Abstract

The federal government shutdown continues with devastating impacts across the nonprofit sector as reductions-in-force begin and 900,000 workers remain furloughed while critical programs face funding exhaustion. Office of Management and Budget Director Russell Vought announced substantial permanent layoffs have commenced, with the Department of Health and Human Services confirming employees across multiple divisions received termination notices. WIC nutrition services serving 7 million vulnerable Americans may run out of funding within weeks while nonprofits struggle to access frozen federal grants and face halted payments. The Department of Justice targets the Open Society Foundations with terrorism-related investigations as regulatory pressure intensifies. Meanwhile, organizations navigate new state compliance requirements including Washington's expanded sales tax, Massachusetts pay transparency mandates, and Maryland's strict data privacy law. This update provides essential guidance for nonprofit leaders managing unprecedented operational and regulatory challenges.

October 13, 2025 Navigator News Update: Including Government Shutdown Impacts, RIFs Begin, Nonprofit Contingency Planning and More!

From Nonprofit Management Navigator

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

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NOTE: This edition contains an unusually high volume of shutdown-related content, reflecting the widespread impact of the federal government shutdown across all nonprofit sectors. The information contained in this edition was last updated October 12, 2025

Introduction

This week's Navigator News Update addresses an unprecedented convergence of challenges facing nonprofit organizations nationwide. The ongoing federal government shutdown dominates the operational landscape as organizations lose access to critical federal funding streams, grant administrators, and essential services while the administration begins permanent workforce reductions beyond typical furloughs. With approximately $267 billion in annual government grants at stake, the WIC program potentially exhausting emergency funds within weeks, and federal agencies implementing reductions-in-force, nonprofits face impossible choices about service continuity and workforce retention. Congress adjourned until mid-October after voting down competing funding proposals for the seventh time, extending the shutdown with no resolution in sight. The Department of Justice's directive to investigate the Open Society Foundations signals escalating political targeting of major philanthropic institutions while the administration considers expanding ideological restrictions globally. Simultaneously, organizations must navigate complex new state compliance requirements and evolving federal regulatory guidance on fundamental issues including political activity, donor advised funds, and racial discrimination standards. This edition provides comprehensive analysis of these critical developments with actionable guidance for nonprofit leaders.

Priority Legend

Priority indicators 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 federal government shutdown continues with no resolution as Republicans and Democrats remain deadlocked, directly impacting nonprofit operations nationwide. Office of Management and Budget Director Russell Vought announced substantial reductions-in-force have begun, representing permanent layoffs beyond typical furloughs, with the Department of Health and Human Services confirming employees across multiple divisions received termination notices. Senate voted down competing funding proposals for the seventh time and adjourned until mid-October, extending the shutdown. Approximately 900,000 federal workers are furloughed while 700,000 essential employees work without pay. The WIC program's $150 million emergency fund could be exhausted within weeks, threatening nutrition services for nearly 7 million pregnant women, new mothers, and young children. Nonprofits cannot access grant administrators for renewals, questions, or fund drawdowns, forcing organizations relying on federal grants for 20-50% of their budgets to consider expensive bridge loans or service reductions while facing halted payments and depleting emergency funds. The shutdown costs the entire national economy $15 billion weekly. The Department of Justice directed investigations into George Soros' Open Society Foundations for alleged terrorism support, representing the first such targeting of a major foundation. The administration is also considering expanding the global gag rule to cut funding for organizations supporting diversity, equity, and inclusion initiatives internationally.

⚡ **Key Actions for This Section**: Organizations must take immediate steps to protect operations and funding while responding to escalating political pressures:

- Secure advance reimbursements from federal grant administrators before shutdown extends
- Develop contingency plans for WIC program funding exhaustion and surging demand
- Review contracts for shutdown provisions and assess bridge loan requirements
- Create communication plans for clients about potential service impacts
- Coordinate with partner organizations to maintain service continuity
- Implement advocacy strategies including congressional contacts and media engagement
- Review organizational activities for compliance with evolving political targeting risks
- Prepare for potential international funding restrictions affecting DEI programs

🔴 Government Shutdown Drags On as Federal Workforce Reductions Begin and Nonprofit Suffering Mounts

The federal government shutdown drags on with Republicans and Democrats deadlocked over enhanced Affordable Care Act subsidies. Office of Management and Budget Director Russell Vought announced October 10 that substantial reductions-in-force have begun, with approximately 4,200 federal employees across seven agencies receiving termination notices. The Department of Health and Human Services confirmed over 1,100 layoffs including Centers for Disease Control staff in infectious disease response, immunization programs, and the Washington office, though some notices were later rescinded due to coding errors. Additional layoffs affected Treasury (1,446), Homeland Security (176), and employees at Commerce, Education, Energy, Housing and Urban Development, and EPA. House Speaker Johnson adjourned the House until October 13 while Senate voted down competing funding proposals for the seventh time. Approximately 900,000 federal workers remain furloughed while 700,000 work without pay, with military personnel facing missed paychecks October 15. Nonprofits face compounding pressures from halted grant payments, inability to access federal administrators, and depleting emergency funds for nutrition programs. The shutdown costs the entire national economy $15 billion weekly as organizations struggle maintaining critical community services.

