty](#), diminishing access to the [Supplemental Nutrition Assistance Program](#) (SNAP) and [Medicaid](#). It is essential to continue partnering with representatives in every level of government to ensure the challenges facing families are understood and addressed. Strong relationships are essential to guiding sustainable policy change.

Related Reading

- [21st Century ROAD to Housing Act: Section-by-Section](#) | U.S. Senate Committee on Banking, Housing, and Urban Affairs (2026)
- [What's in the 21st Century ROAD to Housing Act?](#) | Bipartisan Policy Center (2026)
- [The State of the Nation's Housing](#) | Harvard's Joint Center for Housing Studies (2025)

Social Current Resources

- [Social Current Grassroots Advocacy Network](#): Join our Grassroots Network to receive action alerts, resources detailing key political issues, and information about training and networking opportunities.
- [Webinars](#): Register now for our free advocacy-focused webinars. This quarter's sessions focus on community engagement, storytelling, media relations, and more.
- [Policy Briefs and Toolkits](#): Access resources developed by our Government Affairs and Advocacy team to keep you informed and develop your advocacy skills.
 - Bookmark [Social Current's Executive Order Tracker](#) to have the latest information on executive order developments.

Workforce Well-Being

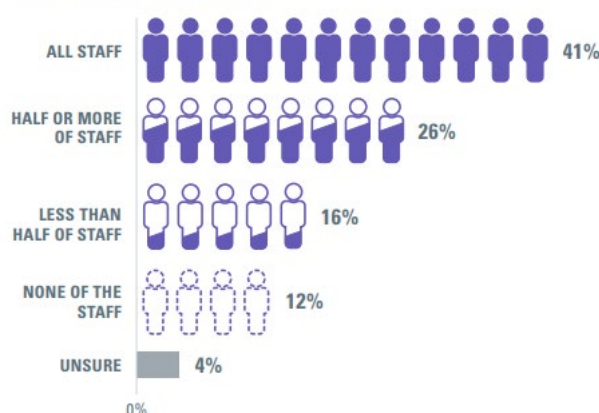
Funding the Social Sector Workforce

The nonprofit compensation landscape has been built on assumptions that the rewards of making a difference in people's lives and willingness to sacrifice for the mission offset the need to provide competitive wages and benefits. This approach has helped to institutionalize a cycle of underfunding that prioritizes low overhead at the expense of organizational health and employee well-being. The harsh economic landscape of the past year, which included [delayed and suspended government funding](#) and [declines in individual donations](#), has highlighted the fragility of our current funding model. If we hope to secure the future of the social sector, we must reframe livable wages and employee well-being as a foundational requirement for mission success, rather than a secondary consideration.

We cannot discuss workforce well-being without recognizing employees' basic needs for economic security. The traditional “do-more-with-less” model has undermined this capacity and created a workforce crisis in our sector. The findings in the latest [National State of the Nonprofit Sector](#) from NFF are concerning:

- **The Living Wage Gap:** Only 41% of organizations surveyed can pay all full-time staff a living wage. For nonprofits with budgets under \$250,000, that number falls to just 28%.
- **The Benefit Gap:** Only 67% of nonprofits surveyed offer health insurance, significantly less than the [86% of private companies](#) that offer health benefits. Similarly, retirement contributions are offered by only 54%, compared to [roughly 70%](#) of the private sector.
- **The ALICE Population:** Approximately 2.4 million nonprofit workers (almost a quarter of the sector) fall into the ALICE category (Asset Limited, Income Constrained, Employed). These are individuals who work full-time but struggle to afford basic necessities, like housing and child care, due to insufficient wages.

HOW MUCH OF YOUR FULL-TIME STAFF IS YOUR ORGANIZATION ABLE TO PAY A LIVING WAGE?



Source: Nonprofit Finance Fund, [2025 National State of the Nonprofit Sector Survey Findings](#)

Where to Start

Funding equitable employee salaries and benefits after decades of chronic underfunding is not a task individual executives can solve by grit alone. It requires a coordinated shift, both at the organization level and systems level, to change social sector funding models.

