

Abstract

The federal government shutdown continues with no resolution, devastating nonprofit operations nationwide through frozen grants, delayed payments, and furloughed federal partners. One-third of nonprofits report government funding disruptions since January, with organizations facing unprecedented threats including criminal investigations of major foundations, illegal grant withholding, and politicized oversight. Nonprofits helped organize October 18 No Kings protests. Brown University and MIT rejected Trump administration proposals offering priority funding in exchange for institutional commitments threatening academic freedom. New tax legislation alters charitable giving incentives through universal deductions and corporate contribution floors. Meanwhile, regulatory changes reshape compliance obligations across HHS grants, controlled substances ordering, and employment practices. State attorneys general coordinate resistance to federal overreach while California expands nonprofit funding eligibility.

October 20, 2025 Navigator News Update: Including Shutdown Impact on Nonprofits, Academic Freedom, Criminal Investigations of Charitable Organizations, No Kings Protests, and More!

From Nonprofit Management Navigator

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

Introduction

This week presents nonprofit leaders with extraordinary operational and strategic challenges requiring immediate attention. The ongoing federal government shutdown compounds funding disruptions that have affected one-third of the sector since January, creating cascading crises across organizations serving vulnerable populations. Beyond immediate operational pressures, nonprofits face fundamental threats to sector independence through unprecedented criminal investigations, politicized grant oversight including the Trump administration's higher education compact requiring sweeping institutional changes, and regulatory changes targeting organizational missions. Nonprofits helped organize October 18 No Kings protests. Major universities rejected federal proposals exchanging funding access for control over academic programs, reflecting broader sector concerns about conditional funding arrangements. Simultaneously, major tax legislation reshapes charitable giving incentives beginning in 2026, requiring strategic planning for donor engagement. Leaders must balance crisis response with proactive adaptation to permanent shifts in the nonprofit operating environment. This update

provides essential intelligence for navigating multiple simultaneous challenges while protecting organizational mission and sustainability.

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**

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 19, 2025

Nonprofit News

 **Executive Summary:** The federal government shutdown continues with no resolution, severely disrupting nonprofit operations through frozen grants, delayed payments, and furloughed federal partners. One-third of nonprofits experienced government funding disruptions between January and June 2025. The administration pursues unprecedented criminal investigations of major foundations while implementing politicized oversight of federal grants. Nonprofits helped organize October 18 No Kings protests. Brown University and MIT rejected the administration's higher education compact offering priority funding in exchange for institutional commitments including abolishing programs critical of conservative ideas and defining sex by biological function, citing threats to academic freedom. A federal court blocked illegal shutdown layoffs affecting over 4,100 federal workers. Philanthropic response remains limited despite sector pleas for emergency support.

 **Key Actions for This Section:** Organizations must take urgent steps to protect operations and defend sector independence:

- Activate emergency funding strategies including credit lines and reserves
- Document all federal funding disruptions with detailed impact records
- Review grant agreements for termination-for-convenience clauses and conditional funding provisions
- Evaluate institutional partnerships with universities affected by federal compact proposals
- Participate in collective defense networks protecting sector independence

- Monitor court challenges to administration actions affecting operations
- Apply for reopened Education Department mental health grants by October 29
- Assess implications of conditional federal funding arrangements for organizational autonomy

● **Government Shutdown Status and Reopening Prospects**

The federal government shutdown continues with no immediate resolution in sight as partisan gridlock intensifies. Senate votes to advance funding bills have failed eight consecutive times, with Republicans and Democrats entrenched over Affordable Care Act subsidy extensions. House Speaker Mike Johnson refuses to recall Congress until Democrats compromise, warning this could become the longest shutdown in U.S. history. No formal negotiations are currently underway, though both parties claim readiness to negotiate. Pressure mounts as federal workers miss paychecks and economic impacts escalate daily, creating increasingly desperate conditions for organizations dependent on federal funding and partnerships.