https://abcnews.go.com/Politics/live-updates/government-shutdown-live-updates/?id=126242587

https://www.cbsnews.com/live-updates/government-shutdown-live-updates-as-military-poised-to-miss-first-paychecks-next-week/

https://www.govexec.com/workforce/2025/10/substantial-layoffs-begin-federal-agencies-white-house-says/408752/

https://www.councilofnonprofits.org/nonprofit-champion-october-6-2025

🔴 Federal Government Shutdown Disrupts Grant Access and Operations

The federal government shut down October 1 after Congress failed to pass funding legislation, directly impacting nonprofit organizations nationwide. Nonprofits cannot access grant administrators for renewals, questions, or fund drawdowns during the shutdown. Organizations relying on federal grants for 20-50% of their budgets face delayed payments, forcing some to consider expensive bridge loans or service reductions. The shutdown compounds existing federal funding challenges nonprofits already face.

https://abc11.com/post/federal-funding-nonprofits-brace-impact-result-government-shutdown/17952155/

🟡 Nonprofits Implement Contingency Plans and Advocacy Strategies During Shutdown

Nonprofits are responding by prioritizing core operations, creating contingency plans, coordinating with partner organizations for service continuity, and preparing communications for clients about potential impacts. Organizations are contacting federal grant administrators to secure advance reimbursements, reviewing contracts for shutdown provisions, and accessing bridge loans or reallocating resources to address immediate financial needs. Nonprofits are amplifying their advocacy by contacting Congress, leveraging local press and social media to highlight community impacts, joining coalitions, and strategically using storytelling to urge lawmakers to reopen the government while supporting staff facing crisis-related stress.

https://www.councilofnonprofits.org/articles/government-shutdown-what-should-nonprofits-do

🟡 Sector Leaders Warn Shutdown Strains Nonprofit Services Nationwide

The National Council of Nonprofits warns the shutdown forces nonprofits to halt essential services as grant administrators stop working. Without access to earned federal funding, organizations face taking expensive loans that add unforeseen budget costs. Extended shutdowns may force service cutbacks, staff reductions, or closures. National Council President Diane Yentel emphasized nonprofits already face enormous financial and political challenges from administration efforts to freeze, terminate, or withhold grant funds.

https://www.councilofnonprofits.org/nonprofit-champion-october-6-2025

🟡 Federal Shutdown Creates State-Level Nonprofit Funding Crisis

The October 2025 federal government shutdown severely impacts state-level nonprofit service providers depending on federal funding streams. West Virginia nonprofits face particular challenges planning beyond immediate needs given funding disruption uncertainty. Pennsylvania organizations warn legislators about budget impacts on vulnerable populations served through federal partnerships. Catholic Charities operations nationwide opened emergency food pantries for furloughed federal employees. State and local government officials struggle with funding uncertainties affecting Medicaid, SNAP administration, and other programs requiring nonprofit implementation partnerships. Fundraising groups stepped forward to help reopen national park sites during shutdown.

https://www.councilofnonprofits.org/nonprofit-champion-october-6-2025

🟡 Urban Institute: Shutdown Compounds Existing Nonprofit Financial Insecurity

The Urban Institute analysis reveals government shutdown exacerbates nonprofits' pre-existing funding cuts and rising service demand. In over 95% of U.S. counties, public charities receive government grants totaling $267 billion annually, and most nonprofits cannot cover expenses without these grants. The shutdown adds to ongoing federal funding disruptions, creating compounding financial insecurity. Organizations already operating with reduced government support face impossible choices about continuing critical community services during the funding lapse.

https://www.urban.org/urban-wire/federal-government-shutdown-could-compound-financial-insecurity-among-nonprofits

🟢 Intensifying Competition, Even Before the Shutdown, Forces Nonprofits to Diversify Funding Sources

Competition for funding has intensified dramatically, with nearly 60% of nonprofits applying for more grants than previously while individual donations and government funding decline. Organizations face rising operational costs while revenue sources shrink, creating unsustainable financial pressures. Nonprofits must diversify beyond traditional funding streams through corporate partnerships, earned revenue, fee-for-service programs, and social enterprises. Building 3-6 months operating expense reserves and developing multiple revenue streams are essential for long-term organizational sustainability.

https://www.cpajournal.com/2025/05/29/how-nonprofits-can-adapt-their-operational-and-financial-strategies-in-todays-economic-environment/

🔴 WIC Nutrition Programs Face Immediate Crisis During Government Shutdown

The nutrition services sector faces the most immediate crisis as the WIC program serving nearly 7 million pregnant women, new mothers, and children under 5 may run out of funding within one to two weeks of the shutdown. Without quarterly federal allocations, states must rely on limited contingency funds, potentially forcing WIC offices to close or implement waiting lists for the first time in nearly 30 years. Extended shutdowns force nonprofits providing these services to take expensive bridge loans or cut services entirely, adding unexpected costs while disrupting critical nutrition assistance for vulnerable populations.

https://www.nbcnews.com/health/health-news/shutdown-affects-wic-program-moms-kids-rcna234975

🟢 Nonprofits Mobilize Support for Furloughed Federal Workers

Former and current federal employees created crowdsourced resources to assist workers impacted by the shutdown, including spreadsheets of banks offering emergency loans, credit unions providing assistance, and nonprofit organizations offering grants. The Federal Employee Education and Assistance Fund offers $100 shutdown assistance grants. Maryland launched a no-interest $700 loan program for workers continuing without pay. Nonprofits are stepping up as furloughed workers begin accessing food pantries after missing paychecks.

