

## **Abstract**

The nonprofit sector faces unprecedented challenges as federal funding cuts accelerate, and regulatory oversight intensifies. Major philanthropic organizations are severing progressive partnerships while new federal requirements create compliance burdens and funding barriers. The Gates Foundation's \$450 million withdrawal from Arabella Advisors signals broader donor retreat from progressive causes, while enhanced federal grant oversight prioritizes political alignment over merit-based review. Organizations must navigate workforce reductions affecting 23,000 jobs, implement emergency planning protocols, and adapt to new compliance requirements including enhanced documentation standards and anti-discrimination certifications. Despite these challenges, charitable giving reached record levels at \$592.5 billion, and donor-advised funds demonstrate potential for doubling contributions from converting donors. AI adoption accelerates across the sector, with 85.6% of nonprofits exploring AI tools despite strategic gaps, while governance frameworks lag behind implementation needs.

# **September 1, 2025 Navigator News Update: Including Gates Foundation Severs Ties, Federal Oversight Intensifies, DAFs, AI, and More!**

**From Nonprofit Management Navigator**

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




## **Introduction**

Nonprofit leaders face a rapidly evolving landscape marked by significant funding disruptions, regulatory changes, workforce challenges, and technological transformation that demand immediate strategic attention. The current environment reflects a convergence of political oversight, economic pressures, operational constraints, and emerging AI adoption patterns requiring organizations to reassess their funding strategies, compliance frameworks, service delivery models, and technology governance. Federal agencies have implemented enhanced scrutiny mechanisms affecting grant access while major philanthropic entities withdraw support from progressive networks. Organizations must simultaneously manage workforce reductions, adapt to new regulatory requirements, maintain service delivery amid increasing community needs, and navigate accelerating AI adoption despite governance gaps. This comprehensive update provides essential intelligence for navigating these complex challenges while identifying emerging opportunities within the shifting nonprofit ecosystem.

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## Priority Legend


Priority indicators which appear throughout the Navigator Update help nonprofit leaders quickly identify which developments require their most immediate attention based on urgency and operational impact.

 Immediate Action  Requires Organizational Response  Monitor and Prepare

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## Nonprofit News

 **Executive Summary:** The sector confronts major funding disruptions as the Gates Foundation withdraws \$450 million from progressive networks while federal cuts eliminate 23,000 jobs. Security grant funding remains stable at \$274.5 million, though community violence intervention programs face termination. Donor-advised funds demonstrate significant growth potential, doubling contributions from converting donors despite criticism of delayed payouts. AI adoption accelerates with 85.6% of nonprofits exploring tools, creating digital divides between large and small organizations, while board oversight of AI governance remains inadequate despite growing stakes.

 **Key Actions for This Section:** Organizations should immediately assess funding vulnerability and implement protective strategies:

- Evaluate dependency on progressive funding networks and develop alternative donor pipelines
- Apply for available security grants with enhanced documentation requirements
- Implement emergency workforce planning and retention strategies to address sector-wide job losses
- Consider donor-advised fund cultivation strategies to access growing philanthropy channels
- Document economic impact using sector statistics for advocacy and funding applications
- Develop AI implementation strategies and governance frameworks to address the growing digital divide
- Establish board-level oversight for AI adoption and emerging technology governance

### **Gates Foundation Severs Ties with Progressive Nonprofit Network Arabella Advisors**

The Gates Foundation decided in late June to freeze its longstanding grants to the nonprofit funds administered by Arabella, having disbursed or pledged around \$450 million to the Arabella-managed funds over the past 16 years. Having already scaled back focus on diversity, equity and inclusion initiatives to safeguard his charitable organization, Gates appears to be attempting to further shield the foundation from Trump administration scrutiny. The severing represents a strategic retreat by major philanthropists seeking to protect their organizations from

political attacks, potentially signaling broader donor pullback from progressive causes and forcing affected nonprofits to seek alternative funding sources.

Source: <https://freebeacon.com/latest-news/gates-foundation-severs-ties-with-arabella-advisors-delivering-significant-blow-to-liberal-dark-money-group/>

## ● National Guard Deployments Prompt Nonprofit Emergency Planning

Progressive nonprofits in Washington D.C. are recommending counterparts in cities like Chicago and Baltimore prepare for potential National Guard deployments by boosting direct services including legal aid, food, and civil rights information for affected communities. More than 50 regional nonprofits and grant makers signed an open letter titled "Stand With DC: Defending Our Community's Right to Self-Governance," with Greater Washington Community Foundation and regional funders providing additional resources to offset federal funding cuts. Robert Wood Johnson Foundation pledged continued support for D.C. nonprofits "especially amid the administration's unprecedented and unconscionable actions," having provided \$86 million in health-related funding since January.