<https://www.cbsnews.com/live-updates/government-shutdown-2025-latest-senate-votes/>

● **Federal Government Shutdown Disrupts Nonprofit Services Nationwide**

The ongoing federal government shutdown severely impacts nonprofits providing critical community services across the country. Organizations face delayed payments, frozen grants, and furloughed federal partners, forcing many to consider emergency loans, staff reductions, and service cutbacks. Hunger-relief groups report compounding effects from earlier federal funding cuts, while AmeriCorps VISTA members go unpaid. With 900,000 federal workers furloughed and demand for services rising, nonprofits struggle to maintain operations while federal employees miss paychecks, creating cascading crises across the safety net that threaten vulnerable populations during an extended appropriations lapse.

<https://www.philanthropy.com/article/what-a-long-shutdown-could-mean-for-nonprofit-jobs-revenue>

● **Federal Court Blocks Trump Administration Shutdown Layoffs**

U.S. District Judge Susan Illston issued an emergency order on October 15, 2025 temporarily blocking the Trump administration from firing federal workers during the government shutdown, ruling the mass layoffs appeared politically motivated and unlawfully exceeded executive authority. The administration had issued reduction-in-force notices to over 4,100 employees across eight agencies including HHS, Treasury, DHS, Education, Energy, and HUD, with OMB Director Russ Vought projecting eventual cuts exceeding 10,000 workers. Judge Illston found the firings violated the Anti-Deficiency Act by misusing shutdown processes for partisan purposes rather than temporary furloughs with guaranteed back pay. The ruling affects nonprofits through continued disruptions to grants management, compliance oversight, and service delivery as agencies lose experienced staff while legal challenges proceed.

<https://www.afge.org/publication/federal-judge-issues-immediate-halt-of-trump-administrations-illegal-firing-of-federal-workers-during-shutdown/>

● **Nonprofit Organizations Role in No Kings Protests**

Approximately 200 nonprofit organizations including ACLU, Indivisible Project, American Federation of Teachers, Public Citizen, Planned Parenthood, Human Rights Campaign, and MoveOn helped organize October 18 No Kings protests drawing millions nationwide. Organizations emphasized peaceful assembly and provided safety training while remaining within Johnson Amendment restrictions by focusing on policy opposition rather than candidate endorsement. ACLU chief political officer stated protests defend constitutional rights to peaceful democratic participation and free speech.

[https://en.m.wikipedia.org/wiki/No_Kings_protests_\(October_2025\)](https://en.m.wikipedia.org/wiki/No_Kings_protests_(October_2025))

<https://www.cnn.com/2025/10/17/us/no-kings-protests-trump>

<https://www.aclu.org/news/civil-liberties/live-coverage-no-kings-national-day-of-action>

● **Major Universities Reject Trump Administration Higher Education Compact**

Brown University and MIT formally rejected the Trump administration's "Compact for Excellence in Higher Education" offering priority federal funding in exchange for institutional commitments including abolishing programs critical of conservative ideas, mandating standardized testing, capping international enrollment at 15%, and defining sex by biological function. Presidents cited threats to academic freedom and institutional autonomy. Faculty senates at University of Arizona, UVA, and Vanderbilt opposed the agreement while University of Texas expressed interest. Administration set October 20 feedback and November 21 decision deadlines.

<https://www.bostonglobe.com/2025/10/15/metro/brown-dartmouth-mit-students-trump-compact/>

<https://www.highereddive.com/news/mit-becomes-first-college-to-reject-trumps-higher-education-compact/802624/>

● **Philanthropic Foundations Launch \$500 Million AI Initiative**

Ten philanthropic foundations including Ford, MacArthur, Packard, and Mozilla launched Humanity AI on October 14, committing \$500 million over five years to center human interests in artificial intelligence development. The coalition aims to loosen tech developers' control over AI evolution and ensure communities aren't left behind by rapid integration. Partners will coordinate grants starting fall 2025, pooling resources through Rockefeller Philanthropy Advisors. The initiative addresses nonprofit concerns that AI technology development is happening to communities rather than with them, potentially reshaping how charitable organizations engage with emerging technology and ensuring nonprofit voices influence AI applications.