https://www.govexec.com/workforce/2025/10/federal-employees-crowdsource-resources-support-each-other-during-shutdown/408670/

🔴 DOJ Directs Investigation of Open Society Foundations

The Department of Justice directed U.S. attorneys in at least seven states to prepare investigations into George Soros' Open Society Foundations for alleged terrorism support. The directive lists potential charges including racketeering, arson, wire fraud, and material support for terrorism. Open Society Foundations denies the allegations, calling them politically motivated attacks meant to silence disagreement and undermine First Amendment rights. This represents the first such targeting of a major foundation under administration threats against nonprofits.

https://abcnews.go.com/US/doj-official-directs-prosecutors-prepare-probes-george-soros/story?id=125941089

🟡 Administration Weighs Broader Global Gag Rule Expansion

The Trump administration is considering expanding the "global gag rule" to potentially cut NGO and foreign aid funding tied to diversity, equity, and inclusion initiatives. The expansion could force other countries and UN agencies to drop DEI programs or lose U.S. funding. This represents a significant escalation beyond domestic funding restrictions, threatening international NGO operations. The policy would extend administration ideological requirements globally, affecting humanitarian and development organizations worldwide receiving U.S. support.

https://www.theguardian.com/global-development/2025/oct/08/us-trump-administration-forcing-other-countries-un-drop-dei-diversity-initiatives-or-lose-funding

🟢 Sector-Wide Challenges: Cybersecurity and Data Privacy Risks Mount

Nonprofit sector trend analyses identify cybersecurity and data privacy as top pressures reshaping operations in 2025. Organizations face increasing sophisticated threats while often lacking resources for robust security infrastructure investments. State privacy law compliance across multiple jurisdictions with varying nonprofit exemptions creates complex legal landscapes. Boards must integrate risk management into governance processes, demanding stronger data safeguards and ethical technology use policies. Reputational damage and regulatory penalties from data breaches threaten organizational sustainability. Directors should stay ahead of state and federal privacy regulation shifts, anticipating changes affecting operations or tax-exempt status.

https://www.onboardmeetings.com/blog/nonprofit-board-news-october-2025-openai-challenged-data-privacy-concerns/

Nonprofit Regulatory Developments

📋 **Executive Summary**: The Treasury Department released its 2025-2026 Priority Guidance Plan containing significant nonprofit-focused items including Johnson Amendment political campaign prohibition guidance, racial discrimination standards for private schools, donor advised fund regulations, and excess compensation rules. The Department of Health and Human Services implemented updated Grants Policy Statement Version 2.0 with new civil rights assurance requirements. A federal court ruled that IRS standards for determining permissible political activity by 501(c)(4) organizations are unconstitutionally vague, creating uncertainty for social welfare organizations. The Office of Personnel Management issued shutdown guidance including provisions for potential federal reduction-in-force notices, representing an unprecedented inclusion of permanent workforce reduction procedures during appropriations lapses.

⚡ **Key Actions for This Section**: Organizations should prepare for regulatory changes and ensure compliance with new requirements:

- Monitor Treasury Priority Guidance Plan developments affecting political activity restrictions
- Review private school admissions and financial aid policies for racial discrimination compliance
- Assess donor advised fund operations for potential regulatory changes
- Implement HHS Grants Policy Statement Version 2.0 requirements for existing grants
- Consult legal counsel about 501(c)(4) political activity standards following court ruling
- Review workforce contingency plans considering potential RIF procedures during shutdowns
- Ensure all federal grant applications include updated civil rights assurance language

🟡 Treasury Releases 2025-2026 Priority Guidance Plan with Nonprofit Focus

The Treasury Department and IRS released their 2025-2026 Priority Guidance Plan containing 105 guidance projects, including nine priorities for exempt organizations. Key nonprofit items include Johnson Amendment political campaign prohibition guidance, racial discrimination standards for private school tax-exempt status, donor advised fund regulations, and excess compensation rules under Section 4960. The plan identifies projects for July 2025 through June 2026 without specific deadlines. Nonprofits should monitor these developments as they may significantly impact governance, political activity policies, and fundraising structures. The guidance addresses longstanding areas of regulatory uncertainty requiring organizational attention and potential policy adjustments.

https://www.mondaq.com/unitedstates/tax-authorities/1686870/irs-and-treasury-release-2025-2026-priority-guidance-plan

🟡 HHS Grants Policy Statement Version 2.0 Now Effective

The Department of Health and Human Services implemented Grants Policy Statement Version 2.0 effective October 1, 2025, superseding all previous versions. The updated GPS adopts 2 CFR Part 200 Uniform Guidance in its entirety with HHS-specific modifications at 2 CFR 300. Substantive changes include new mandatory civil rights assurance language tied to Title IX and updated certification requirements. The GPS is incorporated by reference as a standard award term for all HHS discretionary grants.