At the organization level, leaders must quantify the true cost of services, including the cost of retaining and maintaining a healthy, sustainable workforce.

- **Conduct a Pay Equity Audit:** Identify and rectify internal pay disparities with a [pay equity audit](#). This includes implementing objective benchmarks, such as a 4:1 salary ratio (ensuring the highest-paid employee earns no more than four times the lowest-paid), and aligning with industry-standard salary floors. Tools like [state benchmarking](#)

[reports](#), this [cost of turnover calculator](#), and the [true labor cost calculator](#) (for project-based employees) can be used to develop more realistic estimates.

- **Optimize Low-Cost, High-Impact Benefits:** Expanding benefits like flexible scheduling, remote work options, and expanded paid time off (PTO) are key strategies to improve workforce resilience and prioritize employee well-being, even on a tight budget.
- **Name the True Cost:** Individual organizations can become part of the broader movement to debunk harmful myths and policies that keep our sector underfunded, such as [Social Current's Five & Rising initiative](#) and NFF's [Full Cost Project](#). These programs provide tools and strategies to integrate a true cost mindset at your organization and confidently name the full cost of services in grant applications, board meetings, and donor appeals.

To move from individual survival to systemic stability, prioritize collective solutions, including:

- **Sector-Wide Benchmarking:** To move beyond rhetoric, funder coalitions and state associations could support affordable or free regional compensation benchmarking reports to democratize market data, particularly for smaller nonprofits.
- **Expanding Unrestricted or Staff-Specific Funding:** Once the equity gap is quantified at an organization, public and private funders can address it with [unrestricted grants](#) or dedicated [staff-specific grants](#), ensuring that industry-standard salary floors are treated as an essential cost.
- **Advocate for Standardized Full Cost Contracts:** Government funders must move toward [standardized contracting](#) by mandating industry-standard salary and benefits packages and removing unrealistic indirect cost caps. By embedding these requirements into the RFP process and fully funding them, we remove the competitive disadvantage that organizations currently face when they try to pay their staff fairly.

If we value the missions of our organizations, we must value the people who carry them out. At Social Current, we know that funding the true cost of the social sector workforce is a non-negotiable investment in the resilience and future of our communities.

Related Reading

- [It's Time to Ditch "Nonprofit": Five & Rising Launches to Unleash the Social Sector's Full Power](#) | Social Current (2025)
- [How to Support Nonprofit Worker Well-Being](#) | Nonprofit Finance Fund (2026)
- [Equitable Funding Starts with Understanding Full Cost](#) | Nonprofit Finance Fund

Social Current Resources

- [Five & Rising](#): Follow on social media, read about our pilot communities, and become part of the movement to fully fund the critical work of our sector.
- [Webinars](#): Register now for this free six-part series on Building a Healthy Workplace Culture. It is designed to equip staff and leaders at all levels with foundational mindsets, knowledge, and skills to help themselves and their colleagues prioritize well-being at work, manage through uncertainty, and handle conflict with compassion.
- [Well-Being and Resilience Training](#): Partner with Social Current to ensure your staff has the foundational knowledge and skills to manage stress, especially in times of change. We offer a customizable two-day training and additional consulting support.

Leadership and Organizational Development

The Diversification Imperative

As leaders navigate a challenging and volatile political and fiscal environment and look to ensure mission-critical work, they must move beyond reactive fund development and adopt a strategic approach to financial management. To achieve this, leaders should assess revenue streams for their alignment with long-term goals, forecasted capacity, and potential growth.

Relying on one or two major funding sources leaves organizations open to financial instability. If a primary foundation shifts its focus or a government contract is ended, the organization is immediately in crisis. When leaders find that their organization is constantly in a reactive stance, trying to survive until the next financial opportunity, it is time to [re-evaluate their approach](#).

