

# **Abstract**

The period from May 26 to June 2, 2025, marked a critical juncture for nonprofit organizations as they continued navigating unprecedented federal policy shifts and regulatory uncertainties. This analysis examines the ongoing impacts of Trump administration executive orders, emerging IRS compliance challenges, federal funding restrictions, and evolving human resources regulatory requirements. Key developments include continued federal funding freeze consequences, heightened scrutiny of diversity programs, new data privacy compliance obligations, and evolving employment law changes affecting nonprofit operations. Organizations face increasing challenges in maintaining operational stability while adapting to rapidly changing federal priorities that could fundamentally reshape the nonprofit sector's relationship with government funding and regulatory oversight.

## **June 2, 2025 Navigator News Update: Including Federal Funding Freeze Aftermath And More!**

**From Nonprofit Management Navigator**

Please see Understanding This Information and Disclaimer at the conclusion of the article.

### **Introduction**

This analysis covers critical developments affecting nonprofit organizations during the May 26 to June 2, 2025 period, focusing on ongoing federal executive branch actions, regulatory changes, and legal developments that continue to reshape the nonprofit operating environment. Federal executive branch developments remain at the forefront, with continued implementation of executive orders affecting funding, diversity programs, and immigration policies creating operational challenges for many organizations. Key areas examined include the aftermath of federal funding freezes, evolving IRS enforcement priorities, new human resources compliance requirements, and emerging legal challenges that could significantly impact nonprofit operations. The rapidly changing regulatory landscape demands heightened attention to compliance requirements while organizations work to maintain their missions amid unprecedented federal policy shifts.

### **Federal Executive Branch Developments**

**Trump Administration Continues Targeting Nonprofits Through Enhanced Scrutiny**

The administration expanded its oversight efforts by directing federal agencies to identify potential targets for civil compliance probes among foundations, corporations, and educational institutions with significant assets. The executive order specifically targets organizations with endowments exceeding \$1 billion and foundations with assets over \$500 million, creating uncertainty about future enforcement actions. Organizations are experiencing delays in federal communications and reduced collaboration opportunities as agencies operate under restricted communication protocols. The challenge lies in preparing for potential investigations while maintaining operational effectiveness during a period of heightened federal scrutiny that could affect both funding and tax-exempt status. Source: [CNN Politics](#)

### **Federal Hiring Freeze Creates IRS Service Disruptions for Nonprofits**

The federal hiring freeze has significantly impacted IRS operations during the critical tax season, reducing the agency's capacity to provide timely guidance and processing services to tax-exempt organizations. Organizations are reporting longer wait times for determination letters, delayed responses to technical inquiries, and reduced availability of IRS representatives for compliance consultations. The hiring freeze particularly affects the Exempt Organizations division, which oversees nonprofit tax compliance and guidance. This creates operational challenges for organizations seeking clarification on complex tax matters while simultaneously facing increased scrutiny under new enforcement priorities. Source: [Arnold & Porter Advisory](#)

### **Mexico City Policy Reinstated Affecting International Nonprofits**

The administration reinstated the Mexico City Policy through a January 24, 2025 memorandum, prohibiting U.S. funding for foreign organizations that provide or promote abortion services. This policy extends beyond direct service provision to include advocacy and referral activities, significantly impacting international health organizations and their domestic nonprofit partners. Organizations working in global health initiatives must review their partnerships and funding arrangements to ensure compliance with the expanded restrictions. The challenge involves maintaining program effectiveness while navigating complex compliance requirements that could affect collaborative relationships with international partners. Source: [Arnold & Porter Advisory](#)

### **DOJ Grant Cancellations Create Service Gaps**

Hundreds of Department of Justice grants have been canceled, resulting in immediate layoffs and program closures across affected nonprofit organizations. The cancellations particularly impact criminal justice reform organizations, victim services providers, and community safety programs that rely on federal funding for operations. Organizations are scrambling to identify alternative funding sources while maintaining essential services during the transition period. The abrupt nature of these cancellations has created significant operational challenges, forcing organizations to make difficult decisions about staff retention and program continuity. Source: [Associated Press via National Council of Nonprofits](#)

### **Religious Liberty Commission Establishment Threatens Johnson Amendment**

The administration established a Religious Liberty Commission through executive order, tasking it with recommending actions to promote religious liberty, including potential elimination of nonprofit nonpartisanship requirements under the Johnson Amendment. The 14-person commission's mandate specifically includes examining First Amendment rights of religious leaders and faith-based institutions, signaling possible changes to political activity restrictions for nonprofits. This development creates uncertainty about future advocacy limitations and could fundamentally alter the relationship between nonprofit organizations and political activities. Organizations must monitor these developments while maintaining current compliance with existing political activity restrictions. Source: [National Council of Nonprofits](#)