https://www.hhs.gov/sites/default/files/hhs-grants-policy-statement-oct-2025.pdf

🟡 Federal Court Rules IRS 501(c)(4) Political Activity Standard Unconstitutional

On September 30, 2025, the U.S. District Court for the District of Columbia ruled in Freedom Path v. IRS that the IRS's standards for determining permissible political activity by Section 501(c)(4) organizations are unconstitutionally vague. The court found the agency's multi-factor "facts and circumstances" test fails heightened constitutional scrutiny for regulations affecting First Amendment speech rights. The ruling creates significant uncertainty for social welfare organizations engaging in political activities. While limited to the parties, the decision challenges fundamental IRS enforcement approaches and may prompt regulatory revisions. Social welfare organizations should consult legal counsel about political activity compliance, as existing IRS guidance may be subject to constitutional challenge. The court ordered additional briefing on constitutionally permissible standards.

https://www.jdsupra.com/legalnews/court-finds-irs-standards-for-501-c-4-2950612/

🟢 OPM Issues Shutdown Special Instructions With RIF Guidance

The Office of Personnel Management issued special instructions for agencies affected by the October 1 appropriations lapse, including guidance on potential reduction-in-force notices. The instructions outline operational procedures during shutdown, essential versus non-essential employee designations, and furlough notification requirements. Unlike previous shutdowns, guidance includes provisions for possible permanent workforce reductions. Nonprofits with federal employees or operating federally-funded programs must understand how RIF procedures could permanently impact staffing and service delivery.

https://www.opm.gov/policy-data-oversight/pay-leave/reference-materials/special-instructions-for-agencies-affected-by-a-possible-lapse-in-appropriations-starting-on-10-1-2025/

🟢 Federal Courts Continue Operations Using Non-Appropriated Funds

Federal courts announced plans to continue operations through mid-October using non-appropriated funds including court fees and prior-year balances. This temporary measure allows courts to maintain essential judicial proceedings and administrative functions despite the appropriations lapse. Nonprofits involved in federal litigation, bankruptcy proceedings, or regulatory matters can expect continued court operations in the near term. However, extended shutdown beyond mid-October could force court closures affecting legal proceedings and enforcement actions involving nonprofit organizations.

https://www.cnbc.com/2025/10/01/government-shutdown-trump-live-updates.html

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Nonprofit Human Resources Developments

📋 **Executive Summary**: Nonprofit employers face escalating compliance complexity as federal, state, and local employment laws diverge and proliferate. The Equal Employment Opportunity Commission instructed staff to close all pending charges based solely on disparate impact discrimination by September 30, 2025, eliminating federal investigation support for claims involving AI-driven hiring tools or employment practices that may unintentionally disadvantage protected groups. The National Labor Relations Board continues operating without a quorum since January 2025, preventing final rulings on contested representation elections or unfair labor practice complaints. Organizations confront intensifying talent acquisition and retention challenges, workplace burnout concerns, demands for pay transparency, and complexities of hybrid work arrangements. Skills-based hiring practices gain momentum as organizations move away from traditional degree requirements to expand talent pools.

⚡ **Key Actions for This Section**: Organizations must strengthen compliance systems and enhance workforce strategies:

- Conduct comprehensive employment law audits across all operating jurisdictions
- Review AI-driven hiring tools and employment practices for potential discriminatory impacts
- Implement human oversight of automated hiring decisions with regular bias audits
- Develop robust compliance systems for multi-state operations with specialized legal counsel
- Enhance retention strategies including competitive compensation, workplace flexibility, and professional development
- Establish workplace well-being programs addressing burnout, mental health, and psychological safety
- Implement skills-based hiring frameworks with reliable competency assessments
- Prepare Massachusetts job postings with required salary ranges by October 29 deadline
- Develop transparent compensation philosophies with objective pay scales

🟡 Compliance Complexity Escalates for Nonprofit Employers

Nonprofit employers face escalating compliance complexity as federal, state, and local employment laws diverge and proliferate. With changing federal enforcement priorities creating gaps in worker protections, states are enacting their own labor standards that often exceed federal requirements. Organizations must navigate patchwork regulations covering minimum wage, overtime, paid leave, discrimination protections, and classification rules. The compliance burden is particularly challenging for multi-state nonprofits managing different jurisdictions simultaneously. This complexity increases legal risks, administrative costs, and demand for specialized expertise. Nonprofits need robust compliance systems, regular legal audits, and access to employment law counsel to avoid costly violations.

https://nonprofitresourcehub.org/navigating-hiring-compensation-succession-planning-and-employee-retention-trends-in-nonprofits-for-2025/

🔴 EEOC Directs Closure of All Disparate Impact Discrimination Claims

Following a September 15 internal memorandum, the Equal Employment Opportunity Commission instructed staff to discharge all pending charges based solely on disparate impact discrimination by September 30, 2025. The directive aligns with an April 2025 executive order deprioritizing disparate impact enforcement. Affected charging parties received right-to-sue letters allowing them to pursue claims independently in federal court. This policy shift represents a significant departure from previous enforcement strategies and particularly affects nonprofits using AI-driven hiring tools or employment practices that may unintentionally disadvantage protected groups. While disparate impact remains valid under Title VII, federal investigation support has been eliminated.

https://www.littler.com/news-analysis/asap/eeoc-close-investigations-disparate-impact-discrimination

