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Bay Area nonprofits face 'perfect storm' of federal funding cuts

Larkin Street Youth Services CEO Sherilyn Adam says that changes at the local, state and federal level are a "perfect storm of events that are placing extra demand on nonprofits."
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Story Highlights

- San Francisco nonprofits lost federal funding after H.R. 1 passage, forcing program cancellations.
- About 936 nonprofit jobs were lost across three Bay Area counties from June 2025 through June 2026.
- Two major San Francisco family foundations announced closures due to generational changes in giving priorities.

For Bay Area nonprofits, it has been a very tough year.

Since the passage last July of H.R. 1, dubbed the One Big Beautiful Bill by the Trump administration, nonprofits across the region have been struggling from the impact of cuts to their funding from federal programs and grants, which have then trickled down to state and city funding. Nonprofits are coping with the loss of various sources of funding by either canceling programs or services, delaying projects and relying more heavily on individual donors.

“The combination of the budget deficit at the local level, budget challenges at the state level, new federal policies that have led to cuts to Medicaid and Medicare and changes in housing policy at the federal level are the perfect storm of events that are placing extra demand on nonprofits,” said Sherilyn Adams, CEO of Larkin Street Youth Services in San Francisco.

The budget cuts from the federal government are wide-ranging, encompassing massive cuts in medical care and nutrition programs, hurting nonprofits that seek to feed, house and provide medical care to people in need. Cuts to humanities and arts grantmaking organizations are hurting nonprofits in those fields, especially those that trip up against the Trump administration's new restrictions on any mention of diversity, equity and inclusion. And more changes to the U.S. tax code have removed some tax incentives that also spur philanthropy by the wealthiest individuals.

Job losses and donor rescues

A review of data from the California Employment Development Department shows that about 936 jobs were lost at reporting nonprofits in San Francisco, Alameda and Marin counties from June 2025 through June 2026. Most of those layoffs occurred at nonprofit healthcare providers, with the Kaiser Foundation reporting the most with 261 job cuts in those three counties. Last September, the Mental Health Association cut 200 jobs – about two-thirds of its workforce – due to a loss in state funding. The bulk of those cuts came from the nonprofit's Warm Line, a hotline anyone with mental health issues in California can call for help. Not all nonprofit layoffs qualify for reporting under U.S. labor law, so this data may not reflect all the cuts, particularly at smaller nonprofits.

Other organizations have so far found ways to get through funding shortfalls.

Members of the San Francisco Gay Men's Chorus sing at a medical conference in Moscone Center in 2025.

RON LEUTY | SAN FRANCISCO BUSINESS TIMES

"For years, we had gotten funding from the" federal National Endowment for the Arts, said Molly Sender, partnerships and development manager for the San Francisco Gay Men's Chorus. "That was immediately rescinded, and we haven't seen funding (from the NEA) since that was terminated in 2025."

The 48-year-old choral group applied for a $50,000 grant and received nothing. But it was rescued with a grant from the San Francisco Foundation, one of several grants the foundation made to Bay Area arts organizations that lost NEA funding. With the help of a matching grant from an anonymous donor, San Francisco Foundation issued $750,000 in grants to stopgap lost NEA funds to the S.F. Gay Men's Chorus, Luna Dance and Creativity in Berkeley, and a few other nonprofits.

"We have learned and we have evolved a bit on approaches … how we need to be fundraising and how we need to be organized," Sender said. "We have had to lean into our community (and) go a bit more hyperlocal."

The Tenderloin Museum, which was founded to promote the history and character of one of San Francisco's most misunderstood and maligned neighborhoods, had lost a six-figure grant even before the federal budget cuts. Katie Conry, the museum's executive director, said she and a colleague had worked for months on the grant focused on a proposed expansion of the museum.

Located on the ground-floor commercial space of the nonprofit single-room occupancy Cadillac Hotel on Eddy and Leavenworth, the museum is seeking to triple its size. It hopes to add exhibit and community space by eventually converting a former boxing gym next door into more museum space. Originally planned for a 2026 opening, that is now delayed until at least 2028. Early next year, Conry hopes for a soft launch of the Newman's Gym space, where famous boxers from Sugar Ray Leonard to Jack Dempsey once trained or competed.