Diversifying revenue is a core component to building institutional resilience and securing the long-term sustainability of key programs. The More Than Giving Company recommends that no more than [40% of your income](#) stems from any one revenue source. Nonprofit leaders should look to balance their portfolios with a combination of:

- **Earned Income:** Charging for services, selling products, membership dues, and licensing intellectual property are examples of earned income channels. The key is to develop earned revenue streams in close alignment with the organizational mission/vision and service delivery capacity.
- **Private and Public Grants:** Grants from the government, private foundations, and corporations are often primary funding sources for nonprofit programs and services.
- **Charitable Giving:** This revenue segment includes one-time donations, recurring giving programs, major gifts, and legacy and planned donations.
- **Corporate Partnerships and Sponsorships:** Partnering with businesses to sponsor events, programs, and marketing opportunities can help your cause expand its reach and impact.

Where to Start

Success in revenue diversification requires a disciplined, phased approach. Leaders that attempt to scale too many revenue streams simultaneously risk spreading their efforts too thin. To avoid burnout and mission creep, focus on incorporating one or two high-impact strategies effectively before adding more. Some additional tips include:

Include it in Your Strategic Planning Process: Think of revenue diversification as the fuel for the strategic plan. The process begins by involving relevant stakeholders, such as board members, leadership, staff, and even key volunteers as appropriate. Their buy-in ensures that potential new revenue streams have a defined scope and align with available capacity and strengths.

Clearly Spell Out Revenue Goals and Metrics: A goal might look like:

- **High-Level Objective:** Reduce dependence on government grants by 15%
- **Time-Bound Goal:** Acquire 500 new monthly donors by Q4
- **Strategy:** Launch a digital fundraising campaign targeting mid-level professionals
- **Key Performance Indicators (KPIs):** Number of new/repeat donors, cost to raise a dollar (CPDR), and/or average gift size, etc.

Expand Fund Development Channels: Commit to starting one new fundraising channel every two to three years and growing them incrementally. This could look like developing a new monthly sustainer program, launching a peer-to-peer campaign, or applying for a new grant.

Increase Reach: Expand your audience by crafting new narratives that help potential clients see themselves in your work. Invest in building new relationships with public and private partners that can get your value proposition in front of new faces. The attention economy is real, and getting heard takes a unified effort. As with the fund development channels, commit to reaching one new audience each year.

Assess and Mitigate Risk: New revenue streams require rigorous risk assessment to protect the organization's integrity. Leaders must evaluate whether a funding source threatens mission alignment, dilutes programmatic impact, creates a resource drain, or introduces reputational risk. To mitigate these threats, organizations should implement pilot phases for new initiatives and establish a policy to define the boundaries of acceptable funding.

If your organization is already in crisis mode, the Nonprofit Financial Commons offers, [A Playbook for Nonprofits Facing Financial Adversity in 2026](#), to help with more in-depth revenue assessment, including restructuring your finances and options for replacing lost revenue.

Ultimately, by treating financial management as a rigorous, strategic discipline rather than a series of one-off events, nonprofit leaders can move from a state of financial anxiety to one of sustainable growth.

Related Reading

- [How Nonprofit Organizations Can Diversify Their Financial Resources](#) | *Forbes* (2025)
- [Diversifying Nonprofit Funding for Greater Community Impact](#) | ASU Lodestar Center for Philanthropy and Nonprofit Innovation (2026)
- [A Playbook for Nonprofits Facing Revenue Adversity in 2026](#) | Nonprofit Financial Commons (2026)

Social Current Resources

- [The Future of Social Sector Governance: A Conversation with Edward Norton](#): Register to join this forward-looking discussion on the future of governance, May 14 from 2-3 p.m. ET. Learn how to position your board members as co-strategists alongside your leadership teams.
- [CEO Convening](#): With facilitated sessions, the event's programming emphasizes dialogue and collaboration to identify solutions. CEOs and executive directors should save the date for this event, Oct. 19-21 in Chicago.
- [Innovative Leadership On-Demand Course](#): Learn about design thinking concepts and how to target and champion innovation more effectively.
- [Burn Bright: The Resilience Advantage On-Demand Course](#): Learn how to approach your energy and performance with a new mindset and invigorated toolset.
- [Nonprofit Risk Management Center](#): Impact Partners and COA accredited organizations receive free affiliate membership, which includes access to unlimited risk management advice by phone, live and on-demand webinars, and discounted services

Philanthropy

Donor-Advised Funds as a Strategy for Continuity

As nonprofits face increased demand for services alongside ongoing uncertainty in public funding and individual giving, donor-advised funds represent another possible source of unrestricted revenue.