🟡 AI and Automation Transform Nonprofit HR Processes

Artificial intelligence and automation technologies are rapidly penetrating nonprofit human resources functions, from recruitment to performance management. Organizations use AI-powered applicant tracking systems, automated screening tools, and chatbots for candidate engagement. While these technologies promise efficiency gains and reduced administrative burden, they also raise concerns about algorithmic bias and fairness. With the EEOC deprioritizing disparate impact enforcement, nonprofits face reduced federal oversight of AI hiring tools that may unintentionally discriminate. Organizations must balance efficiency benefits against fairness obligations, implement human oversight of automated decisions, and conduct regular audits to identify and correct biased outcomes.

https://www.foundationlist.org/2025-hr-trends/

🟢 NLRB Quorum Remains Uncertain as Senate Considers Nominees

The National Labor Relations Board has operated without a quorum since President Trump removed Board Member Gwynne Wilcox in January 2025. Senate confirmation hearings occurred in early October for nominees Scott Mayer and James Murphy, but no committee vote has been scheduled. Without a three-member quorum, the Board cannot issue decisions on contested representation elections or adjudicate unfair labor practice complaints. Nonprofits facing organizing campaigns cannot obtain final Board rulings, creating prolonged uncertainty in labor relations. The lack of quorum means Regional Director decisions stand without Board review possibility, potentially affecting strategic responses to union activities.

https://talkingpointsmemo.com/news/trump-nlrb-nominees-senate-help-committee-hawley-boeing

🟡 Talent Scarcity and Retention Pressures Intensify for Nonprofits

Nonprofit organizations continue facing severe talent acquisition and retention challenges as competition for qualified workers intensifies across sectors. The ongoing labor shortage disproportionately affects nonprofits, which typically cannot match for-profit compensation packages. Organizations report increased turnover in key positions, longer time-to-fill periods, and difficulty attracting specialized skills. This talent crisis forces nonprofits to reconsider compensation strategies, enhance non-monetary benefits, and invest in professional development programs despite constrained budgets. The challenge is particularly acute for mission-critical roles requiring specific expertise. Nonprofits must develop innovative retention strategies including flexible work arrangements, enhanced workplace culture, and clear career advancement pathways.

https://www.social-current.org/2025/02/navigating-workforce-challenges-2025-trends-and-solutions-for-the-social-sector/

🟡 Workplace Well-Being and Burnout Take Center Stage

Workplace well-being, burnout prevention, and psychological safety have emerged as critical priorities for nonprofit employers. High-stress, mission-driven work combined with limited resources creates burnout risks that threaten organizational effectiveness. Employees increasingly prioritize mental health support, work-life balance, and psychologically safe environments. Nonprofits must address compassion fatigue, vicarious trauma, and chronic stress affecting staff, particularly in direct service roles. This requires implementing mental health resources, establishing reasonable workload expectations, promoting healthy boundaries, and fostering cultures where employees can raise concerns without fear. Organizations that neglect well-being face increased turnover, reduced productivity, and diminished mission impact.

https://nonprofitquarterly.org/burnout-and-staffing-shortages-continue-to-challenge-nonprofits/

🟢 Skills-Based Hiring Gains Momentum in Nonprofit Sector

Nonprofits increasingly adopt skills-based hiring practices, moving away from traditional degree requirements to expand talent pools. This approach focuses on demonstrable competencies rather than educational credentials, opening opportunities for diverse candidates and addressing persistent staffing shortages. Organizations are implementing skills assessments, competency frameworks, and alternative qualification pathways. The shift responds to growing recognition that degrees don't necessarily predict job performance and that valuable talent exists among non-traditional candidates. For nonprofits, skills-based hiring offers potential to improve diversity, reduce recruitment costs, and access overlooked talent. However, implementation requires developing reliable assessment methods and overcoming institutional biases toward traditional qualifications.

https://www.adp.com/spark/articles/2025/03/9-non-profit-hr-trends-you-need-to-know.aspx

🟡 Pay Transparency Demands Increase Across Nonprofit Sector

Growing demands for pay transparency and equity are reshaping nonprofit compensation practices. More states and localities are enacting salary disclosure requirements, forcing organizations to examine and justify pay structures. Employees increasingly expect transparent compensation information, creating pressure even where not legally required. For nonprofits, this trend necessitates comprehensive compensation reviews to identify and address unexplained pay disparities, particularly across gender and racial lines. Organizations must develop clear compensation philosophies, establish objective pay scales, and communicate rationale for pay decisions. The challenge is balancing transparency with limited budgets and navigating situations where market-rate compensation exceeds available resources.

https://www.littler.com/news-analysis/asap/pay-transparency-laws-know-2025-united-states-and-beyond

🟢 Hybrid and Remote Work Models Strain Nonprofit Culture

The shift toward hybrid and remote work arrangements continues challenging nonprofit organizational culture and management practices. While flexible work options aid recruitment and retention, they complicate team cohesion, mission alignment, and collaborative innovation. Nonprofits report difficulties maintaining organizational culture, onboarding remote employees effectively, and ensuring equitable treatment between in-office and remote workers. Management practices designed for physical workplaces require adaptation for distributed teams. Organizations must invest in communication technologies, reimagine performance management for remote contexts, develop intentional culture-building activities, and establish clear expectations for hybrid arrangements while addressing employee preferences for continued flexibility.

https://www.foundationlist.org/2025-hr-trends/

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Source: ADP - 9 Nonprofit HR Trends You Need to Know
https://www.adp.com/spark/articles/2025/03/9-non-profit-hr-trends-you-need-to-know.aspx