Source: <https://www.philanthropy.com/article/nonprofits-are-preparing-for-national-guard-deployment-beyond-d-c>

## ● DAF Donations Double Traditional Giving for Converting Donors

The 2025 DAF Fundraising Report released June 26th revealed that donors converting from traditional giving methods to donor-advised funds doubled their contributions to the same organization, with median increases of 100% and average increases of 888%. The comprehensive study analyzed 32 nonprofit participants representing \$12 billion in total revenue and over 400,000 DAF gifts, more than doubling the prior year's analysis scale. Despite myths that DAFs serve only ultra-wealthy major donors, the report demonstrates DAFs are transforming nonprofit fundraising across all donor segments.

Source: <https://www.givechariot.com/post/inside-the-2025-daf-fundraising-report-how-donor-advised-funds-are-transforming-philanthropy>

## ● Charitable Giving Records Despite Economic Challenges

Total charitable giving reached \$592.50 billion in 2024, growing 6.3% in current dollars and 3.3% when adjusted for inflation, driven by strong stock market performance and GDP growth. Individual giving comprised two-thirds of all donations at \$392.45 billion, while foundation giving exceeded \$109.81 billion for the third consecutive year above \$100 billion. Religion remained the largest recipient category at \$146.54 billion, followed by human services (\$91.15 billion) and education (\$88.32 billion).

Source: <https://givingusa.org/giving-usa-2025-u-s-charitable-giving-grew-to-592-50-billion-in-2024-lifted-by-stock-market-gains/>

## ● Technology and Flexible Funding Drive Grant Evolution

Grant trends for 2025 emphasize AI tools helping nonprofits identify matching funders and craft applications, while funders increasingly prioritize unrestricted funding and community-led solutions. Federal discretionary funding faces scrutiny and reduction, particularly affecting housing, education, workforce development, and public health programs. The Nonprofit Security Grant Program provides \$274.5 million in 2025 for facility hardening and cybersecurity enhancements for high-risk organizations. Emerging trends include social entrepreneurship with hybrid models blending charitable approaches with revenue-generating business strategies.

Source: <https://www.grantwatch.com/grantnews/7-emerging-trends-for-2025-is-your-nonprofit-prepared/>

## ● New Study Reveals Pros and Cons of Donor-Advised Funds vs. Major Gifts for Nonprofits

A new independent study by the Institute for Policy Studies and Nonprofit Quarterly examines how donor-advised funds (DAFs) are impacting nonprofits compared to traditional major gifts, finding that DAFs now capture 16% of all individual donations while offering anonymity that makes fundraising more difficult for smaller nonprofits without sophisticated donor cultivation tools. The study reveals DAFs have lower payout rates (9.7% median) than previously reported and can become "taxpayer-subsidized donation warehouses" that delay funds reaching operating charities, though they do provide tax advantages and flexibility for donors planning strategic philanthropy.

Source: <https://nonprofitquarterly.org/new-study-shines-a-light-on-the-impact-of-donor-advised-funds/>

## ● Nonprofits Pivot Service Delivery Models Amid Economic Pressures and Funding Shifts

Nonprofits are adapting service delivery models in response to rising operational costs from tariffs and federal funding cuts, with organizations implementing hybrid approaches including cross-training staff for remote service delivery, forming coalitions to share infrastructure, and pivoting to digital-first engagement strategies. The convergence of economic pressures is driving nonprofits to embrace collaborative strategies, diversify funding sources, and reimagine traditional service models while meeting increased demand for housing, healthcare, and food security services in their communities.

Source: <https://www.foundationlist.org/nonprofit-funding-trends-2025/>

## ● Nonprofit AI Adoption Accelerates Despite Strategic Gaps

The 2025 State of AI in Nonprofits report reveals that while 85.6% of nonprofits are exploring AI tools, only 24% have formal strategies for implementation. Larger nonprofits with budgets exceeding \$1 million adopt AI at nearly twice the rate of smaller organizations (66% vs. 34%),

creating a growing digital divide. Despite minimal resistance with only 1% opposing the technology, 76% of nonprofits lack AI policies and 92% report feeling unprepared for AI adoption. Organizations primarily use AI for content generation, donor outreach, and administrative automation.

Source: <https://www.nonprofitpro.com/article/2025-ai-benchmark-report-how-artificial-intelligence-is-changing-the-nonprofit-sector/>

## **Nonprofit Boards Lag in AI Oversight Despite Growing Stakes**

OpenAI's advisory board recommended in July 2025 that AI technology remains "too consequential" to be governed by corporations alone, advocating for continued nonprofit oversight with democratic participation in AI development. A Deloitte Global survey found that almost 50% of board directors and executives report AI is not yet on board agendas despite growing recognition that boards need comprehensive AI governance frameworks. Only 57% of directors say the full board has primary oversight of emerging technologies like AI, with 17% assigning this responsibility to audit committees.

