

Foundation taps pandemic-era ‘resilience fund’ as nonprofits brace for funding cuts

staradvertiser.com/2025/10/01/hawaii-news/foundation-taps-pandemic-era-resilience-fund-as-nonprofits-brace-for-funding-cuts

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October 1, 2025



“There’s no way that we can fully replace federal dollars with philanthropic grants, so we’ll have to focus on catalytic opportunities to build capacity to get through this period of stress.”

Terry George

Hawaii Community Foundation president and CEO

The Hawaii Community Foundation has reactivated its Hawaii Resilience Fund to confront what leaders say is one of the most severe threats to the state’s nonprofit sector in decades: the loss of federal funding that sustains food programs, housing assistance, child welfare and other essential services for hundreds of thousands of residents.

According to HCF, more than \$97 million in federal grants to Hawaii nonprofits has already been cut, frozen or delayed, with as much as \$300 million more at risk. The fallout could affect more

than 500,000 residents who rely on nonprofits for daily support — from children to elders — and trigger layoffs across a sector that employs 80,000 people, or roughly one in eight workers in the state.

“The Hawai‘i Resilience Fund is designed to complement — not duplicate — state resources by offering more nimble, transparent, and transformative support,” Terry George, HCF president and CEO, said in a statement. “Our goal is to collectively build a nonprofit sector that is prepared, not just reactive; collaborative, not siloed; sustainable, not fragile.”

George then told the Honolulu Star-Advertiser that being “prepared, not just reactive” requires nonprofits to strengthen their capacity before a crisis hits — diversifying revenue streams beyond federal dollars, setting aside operational reserves and investing in fundraising to build stronger local donor bases; involves candid discussions among boards and leadership about long-term sustainability — including exploring alternative strategies when necessary. He added that many nonprofit leaders are already confronting the challenge directly by grounding their decisions in their core mission and values.

George also said the decision to relaunch the fund came after months of warning signs.

As early as spring, nonprofits began reporting cancellations of existing federal contracts or threats that such contracts could be pulled. The situation worsened after Congress passed a reconciliation bill, clarifying the scale of reductions ahead.

“The tipping point was that we began hearing early this spring about cancellations of existing federal contracts for nonprofits,” George said. “Once the reconciliation bill was passed by Congress and signed into law, many of our nonprofit partners were now much clearer that they were facing dramatic funding shortfalls for the coming years.”

The concern was that these cuts would erode nonprofits’ ability to sustain basic operations, threatening the safety net for vulnerable residents. That sense of urgency, George said, mirrored the climate in 2020, when HCF first created the Resilience Fund at the height of the pandemic.

After realizing the scope of the challenge, HCF sought input from its nonprofit partners, surveyed 22 peer foundations, and commissioned the University of Hawaii Economic Research Organization to produce an analysis of financial risks to the sector. That report is scheduled for release on Thursday.

At the same time, HCF and the Harold K.L. Castle Foundation seeded the fund to enable a rapid response. Nearly \$300,000 in initial grants are already in motion, Hee said, to help measure the impact and provide immediate assistance. HCF also committed \$500,000 of its own reserves and is aiming to raise at least \$1.8 million by the end of October from philanthropic, corporate and individual partners.

“This is about collective community response, not any single funder solving the problem alone,” George said. “Every contribution matters.”

Two initial grants totaling \$146,000 have already been distributed:

>> \$46,747 to UHERO: The research group is mapping Hawaii’s dependence on federal funding, identifying canceled and frozen grants and projecting risks to both organizations and the services they provide.

>> \$100,000 to the Hawaii Alliance of Nonprofit Organizations, or HANO: The statewide network will expand staffing and technology systems to provide technical assistance and policy advocacy for nonprofits navigating the crisis.

George explained the strategy: “When fashioning a grantmaking strategy, it helps by starting with clear data on the nature of the problem. That’s why we commissioned research from UHERO. It also helps by building the capacity of anchor organizations such as HANO. ... Together, these grants provide intelligence, UHERO, and infrastructure, HANO, for effective response.”

Early indications suggest health and education organizations are being hit hardest, including some Native Hawaiian-serving programs affected by the elimination of the federal Native Hawaiian Education Program. UHERO’s forthcoming report is expected to provide deeper analysis.

Meanwhile, the potential impact on services is already coming into focus. George pointed to one nonprofit that operates multiple domestic violence shelters where more than 90% of the operating budget comes from federal sources. He also cited estimates from the Center for Budget and Policy Priorities: roughly 22,000 Hawaii residents could lose SNAP benefits and another 49,000 may lose Medicaid coverage in the coming years due to new work requirements.

“That will put pressure on local food banks and health-related nonprofits by significantly raising demand for their services,” he said.

While the Resilience Fund will provide short-term assistance, HCF leaders emphasized that its broader mission is to help nonprofits adapt to a new funding reality. Beginning in September, an open call will invite organizations to apply for grants designed to support operational transformations, restructuring or the development of new funding models. Alongside direct grantmaking, HCF plans to strengthen nonprofit capacity through technical assistance. In partnership with HANO, it will launch a resource hub offering coaching, legal guidance, financial planning and wellness support for nonprofit leaders. The fund will also invest in collective advocacy, backing sector-wide communications and policy engagement to ensure nonprofits have a strong voice in decision-making. At the same time, HCF intends to keep its approach

flexible, allowing grants to evolve in response to shifting community needs as the funding crisis unfolds.

George said the foundation will prioritize organizations with the greatest need, community importance and capacity to maximize resources. Smaller, community-based groups may also benefit, though HCF's reach will depend on how much is ultimately raised for the fund.

The COVID-19 pandemic offered lessons that now guide HCF's approach. During that time, the foundation learned to trust nonprofits to identify their communities' needs, rely on data to drive decision-making, work closely with other funders and government and remain flexible enough to adjust as circumstances change.

That model of pooled funding and rapid response, she noted, allowed HCF to move \$12.2 million into the community during the pandemic. Today, the foundation hopes to replicate that impact — only this time to counteract federal disinvestment.

HCF acknowledges that philanthropy cannot replace federal dollars entirely.

"There's no way that we can fully replace federal dollars with philanthropic grants, so we'll have to focus on catalytic opportunities to build capacity to get through this period of stress," George said.

If the projected \$400 million shortfall is not filled, he warned, Hawaii could see growing demand for food, health care and other social supports precisely as the nonprofit safety net frays.

"And we can't let that happen," he said.

More information about the Hawaii Resilience Fund, including how to donate, is available at hawaiicommunityfoundation.org/hawaiiresiliencefund