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NEWS

'Keep Your Money!' Some Nonprofits Push Back on Federal Funding Freezes; Others Take a Quiet Approach

A few nonprofits are taking aggressive stances toward the Trump administration's attempts to cancel funding, while others are using more of a discreet, wait-and-see approach.

By *Alex Daniels*

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JOI DEAN

Advocates for Youth, a 40-year-old organization that advocates for young LGBTQ people, recently turned down \$1.4 million from the Centers for Disease Control and Prevention. Above, a rally outside the Supreme Court to support transgender youth.

Debra Hauser's response to having her nonprofit's federal funding yanked in the early weeks of the Trump administration was essentially, "You can't fire me, I quit."

A slate of orders issued by the White House that attempt to extinguish federal support for programs that encourage diversity, equity, and inclusion and deny the rights of transgender people, seemed tailor-made to target Advocates for Youth, where Hauser serves as president.

The four-decade-old organization, which receives less than 5 percent of its budget from the federal government, advocates for young LGBTQ people and works with school districts nationwide to provide health and sex education for all adolescents.

The federal payment freeze targeting DEI and programs that promote “gender ideology” was temporarily blocked, but the issue, which is being argued in several court cases, is far from settled. Rather than wait and see, Hauser informed the Centers for Disease Control and Prevention — which was contracted to Advocates for Youth for \$1.4 million over the next five years — that it can keep the money.

For Hauser, the strictures placed on federal agencies against identifying people as transgender and working to achieve diversity, equity, and inclusion made it impossible for Advocates for Youth to abide by its mission, Hauser said.

“You can’t effectively advocate for young people without acknowledging how racism and homophobia create additional barriers to sexual health,” she said. “By turning down the federal funding, we are saying to the young people we serve across the country: ‘We see you. We are here for you. And we won’t abandon you.’”

The obliteration of federal efforts to end disparities based on race and gender has forced nonprofit leaders like Hauser to make the difficult choice to forgo support from Washington. Others, like the San Francisco AIDS Foundation, took a different tack. The nonprofit decided to put the whole weight of the organization against the federal actions by becoming a named plaintiff in a case — *San Francisco AIDS Foundation v. Trump* — that challenges three equity-related executive orders filed by the White House.

For both organizations, and for nonprofits mulling a response to the administration’s actions, no options are ideal. Taking a public stance can further jeopardize the organization’s revenue and make it harder to fulfill its mission. Speaking out can be seen as an open invitation to unwanted scrutiny, litigation, and possible harassment, said Hauser.

In the first weeks of the Trump administration, Tyler TerMeer, chief executive officer of the San Francisco AIDS Foundation, reeled as references to transgender and

nonbinary people were wiped from federal websites, and transgender people were barred from military service in most cases. The federal payment system from which the nonprofit draws about 4 percent of its revenue was frozen.



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“The administration attempted to erase our very existence as we watched in real time,” he said.

TerMeer convened his board, which quickly decided to lead the lawsuit that challenged the constitutionality of the executive orders; the suit was organized by Lambda Legal and joined by several other organizations representing and serving LGBTQ people.

Not wanting to expose any of his staff to harassment, TerMeer and his staff worked with employees to reduce their social media presence and took the names of all staff members, save the executive team, off the group's website. TerMeer said plenty of people in the organization are afraid in the current environment, but that taking a public stand was an easy decision.

"Our mission in this moment is not up for debate," he said. "Our values are not up for negotiation, and we have a commitment to the people that we serve that cannot, and will not, be compromised, ever."

Nonprofit Outliers

Both the San Francisco AIDS Foundation and Advocates for Youth are outliers, said Jeff Tenenbaum, a lawyer who represents nonprofits. Most nonprofits with federal grants and contracts are taking a wait-and-see approach, as the status of federal funding remains fluid, and the constitutionality of Trump's executive orders is argued in the courts.

Because they receive a relatively small portion of their overall revenue from the federal government, both nonprofits have a lower risk profile than nonprofits that get the lion's share of their budget from Washington, Tenenbaum said, adding that he has a client almost entirely dependent on federal awards that is now out of business.

Over the longer term, even if Trump's executive orders are swatted down by the courts, Tenenbaum sees less federal cash headed to nonprofits, particularly those that work on issues counter to the administration's policies. In that sense, Tenenbaum said, Advocates for Youth's decision to send back federal dollars is probably a "smart business decision" because it is unlikely the promised funds will actually come through.

"The administration is going to do everything in its power, everything that the courts will allow, to terminate every single grant, cooperative agreement, and contract that

funds these sorts of priorities,” Tenenbaum said.

Fundraising Strategies

At Advocates for Youth, the executive orders don’t just endanger federal grants, they put a major stream of revenue — contracts from school districts to provide sexual-health instruction and counseling — at risk. When she decided to cancel her nonprofit’s federal grants, Hauser immediately put out a pitch to her donors. In a few days, they responded with about \$10,000 in small-dollar donations. Meanwhile, she is writing letters to foundations that support the organization, including the Charles and Lynn Schusterman Family Philanthropies and the Ford, Hewlett, and Packard foundations.

(The Ford Foundation and William and Flora Hewlett Foundation are financial supporters of the Chronicle of Philanthropy.)

To cut costs, Advocates for Youth is canceling its annual in-person staff meeting. Its 45 employees will meet remotely, and it is considering remote board meetings rather than gatherings in person.

Nonprofits that receive even a small portion of federal support are scrambling to assess their vulnerabilities, looking at ways to bring in more cash or cut back services, said Ali Kelly, a partner at Bridgespan, a consultant to nonprofits. Often, she said, organizations have staffed up to support the lines of revenue they depend on most, whether it is a foundation grant-writing team or a special staff to identify and manage federal contracts.

With grants from the federal government in limbo, nonprofits should consider shifting staff to attract new potential donors and providing training in dealing with new stakeholders, Kelly said.

“Everyone we’re talking to is trying to really think through their revenue models right now,” she said.

At Advocates for Youth, Hauser hopes to attract more foundation support to fill in the gap in revenue. And by turning away money from the Trump administration she was able stand on principle without getting sucked into a potentially costly and ugly legal battle

“To think that we could successfully sue the government or have them sue us and survive, is questionable, to be honest,” she said.

TerMeer, who previously served on Advocates for Youth’s board, understands that not every nonprofit will have the stomach to attach its name to a high-profile case against the Trump administration. The risk of doing so, he said, depends on a nonprofit’s geography and financial situation.

Said TerMeer: “There’s not a right or wrong answer here.”

We welcome your thoughts and questions about this article. Please [email the editors](#) or [submit a letter](#) for publication.

DIVERSITY, EQUITY, AND INCLUSION



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