Source: <https://techxplore.com/news/2025-07-openai-advisory-board-nonprofit-oversight.html>

## **Nonprofit Security Grant Program Maintains Funding Despite Overall Cuts**

In Fiscal Year 2025, the Department of Homeland Security is providing \$274.5 million for facility hardening and other physical and cybersecurity enhancements to nonprofit organizations at high risk of terrorist or extremist attack. The continued funding for security grants demonstrates selective federal support for nonprofits serving administration priorities while cutting programs deemed ideologically problematic. Organizations focused on security and public safety maintain access to federal resources, highlighting the politically driven nature of current funding decisions.

Source: <https://www.fema.gov/grants/preparedness/nonprofit-security>

## **AI-Powered Fundraising Tools Potentially Transform Nonprofit Efficiency**

Modern AI tools enable nonprofits to enhance fundraising through predictive analytics, automated donor communications, and intelligent content generation. The Fundraising.AI Global Summit on September 15-16, 2025, showcases how nonprofit professionals use AI responsibly to save time, unlock insights, and amplify impact. These tools surpass traditional methods by offering real-time donor segmentation, personalized outreach at scale, and data-driven prospect identification that human analysis alone cannot match.

Source: <https://fundraising.ai/summit/>

## **Community Violence Intervention Programs Lose Federal Funding Under Safer Communities Act**

Trump administration terminated community violence intervention grants funded through the Bipartisan Safer Communities Act, eliminating \$250 million in dedicated funding for public health approaches to gun violence prevention. Nonprofits operating violence interruption programs face immediate program closures and staff terminations as federal support vanishes. Organizations must secure emergency funding while managing increased community violence risks as evidence-based intervention programs dissolve, potentially destabilizing neighborhood safety initiatives developed over multiple years.

Source: <https://nonprofitquarterly.org/equal-justice-usa-to-close-amid-federal-funding-cuts/>


### **State and Local Anti-Terrorism Training Program Terminated After 29 Years**


DOJ eliminated the State and Local Anti-Terrorism Training (SLATT) program, which since 1996 trained over 427,000 law enforcement officers in responding to domestic and international terrorism, targeted violence, and hate crimes. Nonprofits focused on hate crime prevention and community security face reduced law enforcement training capacity for recognizing and responding to bias-motivated threats. Organizations must develop alternative training partnerships while managing increased vulnerability to targeted violence as police preparedness for hate crimes and domestic terrorism potentially diminishes.

Source: <https://www.gov1.com/gov-grants-help/doj-cancels-500m-in-public-safety-grants-cuts-officer-safety-and-crime-prevention-programs>

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## **Nonprofit Regulatory Developments**

 **Executive Summary:** Federal oversight has intensified significantly with new requirements for senior political appointees to review all grant applications, enhanced documentation standards for fund drawdowns, and mandatory anti-discrimination certifications. Agencies must implement plain language requirements while OMB revises Uniform Guidance to restrict indirect cost recovery, threatening nonprofit financial sustainability.

 **Key Actions for This Section:** Organizations must immediately adapt to new federal oversight requirements:

- Prepare enhanced documentation systems for all federal grant drawdown requests
- Review programs for compliance with new anti-discrimination certification requirements
- Assess impact of potential indirect cost rate restrictions on organizational sustainability
- Develop relationships with appointed reviewers where possible while maintaining mission integrity
- Consider funding diversification strategies to reduce federal dependency

### **Enhanced Documentation Requirements for Federal Fund Drawdown Requests**

Future discretionary grant agreements must prohibit recipients from drawing down general grant funds for specific projects without the agency's affirmative authorization, with grantees required to provide detailed, written justifications for each drawdown request. Agency heads must revise policy to prohibit recipients from directly drawing down general grant funds without affirmative agency authorization and require written explanations with specificity for each drawdown. These enhanced requirements significantly increase administrative complexity and compliance costs while introducing potential delays in accessing already-awarded funding, forcing nonprofits to restructure financial management systems and maintain larger operating reserves.

Source: <https://www.venable.com/insights/publications/2025/08/how-the-latest-executive-order-reshapes-federal>

### **Federal Agencies Implement Plain Language Requirements for Grant Announcements**

The EO requires that the Director streamline application requirements, consistent with other regulatory efficiency initiatives under the Second Trump Administration. New plain language requirements for all grant opportunity announcements aim to reduce complexity and improve accessibility for potential applicants. While potentially beneficial for smaller organizations lacking grant-writing expertise, the implementation occurs alongside increased political oversight that may offset accessibility improvements through enhanced scrutiny of applications from organizations with missions conflicting with administration priorities.