## **AmeriCorps Program Faces Elimination Threats**

The administration's intent to dismantle national service programs threatens organizations like Habitat for Humanity and numerous local faith-based groups that rely on AmeriCorps volunteers for program delivery. The potential elimination would affect thousands of nonprofit organizations that depend on AmeriCorps members for essential services including education, environmental conservation, and disaster relief. Organizations are exploring alternative volunteer recruitment strategies while advocating for program preservation. The challenge involves maintaining service capacity while preparing for potential significant reductions in volunteer resources that have been integral to many nonprofit operations. Source: [Chronicle of Philanthropy via National Council of Nonprofits](#)

## **Nonprofit News Developments**

### **Community Foundations Award \$1.7 Million Despite Federal Funding Uncertainty**

The Permian Basin Area Foundation announced grants totaling more than \$1.7 million to 31 nonprofit organizations in west Texas, demonstrating private foundation resilience amid federal funding challenges. Recipients include cultural organizations, social service providers, and historical societies that are experiencing increased demand for services as federal programs face restrictions. The grants represent strategic investments in community infrastructure as organizations work to fill service gaps created by federal policy changes. This development highlights the critical role private foundations play in maintaining nonprofit sector stability during periods of federal funding uncertainty. Source: [Philanthropy News Digest](#)

### **Rhode Island Foundation Responds to Federal Funding Cuts**

The Rhode Island Foundation provided \$1.2 million in grants specifically to help nonprofits weather service losses due to federal funding cuts, representing a direct response to administration policy impacts. The grants target organizations providing essential services to vulnerable populations who are most affected by federal program reductions. This initiative demonstrates how state and regional foundations are stepping up to address immediate needs created by federal policy changes. The challenge for recipients involves using these bridge funds

effectively while developing sustainable long-term funding strategies to replace lost federal support. Source: [Philanthropy News Digest](#)

## **Hartford Foundation Addresses Visual Impairment Services**

The Hartford Foundation for Public Giving awarded nearly \$240,000 through its John E. Blair Fund to assist individuals with visual impairments, funding 18 nonprofits including specialized service providers and advocacy organizations. The grants address critical service needs that could be affected by federal program reductions in disability services. Organizations receiving funding are working to expand capacity while federal support for disability services faces uncertainty. This development illustrates how specialized foundations are targeting specific populations that may be disproportionately affected by federal policy changes. Source: [Philanthropy News Digest](#)

## **NewsMatch Program Shows Local Donor Resilience**

For the second consecutive year, local match funding secured by nonprofit news organizations exceeded national NewsMatch program support, demonstrating community commitment to independent journalism. Local donors are stepping up to support nonprofit news outlets as federal funding for media and communications programs faces restrictions. This trend indicates strong grassroots support for nonprofit journalism despite broader challenges facing the media sector. Organizations are building on this local support while navigating potential federal restrictions on communications and advocacy activities. Source: [Institute for Nonprofit News](#)

## **Oregon Study Reveals Nonprofit Wage Disparities**

The Nonprofit Association of Oregon, partnering with the Coalition of Communities of Color, released research identifying four key conditions contributing to wage disparities in human service nonprofits: rigid application requirements, restrictive fund allocation, wage competition with government, and contracting uncertainties. The study's recommendations include standardizing proposal requests, creating government-affiliated nonprofit support offices, and establishing living wage standards. These findings become particularly relevant as organizations face federal funding pressures while trying to maintain competitive compensation packages for essential staff positions. Source: [National Council of Nonprofits](#)

## **Hawaii Takes Legislative Action to Support Nonprofits**

Hawaii became the first state to take extraordinary legislative action specifically designed to shore up nonprofit funding in direct response to federal administration impacts. The state's proactive approach includes emergency funding mechanisms and enhanced support for organizations facing federal grant losses. This precedent-setting action demonstrates how state governments can provide critical support to nonprofit sectors during federal policy transitions. Other states are monitoring Hawaii's approach as a potential model for protecting nonprofit services during periods of federal funding uncertainty. Source: [National Council of Nonprofits](#)

# **Federal Legal and Regulatory Developments**

## **House Advances Controversial Tax-Exempt Status Revocation Measure**

The House of Representatives passed the "One Big Beautiful Bill Act" containing provisions that would make it easier to revoke tax-exempt status from nonprofits deemed as supporting terrorism by the administration. The measure allows the Treasury Secretary to suspend tax-exempt status based on administration determinations, creating significant concern among nonprofit leaders about potential targeting. Organizations are preparing legal challenges while advocating for Senate removal of these provisions. The development represents the most direct legislative threat to nonprofit independence, requiring immediate attention to compliance and advocacy strategies. Source: [CNN Politics](#)