Donor-advised funds (DAFs) are third-party investment accounts dedicated to philanthropy. Managed by sponsoring organizations, such as community foundations or the charitable arm of a financial institution, they have become one of the sector's fastest-growing methods for facilitating long-term giving.

A donor makes an irrevocable contribution of assets (cash, stock, or even real estate) and receives an immediate tax deduction, even if a specific cause hasn't been designated. While the money sits in the DAF, it is invested and can grow tax free. The donor then advises the sponsor to send grants to specific 501(c)(3) nonprofits over time, like a charitable checking account.

The Benefits for Nonprofits

While the slow pace of DAF distribution may seem like a setback, some benefits include:

Sustained Donor Engagement: One important feature of donor-advised funds is their ability to encourage sustained charitable engagement. Because contributions are made in advance of grantmaking decisions, donors can take time to learn about issues, consult with advisors, and support organizations in a more deliberate way. This can lead to more strategic giving that aligns resources with long term goals, including more opportunities to discuss the true cost of services and the importance of unrestricted funds.

Complex Assets for Small and Medium-Sized Organizations: Donor advised funds also allow donors to contribute complex assets, such as appreciated securities, real estate, and other non-cash assets, expanding the pool of potential philanthropic capital beyond traditional cash donations. This is especially important for organizations that do not have the capacity to accept non-cash donations because the sponsor manages all the intermediary liquidation transactions.

Resilience in Times of Economic Downturn: DAFs act as a philanthropic rainy day fund because the money is already committed to charity and sitting in an investment account. DAF donors often continue (or even increase) their giving during recessions or high-inflation periods, when other donors often pull back. For example, during the COVID-19 pandemic and the 2025 political and economic uncertainty, DAF [grantmaking surged](#) by [nearly 30%](#) because the capital was already set aside for the sector.

Drawbacks of DAFs

Despite their advantages, DAFs face increasing scrutiny regarding their [lack of transparency](#). Unlike traditional foundations, DAFs are not held to the same public disclosure or mandatory payout requirements, leading to concerns about the warehousing of wealth. With DAFs now accounting for over [25% of all charitable giving](#), calls for greater oversight and public accountability are gaining traction. Despite these valid concerns regarding transparency and public oversight, nonprofits that want to take advantage of these funds should consider them as one part of their fund development strategy.

Where to Start

Here are some tips for connecting with DAF donors:

- **Update Your Digital Presence:** DAF donors and the sponsoring organizations that manage their funds rely heavily on [third-party databases to vet nonprofits](#), so ensure your public website and profiles on nonprofit databases like GuideStar (Candid) and Charity Navigator are up to date. Sponsoring organizations often pull data directly from these sites to populate their grant-making portals.
- **Integrate DAF into Donor Communications:** Donors often don't realize they can use their DAF for specific appeals. Mention DAFs in your year-end campaigns, newsletters, and on your Donate page.
- **Treat DAF Donors as Major Givers:** DAF donors tend to be [more engaged](#) and have already committed their capital to philanthropy, so approach them as you would a major donor. For example, promote recurring grants/giving, discuss legacy giving in the context of DAFs, and align communications with the interests of the donor.
- **Say Thank You:** When thanking the donor, remember to reach out to the donor directly, not the sponsoring organization that sends the check.

DAFs represent another increasingly viable funding source for nonprofits looking to diversify their funding streams and build relationships with long-term, highly engaged donors.

Related Reading

- [A New Study Shines Light on the Impact of Donor-Advised Funds](#) | *Nonprofit Quarterly* (2025)
- [Who are DAF Donors and How Can Nonprofits Reach Them?](#) | National Philanthropic Trust (2023)
- [How DAF Donors Research Nonprofits](#) | Candid (2025)