Source: <https://www.insidegovernmentcontracts.com/2025/08/white-house-issues-executive-order-focused-on-improving-oversight-of-federal-grantmaking/>

### **White House Designates Senior Political Appointees to Review Nonprofit Grant Applications**

Each federal agency head must promptly appoint a senior appointee to establish and manage a formal process reviewing all funding opportunity announcements and discretionary grant awards, acting as gatekeepers ensuring alignment with agency priorities and national interest. The appointees must use "independent judgment" rather than merely ratifying expert panel recommendations. This shift prioritizes political considerations over traditional merit-based review, creating uncertainty for nonprofits accustomed to peer-review processes and potentially limiting funding access for organizations whose missions don't align with current political priorities.

Source: <https://www.hklaw.com/en/insights/publications/2025/08/executive-order-tightens-federal-grant-oversight-what-grant-recipients>

### **DHS Moves to Bar Aid Groups from Serving Undocumented Immigrants**

The Department of Homeland Security is barring states and volunteer groups that receive government funds from helping undocumented immigrants, with new rules requiring groups to cooperate with immigration officials and enforcement operations. The affected contractors include faith-based groups and nonprofits such as the Salvation Army and Red Cross, which



states usually rely on to set up shelters and deliver basic assistance. This unprecedented restriction forces humanitarian organizations to choose between federal funding and their missions of providing aid regardless of recipients' legal status, potentially criminalizing basic disaster relief efforts.

Source: <https://www.washingtonpost.com/weather/2025/08/27/dhs-fema-undocumented-immigrants-aid-groups-grants/>

### **Federal Anti-Discrimination Certification Required for New Grant Recipients**

The order expressly prohibits grant awards that fund, promote, encourage, subsidize, or facilitate racial preferences, denial of sex binary concepts, illegal immigration, and initiatives judged to undermine public safety or promote anti-American values. New federal grant recipients must provide explicit certifications that their programs and activities comply with the administration's interpretation of anti-discrimination requirements. This certification process creates legal exposure for organizations whose missions include diversity, equity, and inclusion components, forcing substantial program modifications or exclusion from federal funding opportunities.

Source: <https://news.aai.org/2025/08/14/executive-order-oversight-federal-grants/>


### **OMB Revises Uniform Grant Guidance to Limit Indirect Cost Rates**

The EO directs OMB to revise the Uniform Guidance to further restrict the use of discretionary grant funds for facilities and administrative expenses, with references giving priority to nonprofits with lower indirect cost rates. Revisions to OMB Uniform Guidance may limit indirect cost rates on federal grants, potentially reversing the de minimis 15% indirect cost rate improvement that advocates successfully pushed for nearly a decade. These restrictions threaten nonprofit financial sustainability by reducing recovery of essential administrative costs, forcing organizations to subsidize federal programs with private funds or reduce service delivery capacity.


Source: <https://commongoodvt.org/advocacy/new-executive-order-impacting-nonprofits-improving-oversight-of-federal-grantmaking/>

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## **Nonprofit Human Resources Developments**

 **Executive Summary:** The sector confronts a severe workforce crisis with documented job losses extending beyond direct federal employees to contract-dependent organizations. Public Service Loan Forgiveness restrictions reduce nonprofit employment attractiveness while 43% turnover rates demand enhanced retention strategies. NLRB operations face significant disruption affecting labor dispute resolutions.



 **Key Actions for This Section:** Organizations must address workforce challenges through comprehensive strategies:

- Implement immediate retention programs targeting high-turnover positions
- Enhance compensation packages and benefits to offset reduced PSLF value
- Develop volunteer recruitment strategies to supplement reduced staffing
- Prepare for potential NLRB delays in labor dispute resolution
- Create succession planning for critical positions amid sector-wide departures

### **Nonprofit Workforce Crisis Emerges from Federal Program Cuts**

Large numbers of donors in Washington, D.C., and Atlanta have lost jobs because of federal cuts and companies that have lost business, with fundraisers' experiences potentially previewing what nonprofits elsewhere will face. The workforce crisis extends beyond direct federal employees to nonprofit sector workers whose organizations depended on government contracts and grants. This multiplier effect threatens community services delivery capacity just as social needs increase due to economic uncertainty and reduced government safety net programs.

Source: <https://www.philanthropy.com/package/nonprofits-and-the-trump-agenda>

### **Department of Education's Restrictive PSLF Rule Affects Nonprofit Employment**

Proposed restrictive changes to Public Service Loan Forgiveness rules create new barriers for nonprofit employees seeking loan forgiveness benefits. The regulatory changes potentially reduce the value proposition of nonprofit employment for recent graduates carrying significant student debt burdens. Nonprofits may need to enhance compensation packages or develop alternative employee assistance programs to maintain competitive recruiting positions against for-profit employers unaffected by PSLF restrictions.

