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EXECUTIVE LEADERSHIP

Nonprofit Leaders Face Tough Choices on Staffing, Fundraising as Federal Cutbacks Continue

In a Center for Effective Philanthropy survey of 585 nonprofit leaders, a majority said they were confronting unprecedented challenges, including financial uncertainty and the politicization of their work

By *Stephanie Beasley*

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After years of winning praise from [law enforcement](#) and [policy makers](#), including [an invite](#) to the Biden White House, staff members at the violence-prevention nonprofit UTEC were surprised when the Justice Department notified them last month that it would terminate about \$2 million in grant funding. The Massachusetts-based organization, which has since 1999 been helping educate and train young adults previously involved in criminal activity and gangs, was told its work doesn't align with Trump administration priorities.

In the past month, DOJ has slashed more than [\\$800 million](#) in grants to dozens of other organizations on the same grounds, including those focused on reducing gun violence and improving relationships between police and communities of color. Currently, about 60 percent of UTEC's budget is made up of state and federal contracts, according to its CEO, Gregg Croteau. The nonprofit, like many others, faces an uncertain future as the administration and Congress propose further funding reductions, including [deep cuts](#) to benefits programs like Medicaid and food assistance.

Financial instability is among the many hardships nonprofit leaders say they are confronting in the current political environment, according to a [new report](#) from the Center for Effective Philanthropy. The majority of 585 nonprofit leaders whom CEP interviewed said they were confronting unprecedented challenges that included the

politicization of their work, especially programs focused on marginalized communities.

“It is tough to do business as usual when our world and core values are being challenged at every turn,” one nonprofit leader told CEP, which did not disclose the names of respondents. “How loudly should we raise our collective voices if doing so puts people at risk, and how might we channel the activism of the past and care for our communities responsibly for the long haul?”

The center’s report builds on findings from [a survey](#) that it conducted in February. At that time, 70 percent of nonprofit leaders told CEP that the results of the presidential election were affecting their work. Nearly as many said they expected federal policy changes to hurt their state and local funding levels.

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Yet UTEC’s leadership did not see the federal cuts coming. The Justice Department notified UTEC at around 5:30 p.m. on April 22 that \$2 million in previously awarded grant funding would be terminated because the work no longer “effectuates department priorities,” such as supporting law-enforcement operations, combating violent crime, protecting American children, and supporting sexual assault and trafficking victims. The DOJ funding included two grant contracts awarded to UTEC in 2021 and 2023 for gun-violence prevention and community-based intervention programs in and around Lowell, Massachusetts. The department also ended funding expected to be subgranted to UTEC by law enforcement and other nonprofits. The

terminated DOJ grants were about 15 percent of its overall budget, according to Croteau.

Croteau points [to UTEC program data](#) showing decreased crime rates since the grants started. UTEC worked with 525 people between the ages of 17 and 25 in fiscal year 2024. About 71 percent of the young adults participating in the group's training and education programs had no new court arraignments within one year of enrolling, and 65 percent had no new arraignments after two years, according to UTEC's most recent [impact report](#).

“When we saw that it said our program doesn't effectuate the priorities of the Department of Justice, it was definitely confusing because the priorities are about public safety and reducing violent crime,” he said.

‘Very Real Human Toll’

Some groups are using legal and administrative processes to fight against federal cuts. UTEC recently filed an appeal with the Justice Department, asking it to restore the grant funding, Croteau said. The appeal included letters of support from its law-enforcement and community partners, he noted.

“Right now, we're really focused on trying to keep things moving forward, not interrupting our services,” Croteau said. “We're trying to hold off on making any

decisions with respect to the budget” and “leaning on private foundations and individual supporters to help us.”

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CEP’s report showed widespread pessimism about long-term financial stability. Uncertainty about future funding has led more than half of respondents to consider reducing staff-related costs or drawing from reserves or endowments, the report said. Many groups are seeking flexible grant dollars from foundations and individual donors to help prevent such actions.

“I don’t want to overstate this because the finances of these organizations, overall, are relatively solid,” Phil Buchanan, CEP’s president, said. “But there are more storm clouds that people see on the horizon as they look out into the future, more worries about the financial context than there were a year ago.”

CEP wants to use the data to push grant makers to give more. The report illustrates the “very real human toll” of federal policies that have targeted nonprofits in recent months, said Elisha Smith Arrillaga, vice president for research at CEP. The sector was already underresourced and now “we are seeing organizations stretched to their breaking point,” she said.

Already, some foundations have responded by increasing payout rates and creating emergency response funds. Many of them have been community foundations, CEP noted. The New Hampshire Charitable Foundation announced in April that it would

provide an additional [\\$3 million](#) to support nonprofits affected by recent federal policy changes.

“Given what we were hearing from the sector,” said Simon Delekta, the foundation’s vice president for community engagement and impact, “staff quickly recommended using foundation operating budget reserves to provide as much operating support as possible to community-based organizations, and to try and do that with a simplified application.”

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The foundation’s board of directors quickly agreed, he added.

Short on Funds, Short on Staff

The South Florida Institute on Aging, or SoFIA, is among the many groups seeking donations from corporate and foundation donors to help make up for expected funding shortfalls. The 55-year-old nonprofit provides opportunities for people 55 and older to volunteer in a number of capacities, including working with at-risk youth, serving as a companion or caregiver to the elderly, and supporting military and veteran families. About 70 percent of SoFIA’s funding comes from AmeriCorps, a national service program that the Trump administration is [downsizing](#) and potentially dismantling.

In anticipation of reduced local and federal funding, the institute hosted a talent-show fundraiser last week that attracted 160 attendees and \$14,000 in donations, CEO

Cresha Reid said. That event was held in place of an annual community-impact awards luncheon, which is more expensive and more difficult for the institute's 10-person staff to plan, she said.

"For smaller nonprofits, we have to learn to pivot, right?" Reid said.

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Reid came to SoFIA nearly eight years ago to run the organization's foster-grandparent program and became the institute's CEO three years ago. The organization has been through tough financial times before, but nothing quite like the recent flurry of federal policy changes, she said. Uncertainty about the future has been tough on the staff, which has had to make sacrifices, Reid said. In recent months, SoFIA has reduced staff hours and benefits and ended some of its third-party contracts for services such as IT, she said. Staff have been warned that the workforce could be downsized, depending upon what happens with AmeriCorps funding, Reid added.

"There's a lot of pressure," Reid said. "But I'm going to do whatever I need to do to make sure that our agency keeps running."

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