“We are still trying to raise $1 million to do the full new vision," Conry said. "That will take a lot more time, given the current economic climate."

So far, the museum has raised a little more than $50,000 from individual donors.

"There have been funding opportunities that were cut due to budget constraints and the (federal National Endowment for the Humanities) cuts. The NEH is really the granting organization that does large-scale grants for exhibitions and museums,” Conry added. “Our diverse LGBTQ, immigrant and working-class community is not in the scope of what the NEH is currently supporting.”

Funding in jeopardy

Nonprofit fundraising has been driven by individual donors for the last few years.

“Individual donors already make up the vast majority of philanthropic giving,” Geoff Green, chief executive of nonprofit advocacy organization CalNonprofits, said in an email. “The more concerning trend is that fewer and fewer donors are responsible for the giving that is done each year. Although we are seeing higher and higher totals for annual giving in the U.S. each year, those totals are made up of fewer – and, on average, larger – donors.”

Green also expects that many of the tax law changes in H.R. 1 for individuals could eventually affect philanthropy. New tax laws now let individuals or married couples pass on $15 million and $30 million respectively to their families tax-free. That has the potential to change giving at family foundations. At the same time, multigenerational philanthropy is difficult to maintain, as the vision of subsequent generations is often different from the founders.

“It's not unusual for family foundations to break up two or three generations down the line and allow the next generation to each take some of the assets and direct them in the ways they prefer,” Green added.

Two highly regarded family foundations in San Francisco are examples of impending closures, due to generational changes. The Evelyn and Walter Haas Jr. Fund recently said it will close at the end of 2028 and the Hellman Foundation announced last year that it will spend down its funding and close its doors by 2034.

"I worry that some of the policy changes put forth will have a long-term impact and I think we are all collectively working to mitigate those impacts," said Adams of Larkin Street Youth Services. New federal requirements that individuals in need must currently be working (with some exceptions) in order to access food and medical benefits are especially difficult for her organization, which offers workforce training for young people living on the streets.

"Lots of folks are trying to get jobs," she said. "We need to provide the support and training and prepare young people right now for the work that will exist going forward."

Adams fears that Larkin Street will see some cuts going forward. California's Youth Outreach Emergency Services programs did not receive any funding in the recent state budget, and the city of San Francisco did not come through either. Larkin Street faces a $5 million funding shortfall over the next five years. Funding for those programs is in place through 2026.

Larkin Street Youth Services CEO Sherlyn Adams faces a severe funding shortfall over the coming years.

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"In the absence of additional funding to offset the loss of funds, we will likely need to reduce staffing and services at our engagement center, outreach programs and underage shelter," Adams said.

Declines beyond government, individual funding

Individual donors and corporations make up the biggest portion of Larkin Street's funding, which is becoming the norm for most nonprofits. But even if they are fully donor-funded, there is a trickle-down effect of the loss of government funding.

"We don't receive government funding, yet the reduction in federal funding in our whole economy has a profound impact on the families we are serving," said Katherine Thompson, chief executive of the Nancy and Stephen Grand Family

House in San Francisco. “As they reduce coverage for families, we see families experience additional financial strain.”

Katherine Thompson, CEO of Family House, says her clients are facing more need as government funding for services is cut.

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Family House has a $6 million annual budget that it has been able to raise from private donors.

In addition, corporate philanthropy is down. In San Francisco, a city witnessing exploding real estate valuations due to the AI bubble, some nonprofit leaders are hopeful that their organizations will see largesse from newly minted tech millionaires after highly anticipated IPOs, but they are not holding their breath.

“Corporate funding has, across the nonprofit sector, gone down in the last few years,” said Adams of Larkin Street. “Hopefully we will see that stabilize.”

She added that she is an optimist by nature and while these are discouraging times, “the young people we work with don’t give up, so I can’t give up.... There are so many good people who make decisions to support Larkin Street and others because they care about vulnerable San Franciscans. It is the city of St. Francis. I see every day the good and the desire to help.”

Therese Poletti is a freelance writer in San Francisco.