Source: <https://www.federalregister.gov/documents/2025/08/18/2025-15665/william-d-ford-federal-direct-loan-direct-loan-program>

### **Nonprofit Employers Face Workforce Challenges in 2026**

Nonprofit employers need to focus on employment retention and recruitment trends for 2026. Nonprofit employment trends for 2026 include addressing 43% turnover rates through enhanced compensation packages, offering hybrid work arrangements (39% of employers), increasing professional development opportunities (53%), and prioritizing employee recognition efforts. Organizations must compete for skilled talent in finance, technology, HR, and digital marketing while managing burnout and retention challenges.

Source: <https://www.roberthalf.com/us/en/insights/research/employment-trends-nonprofit-industry>

### **Nonprofit Employee Benefits Alternatives Amid PSLF Uncertainty**

The U.S. Department of Education proposed draft regulations in June 2025 to remove some 501(c)(3) employers from Public Service Loan Forgiveness eligibility, targeting organizations deemed engaged in "illegal activities" including immigration assistance and LGBTQ+ support. The One Big Beautiful Bill signed July 4, 2025, modified PSLF to allow Repayment Assistance Plan payments to count toward forgiveness, though this may increase monthly payments compared to current programs. Nonprofits must explore alternative benefits like enhanced wellness programs, professional development stipends, and flexible work arrangements to offset potential loan forgiveness losses.

Source: <https://tnpa.org/get-involved/pslf/>

### **Strategic Nonprofit Employee Retention in High-Turnover Environment**

Nearly 50% of nonprofit employees planned to seek new jobs by 2025, with 95% of nonprofit leaders concerned about staff burnout and difficulty filling vacancies. Key retention strategies include conducting exit interviews to identify departure trends, benchmarking salaries against similar nonprofits using tools like Glassdoor, and creating clear advancement opportunities since lack of growth opportunities drives 59.7% of voluntary turnover. Organizations should prioritize competitive compensation, professional development, and positive workplace culture, as inadequate compensation accounts for 47.6% of voluntary departures.

Source: <https://johnsoncenter.org/blog/the-nonprofit-workforce-is-in-crisis/>

### **Effective Volunteer Recruitment and Productivity Assessment in a Period of High Employee Turnover**

Effective volunteer recruitment requires creating engaging, impact-driven role descriptions with creative titles that make applicants feel important and necessary, then disseminating through websites, social media, newsletters, and volunteer opportunity platforms. Key productivity metrics include tracking volunteer hours per task completion, acquisition rates comparing new recruits to outreach efforts, and volunteer satisfaction through surveys and feedback sessions using tools like reflection features after events. Organizations should monitor demographic diversity, recruitment source effectiveness, and retention rates to optimize their volunteer programs.

Source: <https://www.galaxydigital.com/blog/volunteer-management>

### **NLRB Jurisdiction Over Nonprofit Employment**

The NLRB has jurisdiction over nonprofits with gross annual revenue of \$250,000 or more for health care and child care institutions, \$250,000 for law firms and legal services, and \$1 million for educational and cultural centers. The Trump administration appointed new NLRB leadership in February 2025, issuing Memorandum 25-05 that reversed many pro-union policies from the Biden era. Recent NLRB decisions affect nonprofits planning layoffs with severance agreements containing broad confidentiality clauses, which may now violate federal labor law.

Source: <https://www.nlr.gov/about-nlr/rights-we-protect/the-law/jurisdictional-standards>

## **NLRB Operations Severely Limited Due to Lack of Board Quorum Following Trump Firings**

The National Labor Relations Board operates without a decision-making quorum after President Trump fired member Gwynne Wilcox, leaving only two members when three are required for board action. Nonprofits face significant delays in labor dispute resolutions as pending cases accumulate without board decisions. This operational paralysis affects union organizing, unfair labor practice complaints, and representation elections, creating compliance uncertainty for nonprofit employers across all jurisdictions.

Source: <https://prospect.org/justice/2025-08-25-federal-appellate-court-finds-nlr-unconstitutional/>


## **Justice Department Terminates \$2.4 Million in Grants Leading to Equal Justice USA Nonprofit Closure**


Equal Justice USA announced permanent closure after losing \$2.4 million in terminated Justice Department grants, laying off dozens of staff members as part of broader federal funding cuts affecting 373 grants worth approximately \$500 million. Nonprofits dependent on federal justice grants face existential threats as funding terminations force program discontinuation and organizational shutdowns. Grant-dependent organizations must develop alternative funding strategies while managing immediate operational challenges from abrupt federal funding withdrawals affecting public safety and community violence prevention programs.

