

Impact Investing: How Nonprofits are Navigating Change and Maximizing Mission in a Shifting Philanthropic Landscape

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Abstract

Impact Investing: How Nonprofits are Navigating Change and Maximizing Mission in a Shifting Philanthropic Landscape examines how nonprofit organizations are responding to mounting financial pressures and policy shifts by adopting impact investing as a strategic tool to sustain and expand mission-driven work. As traditional funding sources become more constrained, the article positions impact investing as a viable approach that blends financial return with measurable social and environmental outcomes, offering nonprofits new pathways to resilience and growth.

Drawing on recent market data and philanthropic trends, the article traces the rapid expansion of the global impact investing market and highlights the growing influence of values-driven donors, improved impact measurement frameworks, and generational wealth transfer. It outlines key impact investing strategies—including mission-aligned capital, blended finance, and community investing—and explores how nonprofits can participate both as recipients of impact capital and as investors themselves. The article also addresses practical considerations, best practices, and challenges, emphasizing the importance of governance engagement, financial expertise, and strategic partnerships. Ultimately, it argues that nonprofits that effectively integrate impact investing into their financial and operational strategies will be better positioned to navigate uncertainty, amplify social impact, and contribute to a more equitable and sustainable philanthropic ecosystem.

Introduction

Nonprofit organizations are continually adapting to a dynamic philanthropic environment marked by shifting federal priorities, changes in international trade, and evolving policies. The dual pressures of rising operational expenses and decreased federal funding are reshaping how nonprofits plan, secure resources, and deliver programs.

However, these obstacles also open doors for nonprofits to explore innovative strategies to sustain and expand their impact. Among the most promising of these strategies is impact investing—a rapidly growing approach that merges the pursuit of financial returns with a commitment to positive social or environmental outcomes.

Understanding Impact Investing

Impact investing is a multifaceted concept that means different things to various stakeholders, including foundations, asset managers, and those operating in public markets. At its core, impact investing refers to the deployment of capital with the explicit intention of generating measurable social or environmental benefits alongside financial returns. This dual objective distinguishes impact investing from traditional investment strategies that focus solely on financial gain or from philanthropy that prioritizes charitable giving without expectation of financial return.

Within the broad category of impact investing, several key subcategories exist:

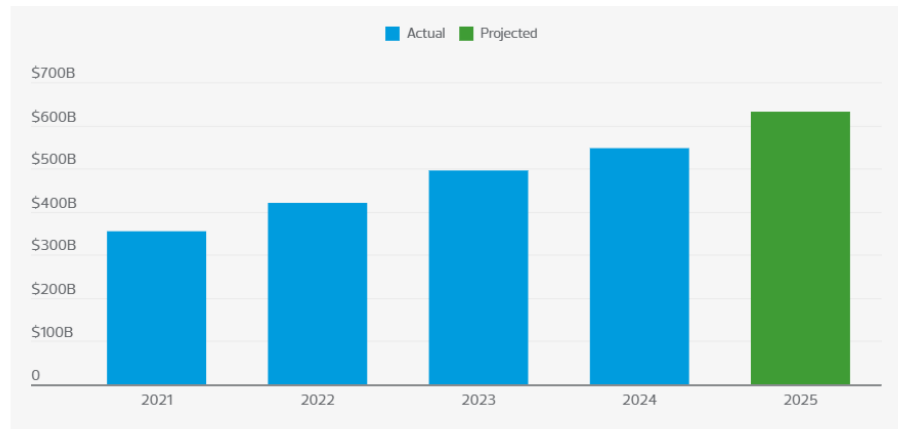
- **Mission-aligned capital:** This strategy focuses on investments that further an organization's mission while preserving or increasing capital. It is commonly used by private foundations, family offices, and university endowments. Mission-related investments are market-rate investments that align with an organization's mission, while program-related investments are concessionary or below-market investments made primarily to achieve charitable aims.
- **Blended finance:** This refers to the use of capital that intentionally accepts higher risks or lower returns in exchange for unlocking substantial social or environmental benefits. Instruments such as guarantees, low-interest loans, and revenue-based financing are typical examples of this approach.
- **Social impact and community investing:** These investments are directed toward underserved communities to increase access to capital, services, and economic opportunities. Community development financial institutions, minority-owned businesses, and affordable housing projects are common recipients of such investments.