## **Data Privacy Compliance Obligations Expand for Nonprofits**

New state data privacy laws in Delaware and Oregon will take effect during the specified period, with limited exemptions for nonprofit organizations. Tennessee's Information Protection Act, effective July 1, 2025, includes the broadest definition of covered nonprofits, extending requirements to most 501(c) organizations regardless of formation state. Organizations must assess their data collection practices, implement privacy policies, and potentially conduct privacy impact assessments. The challenge involves understanding varying state requirements while implementing comprehensive data protection programs that comply with multiple jurisdictions. Source: [Lexology Privacy Compliance Analysis](#)

## **California Charitable Fundraising Platform Regulations Take Effect**

California's Assembly Bill 488 charitable fundraising platform regulations became fully effective January 1, 2025, requiring written consent from charities before platforms use their names in solicitations and mandating specific donor disclosures. Organizations working with online fundraising platforms must ensure compliance with consent requirements and disclosure obligations. Non-compliant organizations face potential penalties and platform suspension of fundraising capabilities. The challenge involves implementing new processes with fundraising partners while maintaining efficient donation processing systems. Source: [Charity Compliance Solutions](#)

## **Corporate Transparency Act Reporting Requirements Suspended**

Federal courts issued a nationwide injunction temporarily halting Beneficial Ownership Information reporting requirements under the Corporate Transparency Act, though the Treasury Department is appealing the decision. Most nonprofits remain exempt from reporting requirements, but organizations should monitor legal developments for potential future compliance obligations. The suspension creates temporary relief but organizations must prepare for possible reinstatement of reporting requirements. This development requires continued monitoring of legal proceedings while preparing compliance systems for potential future implementation. Source: [Charity Compliance Solutions](#)

## **PFAS Regulatory Developments Affect Environmental Organizations**

The EPA withdrew proposed Clean Water Act effluent limitations guidelines for PFAS manufacturers from regulatory review pursuant to the administration's regulatory freeze order. Environmental nonprofits working on PFAS contamination issues face uncertainty about federal regulatory support for their advocacy efforts. Organizations must adapt their strategies to focus on state-level initiatives while federal environmental regulations face review. The challenge involves maintaining advocacy effectiveness while navigating reduced federal agency collaboration and potential restrictions on environmental program funding. Source: [Paul Hastings Environmental Update](#)

## **Federal Human Resources Regulatory and Legal Developments**

### **Federal Overtime Rule Changes Create Compliance Uncertainty**

Federal courts blocked the Department of Labor's planned increase of the overtime salary threshold to \$58,656 annually, returning the threshold to \$35,568 per year. Organizations that implemented the higher threshold may now choose whether to maintain increased salary levels or revert to lower amounts. This creates strategic decisions about employee compensation while managing budget constraints during federal funding uncertainties. The challenge involves balancing employee retention with financial sustainability while ensuring continued compliance with varying state overtime requirements that may exceed federal minimums. Source: [Western Growers Association Employment Update](#)

### **New EEOC Harassment Guidance Affects Workplace Policies**

The Equal Employment Opportunity Commission issued updated enforcement guidance on workplace harassment, providing new standards for harassment claims and employer liability under federal EEO statutes. Organizations must review and potentially update their harassment policies, training programs, and response procedures to align with the new guidance. The updated standards create enhanced compliance obligations while organizations face potential scrutiny under administration diversity program reviews. This requires careful policy development that meets federal requirements while addressing current political sensitivities around workplace equity programs. Source: [Western Growers Association Employment Update](#)

### **Independent Contractor Classification Rules Restored**

The Department of Labor restored the traditional multifactor analysis for determining independent contractor status, rescinding the 2021 simplified rule that made it easier to classify workers as contractors. Organizations must review their contractor relationships using six specific factors including profit opportunity, financial investment, work permanence, employer control, work essentiality, and worker skill levels. Misclassification can result in significant penalties and back payments for employment taxes and benefits. The challenge involves conducting comprehensive reviews of contractor relationships while maintaining operational

flexibility during a period of reduced federal agency support for guidance. Source: [Western Growers Association Employment Update](#)