Source: <https://rollcall.com/2025/08/14/with-justice-grants-rescinded-nonprofit-will-shut-down/>

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## **IRS, Finance, and Accounting Developments**

 **Executive Summary:** Significant tax law changes under the One Big Beautiful Bill Act create both opportunities and challenges for nonprofits. Expanded charitable deductions for non-itemizers provide fundraising advantages, while private college endowment taxes increase substantially. Corporate charitable contribution requirements may reduce donation incentives, though new scholarship organization tax credits offer targeted benefits.

 **Key Actions for This Section:** Organizations should capitalize on tax law changes while preparing for compliance challenges:

- Update fundraising messaging to emphasize permanent non-itemizer charitable deductions
- Assess corporate donor impact from new contribution floor requirements
- Evaluate scholarship granting organization qualification opportunities

- Prepare for enhanced Single Audit requirements and fraud detection standards
- Review energy credit strategies given accelerated termination schedules

### **Nonprofit Opportunity: Expanded Non-Itemizer Charitable Income Tax Deduction**

The OBBA permanently extends the above-the-line charitable deduction for taxpayers who don't itemize, capped at \$1,000 for individuals and \$2,000 for married couples filing jointly. Nonprofits benefit from expanded donor incentives as more taxpayers can claim charitable deductions regardless of itemization status. Organizations should emphasize this permanent tax benefit in fundraising communications while preparing for potential increased donation volumes from non-itemizing donors effective for tax years after December 31, 2025.

Source: <https://www.claconnect.com/en/resources/blogs/nonprofits/how-the-one-big-beautiful-bill-act-affects-nonprofits>

### **Enhanced Single Audit Compliance Requirements Delayed Pending Supplement Release**

Federal agencies have delayed implementation of enhanced Single Audit compliance requirements while developing 2025 supplemental guidance addressing new political oversight mechanisms. The delay reflects administrative challenges in reconciling traditional audit standards with political appointee review requirements established under recent executive orders. Nonprofits must prepare for potentially significant changes to audit procedures and compliance documentation while managing ongoing uncertainty about final requirements and implementation timelines.

Source: <https://www.gma-cpa.com/blog/what-the-delayed-2025-compliance-supplement-means-for-your-nonprofits-single-audit>

### **AICPA Seeks Public Comment on Proposed Fraud Detection Standards for Nonprofit Audits**

The AICPA Auditing Standards Board released for public comment a proposed Statement on Auditing Standards addressing auditor fraud detection responsibilities, with comments due October 3, 2025. Enhanced requirements include mandatory fraud-alert procedures, expanded management judgment reviews, and strengthened professional skepticism protocols. Nonprofit auditors must prepare for significantly revised fraud detection standards potentially effective for audits ending after December 15, 2028, requiring updated training and revised audit procedures.

Source: <https://www.aicpa-cima.com/news/article/aicpa-seeks-comment-on-proposed-update-to-auditors-responsibilities-related>

### **Changes Happening to Investment Income Tax for Private Colleges**

The One Big Beautiful Bill Act introduces a progressive tax structure for private colleges and universities with substantial endowments, replacing the previous flat 1.4% rate with tiered rates

reaching up to 10% based on total asset value. Affected institutions must have at least 3,000 tuition-paying students and \$500,000 per student in adjusted endowment assets. Private educational institutions face significantly increased tax burdens requiring comprehensive financial planning and endowment management strategies effective December 31, 2025.

Source: <https://rbj.net/2025/08/19/what-the-one-big-beautiful-bill-act-means-for-tax-exempt-organization-viewpoint/>

### **Nonprofits Face Potential Reductions in Corporate Charitable Contributions**

New federal tax law creates a 1% floor for corporate charitable deductions, meaning corporations must contribute at least 1% of taxable income to qualify for any charitable deduction benefits. Organizations dependent on corporate giving face reduced donation incentives as companies must meet minimum thresholds before accessing tax benefits. Nonprofit fundraising strategies must adapt to address potential decreased corporate contributions while the 10% ceiling limitation remains in place for tax years after December 31, 2025.

Source: <https://www.councilofnonprofits.org/federal-tax-law-one-big-beautiful-bill-act>

### **New Tax Credit for Scholarship Granting Organization Contributions**

The One Big Beautiful Bill Act establishes a new nonrefundable tax credit capped at \$1,700 annually for contributions to qualified 501(c)(3) Scholarship Granting Organizations with specific designation criteria. Educational nonprofits meeting SGO requirements gain enhanced fundraising advantages through donor tax credits beyond traditional deductions. Organizations must evaluate SGO qualification requirements and application processes to access this new funding opportunity effective for tax years ending after December 31, 2026.