In essence, any investment that seeks to “do good” while generating financial returns can fall under the broad umbrella of impact investing. This approach enables organizations to pursue their missions more sustainably and with greater resilience by tapping into new sources of funding and support.

Growth of Impact Investing

According to Research and Markets' Impact Investing Global Strategic Business Report, over the past few years, this investment category has grown 55%, from approximately \$354 billion in 2021 to \$548 billion in 2024. In 2025, the global impact investing market is projected to grow at a compound annual growth rate of 15.2%.

Impact investing global market



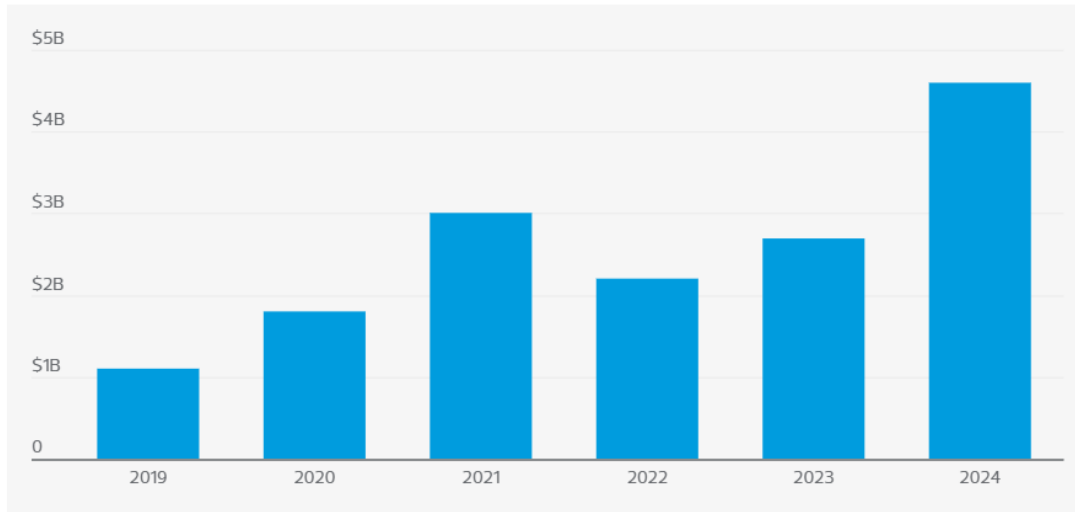
Source: Research and Markets; RSM US LLP

There are multiple reasons for this growth, including:

- **Rising social and environmental awareness:** Investors across the globe are increasingly conscious of the interconnectedness of economic activity, society, and the environment. This awareness is prompting individuals and institutions to seek investments that can drive positive change.
- **Shifting investor values:** There is a discernible shift in investor priorities, with more people—especially younger generations—valuing investments that align with their personal beliefs and contribute to societal well-being.
- **Emergence of impact metrics:** The development of standardized metrics and reporting frameworks has made it easier to measure and compare the social and environmental outcomes of investments, enhancing transparency and accountability.
- **The growing influence of young philanthropists:** With substantial wealth transferring from baby boomers to Gen Xers and millennials, a new generation of philanthropists and investors is looking for ways to make their wealth work for both profit and purpose.