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https://www.littler.com/news-analysis/asap/pay-transparency-laws-know-2025-united-states-and-beyond

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Source: Foundation List - 2025 HR Trends for Nonprofits: Insights and Hiring Strategies
https://www.foundationlist.org/2025-hr-trends/

IRS, Accounting and Finance Developments

📋 **Executive Summary**: The Treasury Priority Guidance Plan addresses critical areas including Johnson Amendment political campaign prohibition guidance, racial discrimination standards for private schools, donor advised fund regulations, and excess compensation rules. Donor-advised funds face increasing regulatory pressure with proposed minimum distribution requirements and IRS targeting of abusive arrangements. The House Ways and Means Committee Chair urged heightened IRS scrutiny of tax-exempt organizations' political activities, signaling increased examination risks. The IRS maintained operations through October 7 during the government shutdown, though extended funding lapses could delay determination letters and ruling issuances. The October 2025 Section 7520 rate was set at 4.60 percent, affecting charitable planned giving calculations. The Financial Accounting Standards Board's Not-for-Profit Advisory Committee met to discuss emerging reporting issues that may preview future accounting guidance changes.

⚡ **Key Actions for This Section**: Organizations should prepare for regulatory changes and maintain compliance:

- Monitor Johnson Amendment guidance development and review political activity policies
- Enhance donor advised fund oversight and distribution policies
- Review compensation arrangements for Section 4960 excess compensation compliance
- Ensure Form 990 accuracy and robust compliance programs for potential IRS scrutiny
- Update planned giving illustrations using current Section 7520 rates
- Engage auditors about FASB advisory committee discussions on potential reporting changes
- Maintain current IRS determination letter and state registration status
- Review private school policies for racial discrimination compliance standards

🟡 Growing Scrutiny of DAFs Prompts Reform Proposals and IRS Enforcement

Donor-advised funds face increasing regulatory pressure with proposed minimum distribution requirements similar to private foundations' 5% annual payout mandate. The Accelerating Charitable Efforts Act would impose 50% excise taxes on funds undistributed after 15-50 years. The IRS is targeting abusive DAF arrangements providing improper donor benefits. Organizations sponsoring DAFs must enhance oversight while donors should consider distribution timing and compliance with evolving requirements.

https://www.theregreview.org/2024/04/20/reforming-donor-advised-funds/

🟡 IRS Plans Johnson Amendment Guidance Under Priority Plan

The 2025-2026 Priority Guidance Plan specifically includes guidance on the statutory prohibition in Section 501(c)(3) against participation or intervention in political campaigns, commonly known as the Johnson Amendment. This marks a formal IRS commitment to clarify longstanding ambiguities about permissible political activities by charitable nonprofits. The guidance development follows years of controversy and confusion about what constitutes impermissible campaign intervention. Nonprofits should anticipate potential changes to the facts-and-circumstances test currently used to evaluate political activities. Organizations engaged in voter education, candidate forums, or issue advocacy must stay informed as new standards could significantly affect permissible activities and compliance requirements.

https://www.pwc.com/us/en/services/tax/library/irs-identifies-exempt-organization-guidance-priorities.html

🟡 Treasury Plan Addresses Private School Racial Discrimination Standards

The Priority Guidance Plan includes guidance on applying fundamental public policy against racial discrimination in determining private school eligibility for Section 501(c)(3) tax-exempt status, specifically considering recent case law developments. This guidance responds to evolving judicial interpretations affecting how the IRS evaluates discriminatory policies. Private schools and educational nonprofits face heightened scrutiny regarding admissions, financial aid, and operational policies that may implicate racial discrimination concerns. Organizations must review existing policies and procedures to ensure compliance with strengthened standards. The guidance will likely establish clearer criteria for evaluating whether private schools maintain racially nondiscriminatory policies as required for tax-exempt status, potentially impacting recognition and ongoing compliance.

https://www.pwc.com/us/en/services/tax/library/irs-identifies-exempt-organization-guidance-priorities.html

🟡 Priority Plan Includes Donor Advised Fund Regulations

Treasury's Priority Guidance Plan addresses donor advised fund regulations for nonprofit organizations, signaling forthcoming clarification of longstanding compliance questions. The guidance will likely address distribution requirements, prohibited transactions, and definitional issues that have created uncertainty for sponsoring organizations. Community foundations and other DAF sponsors should prepare for potentially significant regulatory changes affecting fund administration, donor communications, and distribution policies. The guidance may impose new reporting requirements, modify distribution timelines, or establish clearer boundaries for donor involvement. Organizations managing donor advised funds must monitor developments closely as new regulations could necessitate operational adjustments, policy revisions, and enhanced compliance procedures to maintain tax-exempt status.

https://www.pwc.com/us/en/services/tax/library/irs-identifies-exempt-organization-guidance-priorities.html

🟢 October 2025 Section 7520 Rate Set at 4.60 Percent

The IRS established the Section 7520 interest rate at 4.60 percent for October 2025, a critical benchmark for valuing charitable planned giving arrangements. This rate, calculated as 120 percent of the applicable federal mid-term rate, determines present value calculations for charitable remainder trusts, charitable lead trusts, and gift annuities. The moderate rate level affects the tax benefits of various planned giving vehicles differently. Higher rates benefit charitable remainder annuity trusts and qualified personal residence trusts, while lower rates favor grantor retained annuity trusts and charitable lead trusts. Nonprofits with planned giving programs should communicate current rate implications to prospective donors. Organizations should work with donors and professional advisors to time gift transactions strategically based on rate fluctuations and individual tax planning objectives.