Source: <https://www.claconnect.com/en/resources/blogs/nonprofits/how-the-one-big-beautiful-bill-act-affects-nonprofits>

### **No Form W-2 Changes for 2025 Under One Big Beautiful Bill Act**

The IRS announced August 7, 2025, that existing Forms W-2, 1099, and payroll returns will remain unchanged for tax year 2025 despite OBBA provisions affecting tips and overtime reporting. Nonprofit employers continue using current payroll procedures while awaiting updated forms and guidance for tax year 2026. Organizations must prepare for future compliance changes while maintaining existing reporting systems during the transition period as IRS develops comprehensive implementation guidance.

Source: <https://www.irs.gov/newsroom/irs-announces-no-changes-to-individual-information-returns-or-withholding-tables-for-2025-under-the-one-big-beautiful-bill-act>

### **Treasury and IRS Issue Energy Provision FAQs Under OBBA Implementation**

The IRS released Fact Sheet 2025-05 on August 21, 2025, providing guidance on accelerated termination of clean energy credits and deductions under the One Big Beautiful Bill Act. Nonprofit organizations utilizing clean energy investments face modified eligibility requirements and termination dates for various incentive programs. Tax-exempt entities must review energy credit planning strategies and assess impacts on renewable energy projects as federal incentives phase out under revised timelines.

Source: <https://www.irs.gov/newsroom/treasury-irs-issue-faqs-to-address-the-accelerated-termination-of-several-energy-provisions-under-obbb>


### **Holland & Knight Alert Examines OBBB Tax-Exempt Organization Amendments**


August 2025 legal analysis provides comprehensive overview of Internal Revenue Code amendments affecting tax-exempt organizations and their donors under the One Big Beautiful Bill Act. Professional guidance addresses executive compensation taxes, investment income modifications, and charitable deduction changes requiring organizational attention. Law firm analysis assists nonprofit organizations in understanding complex regulatory changes while planning for implementation of new federal tax requirements effective in 2026.

Source: <https://www.hklaw.com/en/insights/publications/2025/08/impact-of-the-one-big-beautiful-bill-act-on-tax-exempt-organizations>

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## State Nonprofit News

 **Executive Summary:** State-level developments include the Supreme Court's unanimous support for religious tax exemptions and expanding foreign influence restrictions affecting nonprofit funding sources. California's fundraising platform regulations enter final implementation while privacy laws create varying compliance obligations across states. Texas restricts local government funding of bail organizations, demonstrating continuing polarization of nonprofit regulation.

 **Key Actions for This Section:** Organizations operating across state lines must navigate varying regulatory requirements:

- Review foreign funding sources for compliance with new state restrictions
- Ensure fundraising platform partnerships include proper consent documentation
- Assess data privacy compliance obligations in states without nonprofit exemptions
- Document religious activities to support potential tax exemption applications
- Evaluate multi-state operations for varying regulatory compliance requirements

### **Supreme Court Unanimously Backs Catholic Charities Tax Exemption Ruling**

The Supreme Court ruled unanimously on June 5, 2025, that Wisconsin discriminated against Catholic Charities when it denied the organization a religious tax exemption from unemployment taxes. The Court found that the state's decision unlawfully discriminated on the basis of religion under the First Amendment's free exercise clause, rejecting Wisconsin's argument that Catholic Charities wasn't "sufficiently religious" because it serves all people without proselytizing. The decision has significant implications for other religiously affiliated nonprofits, including Catholic hospitals employing hundreds of thousands of workers, affecting how states consider eligibility for similar tax exemptions.

Source: <https://www.washingtonpost.com/politics/2025/06/05/supreme-court-tax-exemption-churches/>

### **New State Foreign Influence Laws Restrict Nonprofit Funding**

Florida enacted SB 700 in May 2025, effective July 1, banning nonprofits that fundraise in Florida from accepting "contributions or anything of value from a foreign source of concern," including entities from China, Cuba, Iran, North Korea, Russia, and Venezuela. Nebraska and Arkansas enacted similar foreign influence registration schemes in 2025, with Nebraska's law requiring "agents" of foreign adversaries to register with the state attorney general starting October 1, 2025. These laws have national impact as many nonprofits fundraise across state lines.

Source: <https://www.icnl.org/our-work/us-program/foreign-agents-registration-act-2/state-foreign-influence-legislation-impacting-nonprofits>

### **Texas Prohibits Local Government Funding of Nonprofit Bail Organizations**

Texas Senate Bill 40, enacted in 2025, prohibits counties, cities, and other local governments from using taxpayer money to fund nonprofit organizations that post bail for criminal defendants, with enforcement through taxpayer lawsuits and attorney fee recovery for successful plaintiffs. This law may limit pretrial release options in communities that previously partnered with nonprofit bail funds.