## **State Minimum Wage Increases Affect Nonprofit Operations**

Twenty-one states implemented minimum wage increases effective during the specified period, along with additional increases in 48 cities and counties, primarily in California, Colorado, and Washington. Organizations operating in multiple jurisdictions must ensure compliance with varying wage requirements that may exceed federal minimums. These increases create budget pressures while organizations face federal funding uncertainties and potential restrictions on government contract support. The challenge involves managing increased labor costs while maintaining service levels during a period of reduced federal funding availability. Source: [Nonprofit Financial Commons](#)

## **Enhanced Data Security Requirements for Employee Information**

Organizations face evolving data protection requirements for employee information, including stricter encryption standards, breach reporting obligations, and explicit consent requirements for data use. The administration's focus on data security creates additional compliance obligations while organizations manage reduced federal technical assistance. Enhanced audit requirements for data protection practices create operational burdens for organizations with limited IT resources. This development requires investment in security infrastructure while managing budget constraints from federal funding uncertainties. Source: [Wipfli Nonprofit Analysis](#)

## **IRS Regulatory and Legal Developments**

### **IRS Begins Accepting Grant Applications for Tax Assistance Programs**

The IRS announced it is accepting applications for Tax Counseling for the Elderly and Volunteer Income Tax Assistance program grants, maintaining support for nonprofit organizations providing tax preparation services to underserved populations. Despite federal hiring freezes affecting IRS operations, the agency continues essential grant programs that rely on nonprofit partnerships. Organizations should prepare applications while anticipating potential delays in processing due to reduced IRS staffing levels. The challenge involves maintaining program capacity while navigating longer response times and reduced technical support from federal agencies. Source: [IRS Newsroom](#)

### **Technical Guide Publications Update Compliance Requirements**

The IRS Exempt Organizations division published updated Technical Guides for Section 501(c)(3) and Section 501(c)(13) organizations, replacing previous Audit Technique Guides with comprehensive compliance resources. These guides provide detailed information on application requirements, exemption maintenance, foundation status determinations, and employment tax obligations. Organizations should review the updated guidance to ensure current compliance practices align with IRS expectations. The updates become particularly important as the



administration signals enhanced scrutiny of tax-exempt organizations and potential changes to enforcement priorities. Source: [IRS Exempt Organizations Update](#)

## **Electronic Filing Requirements Remain in Effect**

The IRS confirmed that electronic filing requirements for Forms 990, 990-EZ, 990-PF, and related schedules remain mandatory for most organizations, with limited exceptions for small organizations or those facing undue hardship. Organizations must ensure their filing systems comply with electronic submission requirements while managing potential delays in IRS processing due to staffing reductions. The challenge involves maintaining accurate electronic filing capabilities while anticipating longer processing times and reduced availability of IRS technical support during the transition period. Source: [IRS Publication 557](#)

## **Elective Pay Registration for Clean Energy Credits Continues**

The IRS maintains its pre-filing registration tool for organizations seeking to make elective payment elections for clean energy tax credits, despite administration changes to environmental policies. Tax-exempt organizations can still benefit from clean energy investment and production credits through elective pay mechanisms. Organizations should register before filing returns if they plan to claim these credits. However, they should monitor potential policy changes that could affect future availability of environmental tax incentives under the current administration's energy priorities. Source: [IRS Exempt Organizations Update](#)

## **IRS Meetings Reportedly Discuss Enhanced Enforcement**

Reports indicate IRS officials have held meetings discussing potential changes to tax exemption denial procedures, prioritizing investigations of specific nonprofit categories, and modifying policies to facilitate exemption revocation. These discussions align with administration statements about targeting certain types of organizations deemed contrary to federal priorities. Organizations should ensure rigorous compliance with all tax-exempt requirements while preparing for potential enhanced scrutiny. The challenge involves maintaining transparent operations while protecting organizational independence and mission focus during a period of heightened federal attention. Source: [Wall Street Journal via National Council of Nonprofits](#)

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## **About Nonprofit Management Navigator**

Nonprofit Management Navigator is a trade name of PMG46, LLC doing business as Nonprofit Management Navigator. Nonprofit Management Navigator provides this complimentary weekly subscription service designed for nonprofit leaders. This essential resource provides curated news updates on the legal, regulatory, and operational developments impacting organizations, saving executives time while keeping them informed about the important changes directly impacting their organizations. In addition to timely news, [Nonprofit Management Navigator](#) also offers in-depth reports and practical management guidance to help leaders navigate an



increasingly unpredictable operating environment. What makes [Nonprofit Management Navigator](#) particularly valuable is its commitment to accessibility---the entire service is available as a complimentary subscription, ensuring critical operational intelligence reaches nonprofit leaders regardless of budget limitations during these chaotic regulatory and operating times.

## **Understanding This Information and Disclaimer**

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