https://www.jdsupra.com/legalnews/wealth-management-update-october-2025-2461431/

🔴 House Ways & Means Chair Urges IRS Examination Focus

House Ways and Means Committee Chair sent a letter on October 6, 2025, urging the IRS to prioritize examinations of certain tax-exempt organizations' activities. The letter requests heightened scrutiny of organizations potentially engaged in activities inconsistent with their tax-exempt purposes or violating political campaign intervention prohibitions. This congressional pressure signals increased examination risk for nonprofits, particularly those engaged in advocacy, lobbying, or activities near political campaign boundaries. Organizations should review their activities, governance procedures, and documentation to ensure full compliance with tax-exempt requirements. Enhanced IRS scrutiny may lead to more frequent examinations, information document requests, and potential challenges to tax-exempt status. Nonprofits must ensure robust compliance programs and accurate Form 990 reporting to withstand intensified oversight.

https://waysandmeans.house.gov/wp-content/uploads/2025/10/10.6.25-Letter-to-IRS.pdf

🟢 IRS Operations Continue Through October 7 Government Shutdown

The IRS issued statements confirming operations continued during the appropriations lapse through October 7, 2025, maintaining essential taxpayer services and compliance functions. The agency retained sufficient personnel to process returns, issue refunds, and handle critical taxpayer assistance despite the federal government shutdown. Nonprofits experienced minimal disruption to tax-exempt organization services during the brief shutdown period. However, extended funding lapses could delay determination letter processing, private letter ruling issuances, and examination activities. Organizations with pending applications or ruling requests should anticipate potential delays if future shutdowns occur. The IRS prioritized maintaining electronic filing systems and taxpayer account services, though telephone assistance and in-person services faced limitations during the appropriations gap.

https://www.irs.gov/newsroom/irs-statements-and-announcements

🟢 Internal Revenue Bulletin 2025-41 Released October 6

The IRS published Internal Revenue Bulletin 2025-41 on October 6, 2025, containing multiple guidance items including per diem rates, chemicals list updates, applicable federal rates, and Section 7520 tables. The bulletin provides October interest rates, adjusted federal rates for various tax purposes, and low-income housing credit percentages. Nonprofits should review IRB 2025-41 for relevant rate updates affecting charitable planned giving calculations, private foundation excise taxes on investment income, and travel reimbursement policies. The bulletin's technical guidance affects ongoing compliance requirements and operational decisions. Organizations with planned giving programs must incorporate updated Section 7520 rates into donor illustrations. Those with employee travel should verify per diem rates for accurate reimbursement policies and Form 990 reporting.

https://www.irs.gov/pub/irs-irbs/irb25-41.pdf

🟢 FASB Not-for-Profit Advisory Committee Meets October 7

The Financial Accounting Standards Board's Not-for-Profit Advisory Committee met on October 7, 2025, to discuss emerging financial reporting issues affecting nonprofit organizations. The committee reviewed technical accounting matters, potential standards updates, and implementation challenges faced by nonprofit preparers and auditors. These discussions inform FASB's standard-setting agenda and may preview forthcoming accounting guidance changes. Nonprofits should monitor committee deliberations as they signal potential future reporting requirements. Topics typically include revenue recognition, investment reporting, presentation and disclosure requirements, and implementation challenges with recently issued standards. Organizations should engage with their auditors about NAC discussions to anticipate potential accounting policy changes and prepare for future compliance requirements affecting financial statement preparation and audit processes.

https://storage.fasb.org/20251007%20NAC%20Meeting%20Materials%20-%20Public.pdf

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State Nonprofit News

📋 **Executive Summary**: States continue implementing complex new compliance requirements affecting nonprofit operations. Washington State expanded sales tax definitions to include numerous previously exempt services including consultants, training programs, technology tools, and advertising, increasing operational costs for organizations already struggling financially. Massachusetts pay transparency requirements take effect October 29, mandating salary range disclosure in job postings for employers with 25 or more employees. Maryland's comprehensive data privacy law took effect October 1 with limited nonprofit exemptions, applying strict data minimization requirements and consumer rights protections. Illinois streamlined charitable organization annual report extension procedures, eliminating fees and reducing administrative burdens. California's Assembly Bill 488 requires online fundraising platforms to verify nonprofit compliance before facilitating donations from California residents.