Source: <https://versustexas.com/blog/2025-legislative-update/>

### **California Charitable Fundraising Platform Requirements Enter Final Implementation Phase**

California's Assembly Bill 488 charitable fundraising platform regulations have completed their second major phase of implementation. Platforms must now comply with fund distribution timelines requiring donations to consenting charities within 30 days and non-consenting charities within 45 days after month-end. This creates operational challenges for nonprofits using platforms like GoFundMe and PayPal Giving Fund, particularly regarding consent documentation and payment processing delays. Nonprofits must ensure platform partnerships include proper written consent to avoid extended distribution delays that could impact cash flow.



Source: <https://www.dwt.com/insights/2024/06/california-ab-488-charitable-funds-rules-in-effect>

### **Texas Mini-TCPA Amendment Creates New Compliance Obligations for Nonprofits**

Texas Senate Bill 140 expanded the state's Mini-TCPA to cover SMS marketing effective September 1, 2025, while maintaining nonprofit exemptions. The law now classifies violations as unfair and deceptive practices with statutory damages of \$500-\$1,500 per violation. Although 501(c)(3) organizations remain exempt, nonprofits must carefully document their exempt status and ensure all marketing communications comply with federal TCPA requirements. The expanded private right of action increases litigation risks for any inadvertent violations.

Source: <https://www.lowenstein.com/news-insights/publications/client-alerts/texas-mini-tcpa-goes-into-effect-september-1-2025-what-you-need-to-know-privacy>

### **Nebraska Data Privacy Act Provides Broad Nonprofit Exemptions**

The Nebraska Data Privacy Act became effective January 1, 2025, with comprehensive exemptions for nonprofit organizations. Unlike Texas and Delaware, Nebraska provides no revenue thresholds but excludes all nonprofits from coverage. This creates competitive advantages for Nebraska nonprofits in data collection and processing activities compared to organizations in states without exemptions. However, nonprofits operating across state lines must still comply with more restrictive laws in other jurisdictions where they conduct activities.

Source: <https://www.dwt.com/blogs/privacy--security-law-blog/2024/06/nebraska-data-privacy-act-signed-into-law>

### **Michigan Court Upholds Religious Nonprofit Property Tax Exemption Ruling**

The Michigan Court of Appeals has affirmed a lower court ruling supporting property tax exemptions for religious nonprofit organizations. The decision clarifies criteria for qualifying religious activities and establishes precedent for exemption applications. Religious nonprofits can rely on this ruling to support their exemption claims while secular organizations should review whether similar principles apply to their charitable activities and property usage patterns.

Source: <https://www.courts.michigan.gov/courts/court-of-appeals/>

### **Minnesota Consumer Data Privacy Act Imposes New Obligations on Most Nonprofits**

Minnesota's consumer data privacy law, effective July 31, 2025, applies to most nonprofit organizations without broad exemptions, requiring compliance with consumer data rights and protection assessment requirements. The law only exempts nonprofits established specifically to detect and prevent insurance fraud, leaving other nonprofits subject to the same obligations as commercial entities. Minnesota nonprofits must urgently implement comprehensive data governance programs, consumer response mechanisms, and privacy notice updates to avoid enforcement actions by the state attorney general.

Source: <https://www.lathropgpm.com/insights/businesses-and-nonprofits-get-ready-for-the-new-minnesota-consumer-privacy-act/>

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## Summary

The nonprofit sector faces unprecedented challenges requiring immediate strategic adjustments across funding, compliance, operational, and technological dimensions. Federal oversight has intensified through political appointee review processes while major philanthropic entities retreat from progressive partnerships, exemplified by the Gates Foundation's \$450 million withdrawal from Arabella Advisors. Organizations must navigate 23,000 documented job losses, enhanced federal documentation requirements, and new anti-discrimination certifications that prioritize political alignment over traditional merit-based review.

Despite these pressures, opportunities exist through expanded charitable deductions for non-itemizers, donor-advised fund growth that doubled contributions from converting donors and maintained security grant funding at \$274.5 million. AI adoption accelerates with 85.6% of nonprofits exploring tools, though significant digital divides emerge between large and small organizations while governance frameworks lag implementation. State-level developments create varying compliance obligations, from foreign influence restrictions in Florida and Nebraska to comprehensive data privacy requirements in Minnesota. The Supreme Court's unanimous support for religious tax exemptions provides precedential protection for faith-based organizations while California's fundraising platform regulations require enhanced consent documentation.

Organizations must immediately implement workforce retention strategies, diversify funding sources beyond federal dependency, develop AI governance frameworks, and prepare for significantly altered regulatory compliance requirements. The convergence of political oversight, economic pressures, operational constraints, and technological transformation demands comprehensive strategic planning while maintaining focus on community service delivery amid increasing social needs.

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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 times.

### **Understanding This Information and Disclaimer**

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