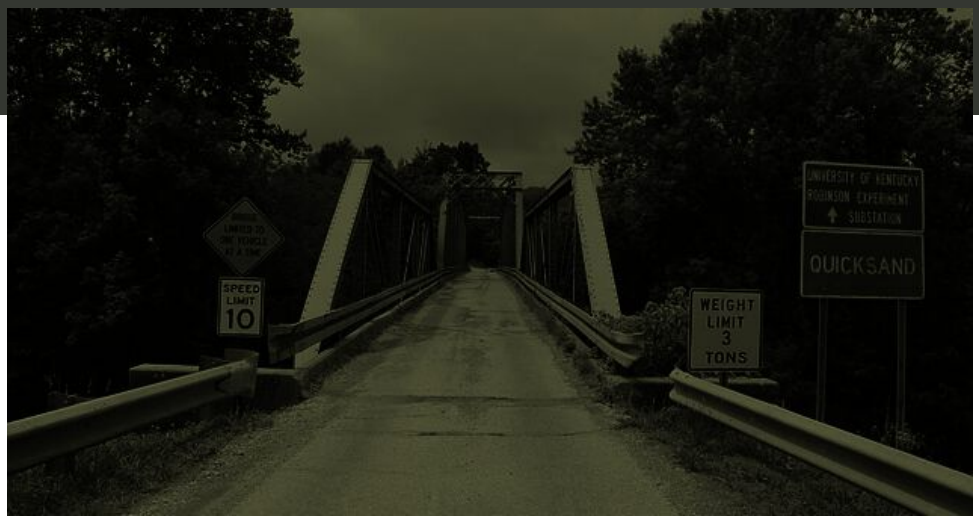
NONPROFITS: GENERAL INFORMATION

The Federal Offensive Against Nonprofits: Navigating Quicksand

02.25.25 | Linda J. Rosenthal, JD



"A couple of weeks ago, thousands of nonprofits and the people who rely on them every day saw their world turned upside down overnight," wrote Ellen Yentel, the new head of the National Council of Nonprofits on February 19, 2025, in *Nonprofit Essentials*.

But "[n]ot even the rapid changes at the outset of the pandemic could compare to having less than 24 hours notice that payments for delivering services in their community would be paused."

Ms. Yentel's observation certainly hits the mark. She has verbalized a nagging and alarming realization among many in the charitable-nonprofit sector. Inner voices are telling us that – sure – we've been through an unprecedented upheaval in recent years, and we've emerged from that catastrophe, so we'll get through this one, too….

But the Shock-and-Awe 2.0 onslaught since Inauguration Day – including the infamous OMB Memorandum (M-25-13) of January 27, 2025 – feels somehow worse. While it was expected that there would be policy changes in a new administration, "…few contemplated the total suspension of foreign aid or a widespread pause of federal funding. The federal funding freeze was a moment widely viewed by the nonprofit sector as an existential crisis."

That's why, for the first time in the history of the National Council of Nonprofits, this influential organization took the extraordinary step of filing a lawsuit. I See *Why we filed a lawsuit against the administration* (February 10, 2025), *councilofnonprofits.org*.

- [Note: Our ongoing coverage of the lawsuits challenging OMB Memorandum (M-25-13] will continue as soon as the district court judges in the District of Columbia – (the NCN lawsuit) and in the District of Rhode Island – (the 23 Democratic state attorneys general litigation) –

issue their rulings on a preliminary injunction. The hearings in both cases were heard late last week. See here, here, and here.]

- [***Update: (2/25/25) – D.C. judge issued preliminary injunction***. Link]

References and Resources

The freezing of federal funds with almost no notice was one of the most outrageous acts by the government in the past few weeks, but there are additional actions creating havoc and fear.

To help with your understanding of the bigger picture, we now offer a first tranche of resource material. (There's far too much for a single blog post.)

- ***National Council of Nonprofits***

"To help cut through the noise and determine what to do, check out these resources on actions impacting nonprofit organizations":

- NEW: *Frequently Asked Questions on Executive Actions Impacting Nonprofits*
- UPDATED: *Executive Orders Affecting Charitable Nonprofits Chart*
- UPDATED: *The Impacts of the Recent Executive Orders on Nonprofits*

In *Frequently Asked Questions* [Updated 2/24/25], the first three items answer the most basic inquiries about the current situation that are triggering confusion and anxiety throughout the charitable-nonprofit sector:

- "There are so many executive actions being taken by President Trump. Which ones do I have to worry about?"
- "Do I have to worry about these actions if my organization doesn't receive federal funding?"
- "What if my organization receives federal funds but doesn't use those funds for prohibited activities?"

Minnesota Council of Nonprofits

See *Resources to navigate uncertainty* ["In light of recent federal decisions like the Office of Management and Budget memo freezing federal grants and unclear Executive Orders, nonprofits are anxious and concerned about our ability to meet our missions….Below are resources and tangible steps your nonprofit can take to help you navigate the uncertainty."]

This impressive compilation of reference articles – several pages long – is separated into categories, each of which includes multiple entries:

- Legal & HR Compliance
- Scenario Planning
- Financial Modeling
- Nonprofit Advocacy
- Board Support & Oversight
- Data & Evaluation
- Communications

This is the tip of the iceberg of available assistance.

Conclusion

Before long, we will all become armchair experts in exciting areas of law like … federal grant/procurement law.

That's important, though, because the fear and tension pervading American society right now (and among 501(c)(3) organizations, particularly) is overwhelming. It will defeat us unless we resist. See, e.g., *Nonprofit Legal Compliance in an Unfriendly Political Environment* (January 20, 2025) Gene Takagi, Esq., *NEO Law Blog*; *Prudence In Our Political Environment* [podcast] (February 21, 2025) *Tony Martignetti Nonprofit Radio; The nonprofit's guide to resilience during periods of uncertainty (February 24, 2025) Rachel Ayotte, goodgrants.com; How Nonprofits Can Fight Back Against Trump's Harmful Executive Orders* (January 30, 2025) Brittany Hacker, *Alliance for Justice Blog.*

Resistance is predicated on knowledge and information about the barreling onslaught coming right at us. See On Tyranny: Twenty Lessons From The Twentieth Century, Professor Timothy Snyder, Yale University: "Do not obey in advance."

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