⚡ **Key Actions for This Section**: Organizations must ensure compliance with multiple state requirements:

- Identify Washington services now subject to sales tax and adjust budgets for increased costs
- Prepare Massachusetts job postings with required salary ranges by October 29 deadline
- Implement Maryland data privacy law requirements including consumer rights processes
- Establish universal opt-out mechanism recognition by October 25 for Maryland compliance
- Verify Illinois charitable registration status and utilize streamlined extension procedures
- Ensure California compliance status with Attorney General, Franchise Tax Board, and IRS
- Register using California Form CT-1 if actively targeting California donors
- Consult state-specific legal counsel for multi-jurisdiction compliance strategies

🔴 Washington State Expands Sales Tax to Nonprofit Services Starting October 1

Washington nonprofits face increased operational costs following implementation of Engrossed Substitute Senate Bill 5814, which broadens retail sales tax definitions to include numerous services. Previously exempt services now subject to taxation include consultants, training programs, technology tools, advertising, storage facilities, and temporary staffing. Organizations already struggling financially must navigate significant confusion about requirements while consulting tax professionals for compliance. The Department of Revenue applies tax rates based on customer location during service delivery, creating additional logistical challenges for multi-region providers.

https://nonprofitwa.org/new-washington-state-taxes-start-on-october-1st-2025/

🔴 Massachusetts Pay Transparency Requirements Take Effect October 29

Employers with 25 or more Massachusetts employees must include salary ranges in job postings beginning October 29 under Chapter 141 of the Acts of 2024. Covered nonprofit employers must disclose good-faith minimum and maximum annual salaries or hourly wages for positions physically located in Massachusetts or remote roles predominantly supporting Massachusetts offices. Organizations face additional compliance with EEO-1 data reporting requirements that took effect February 2025. The Attorney General's Office will publish additional implementation guidance, with enforcement authority resting exclusively with that office rather than creating private rights of action.

https://www.jacksonlewis.com/insights/massachusetts-pay-transparency-law-takes-effect-october-heres-what-employers-need-do-now

🟡 Maryland Online Data Privacy Act Implementation Challenges Nonprofits

Maryland's comprehensive data privacy law took effect October 1 with limited nonprofit exemptions, applying to entities processing personal data of 35,000 Maryland consumers or 10,000 consumers with 20 percent revenue from data sales. Unlike broader exemptions in other states, Maryland exempts only nonprofits processing data solely to assist law enforcement investigating insurance fraud or first responders addressing catastrophic events. The law's strict data minimization requirements limit collection to what is "reasonably necessary and proportionate" for specific consumer-requested services. Nonprofits must recognize universal opt-out mechanisms by October 25 and establish consumer rights request processes with 45-day response requirements.

https://www.cooley.com/news/insight/2025/2025-09-09-marylands-unique-state-privacy-law-takes-effect-october-1--what-you-should-know

🟢 Illinois Extends Charitable Organization Annual Report Extension Process

The Illinois Attorney General's Office streamlined extension procedures for Form AG990-IL charitable organization annual reports, effective October 29, 2024. Organizations now receive automatic alignment with federal Form 990 six-month extension deadlines upon filing IRS Form 8868, eliminating previous requirements for $15 fees, draft forms, and financial statement submissions with extension requests. The simplified process reduces administrative burdens while maintaining six-month fiscal year-end filing deadlines. Organizations with contributions exceeding $500,000 must still attach audited financial statements to completed returns, while those with $300,000 to $500,000 require reviewed statements.

https://www.orba.com/helpful-changes-at-the-illinois-attorney-generals-office/

🟡 California Legislature Advances AB 488 Nonprofit Compliance Requirements

California's Charitable Solicitation Registration Act requires online fundraising platforms to verify nonprofit compliance before facilitating donations from California residents. Organizations must maintain good standing with the California Attorney General, Franchise Tax Board, and IRS to fundraise online, regardless of physical location. Nonprofits appearing on Attorney General "May Not Operate" lists, Franchise Tax Board revoked exempt organization lists, or IRS Revocation Lists face suspended online fundraising until compliance restoration. Processing backlogs at oversight agencies create compliance status update delays even after organizations submit required filings. Organizations must register using Form CT-1 with articles of incorporation, bylaws, and IRS determination letters if actively targeting California donors.

https://support.gofundme.com/hc/en-us/articles/35772206616859-Understanding-California-AB488-and-How-It-May-Affect-Your-Nonprofit

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Summary

The federal government shutdown continues with devastating impacts as reductions-in-force begin and nonprofits lose access to $267 billion in annual federal grants. Office of Management and Budget Director Russell Vought announced substantial permanent layoffs have commenced, with the Department of Health and Human Services confirming termination notices were issued to employees across multiple divisions. Congress adjourned until mid-October after voting down competing funding proposals for the seventh time, with 900,000 workers remaining furloughed and 700,000 working without pay. The WIC program serving 7 million vulnerable Americans faces funding exhaustion within weeks while organizations face halted grant payments, inability to access federal administrators, and consider expensive bridge loans to maintain services. The shutdown costs the entire national economy $15 billion weekly. The Department of Justice's directive to investigate the Open Society Foundations for terrorism-related charges represents unprecedented targeting of major philanthropic institutions, while the administration considers expanding the global gag rule to international DEI programs. Treasury's Priority Guidance Plan addresses critical issues including Johnson Amendment restrictions and donor advised fund regulations. The EEOC eliminated federal investigation support for disparate impact discrimination claims, affecting organizations using AI-driven hiring tools. State compliance requirements proliferate with Washington expanding sales tax to nonprofit services, Massachusetts implementing pay transparency mandates by October 29, and Maryland enforcing strict data privacy requirements. Nonprofit leaders must immediately secure advance reimbursements, develop contingency plans, strengthen compliance systems, and amplify advocacy efforts to navigate this unprecedented convergence of operational crisis, political targeting, and regulatory complexity.

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.

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