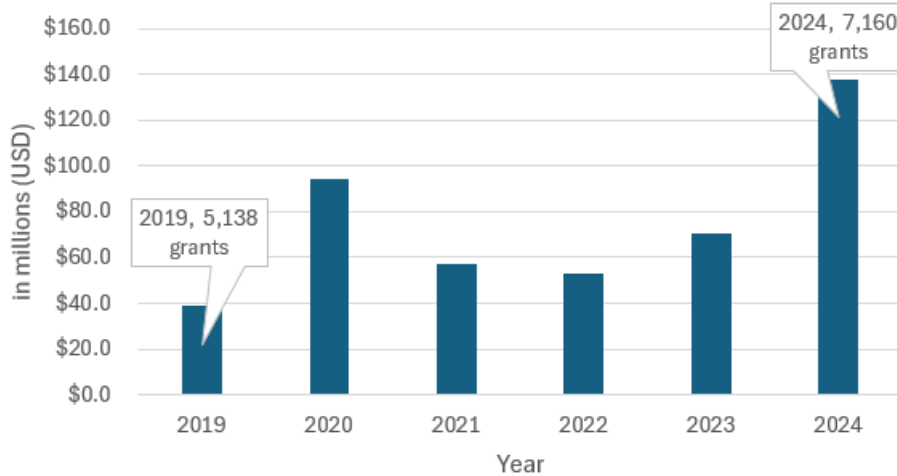
Fidelity Charitable’s 2025 Giving Report highlights a significant increase in impact investing through philanthropic giving accounts. The amount allocated to impact investments more than doubled within just a few years, rising from \$1.8 billion in 2020 to \$4.6 billion in 2024. Grant funding to nonprofits engaged in impact investing also increased, jumping from \$94.4 million in 2020 to \$138 million in 2024—a 46% increase in grant dollars, alongside a notable rise in the number of grants awarded.

Amount invested for impact



Source: Fidelity Charitable; RSM US LLP

Grant Dollars to Impact-Investing Nonprofits (Fidelity)



Source: 2025 Fidelity Report

Major Philanthropists and the Resurgence of Impact Investing

Recent high-profile commitments by philanthropic leaders further illustrate the growing momentum behind impact investing. For example, in January, the Gates Foundation announced plans to spend a record \$9 billion in 2026, channeling resources into critical areas such as global health. This bold move aligns with the foundation’s commitment to accelerate its mission ahead of its planned closure in 2045. Similarly, philanthropist MacKenzie Scott has publicly committed to investing a portion of her considerable wealth in companies and funds focused on societal and

environmental improvements, such as reducing wealth disparities and expanding access to housing.

Such actions by influential donors have the potential to spark renewed interest in and expansion of impact investing, inspiring others to follow suit and amplifying the reach of mission-driven capital.

Unlocking Opportunities: How Nonprofits Can Leverage Impact Investing

Nonprofit organizations can engage in impact investing in multiple ways. As recipients, they can unlock new dollars by developing revenue-generating initiatives designed to attract impact capital via loans, equity, or hybrid financing mechanisms, all while prioritizing clearly defined social outcomes. Larger nonprofits can function as investors by directing a portion of their assets toward mission-aligned impact investments, thereby supporting their endowment growth and furthering their organizational goals.

This can provide nonprofits with alternative sources of funding beyond traditional grants. As an example, nonprofit housing developers could use low-interest loans or program-related investments from foundations to build or rehabilitate low-income housing units, generating both financial returns and social impact.

Best Practices for Nonprofits in Impact Investing

Nonprofits that want to take advantage of impact investing should consider the following best practices:

- Engage board members and funders.
- Reconsider tax implications and reporting obligations.
- Partner with experienced intermediaries, such as social investment funds or community development organizations, to share experiences and mitigate risk.

Challenges to Consider

Despite its many advantages, impact investing is not without challenges. Nonprofits may encounter difficulties in balancing risk and return expectations, especially when pursuing investments that have both financial and social goals. Additionally, organizations may lack the internal capacity or resources to effectively track and measure their investments' impacts. Legal, tax, and regulatory complexities can further complicate the process, particularly for organizations with limited experience in financial management or investment oversight.

To navigate these challenges, nonprofits must be proactive in seeking education, guidance, and partnerships that can help them build the knowledge and capacity to manage impact investments effectively.

The Takeaway

As the competition for funding intensifies, nonprofit organizations must embrace innovative strategies like impact investing to diversify their revenue sources, enhance their programs, and build long-term resilience. By adopting and adapting to this growing field, nonprofits can unlock new avenues for financing their missions, deepen their impact, and inspire a new generation of social innovators. Organizations that position themselves to harness the power of impact investments will not only survive in a changing funding environment but will thrive, leading the way toward a more equitable and sustainable future.