<https://www.mainlinemedianews.com/2025/10/14/philanthropy-humanity-ai/>

● **Lessons from History: The 35-Day Shutdown That Reshaped Federal Workforce**

The 2018-2019 shutdown during Trump's first term lasted a record-breaking 35 days over a border wall funding dispute, affecting 800,000 federal employees and costing the economy \$11 billion. The impasse ended January 25, 2019, when air traffic controller sick-outs caused flight delays and Trump signed a three-week funding measure without wall funding. That shutdown saw federal workers lining up at food banks, economic activity permanently lost, and 900 FDA food safety inspections delayed. Nonprofits should study that precedent: liquidity stress intensified dramatically after week two, forcing many organizations to activate emergency credit lines and drastically reduce services to vulnerable populations.

<https://www.aljazeera.com/news/2025/10/1/a-history-of-us-government-shutdowns-every-closure-and-how-long-it lasted>

● **Foundation Response Remains Limited Despite Nonprofit Sector Pleas**

Philanthropic sector response to the current shutdown has been modest despite nonprofit calls for emergency support, with most major foundations remaining largely silent on immediate relief measures. Notable exceptions include Bloomberg Philanthropies' commitment to UN climate funding and a coalition of foundations pledging \$37 million for public media stations facing closure from earlier federal cuts. Community foundations in Lincoln, Santa Fe, and Central Florida have launched targeted emergency grant programs for organizations demonstrating federal funding disruptions. However, experts note private philanthropy cannot replace government funding that comprises 33% of nonprofit sector revenue. Most foundations cite concerns about establishing precedents for replacing government funding.

<https://www.philanthropy.com/article/new-emergency-funds-open-as-federal-funding-tightens>

● **State Governments Lack Resources to Replace Federal Shutdown Gaps**

States report limited capacity to backfill federal funding interruptions during the shutdown, with most directing scarce resources toward maintaining essential services like Medicaid processing and emergency management operations. California Governor Newsom issued strong statements criticizing the shutdown but announced no state replacement funding for affected nonprofits. Texas officials confirmed FEMA disaster recovery operations will continue but acknowledged potential slowdowns. States that previously used their own funds to keep national parks open during past shutdowns face budget constraints limiting similar interventions in 2025. Organizations should not expect meaningful state financial intervention beyond existing pass-through grants and contractual obligations.

<https://www.texastribune.org/2025/10/01/government-shutdown-texas-congress-benefits-parks-veterans/>

● **Over 1,000 Nonprofits Sign Letter Opposing Politicization of Sector**

More than 1,400 charitable nonprofits launched a national sign-on letter opposing efforts to weaken the Johnson Amendment and politicize houses of worship and the nonprofit sector. Led by the National Council of Nonprofits, Interfaith Alliance, Americans United, and other organizations, the coalition warns that exempting religious organizations from nonpartisanship protections risks eroding public trust, inviting corruption, and creating new dark money channels. Signatories represent thousands of local nonprofits serving communities across political divides, emphasizing that charitable organizations must remain focused on mission rather than partisan politics.

<https://www.councilofnonprofits.org/pressreleases/over-1000-charitable-nonprofits-launch-national-sign-letter-defend-nonpartisanship>

● **GAO Determines NIH Grant Withholding Violated Federal Law**

The Government Accountability Office concluded that the Trump administration illegally withheld \$8 billion in National Institutes of Health research funding by terminating over 1,800 grants and delaying new awards. The actions violated the Impoundment Control Act, which prohibits presidents from withholding congressionally appropriated funds without proper notification. Between February and June 2025, NIH obligated significantly less funding than prior years while following executive directives to eliminate equity-related projects. GAO found no evidence that delayed funds were redirected to other programs, constituting illegal impoundment undermining Congress's constitutional power of the purse.

<https://www.govexec.com/oversight/2025/08/trump-illegally-froze-1800-nih-medical-research-grants-congress-watchdog-says/407296/>

● **Executive Order Requires Political Appointee Review of Federal Grants**

President Trump signed an executive order on August 7 requiring all federal agencies to designate senior political appointees to review and approve discretionary grant announcements and awards. The order mandates grants must "demonstrably advance" presidential priorities and prohibits funding for programs involving racial preferences, gender ideology support, or activities deemed anti-American. Agencies cannot issue new funding opportunities until appointee review processes are implemented. The order requires all future grants include termination-for-convenience clauses and restricts indirect cost reimbursements, fundamentally altering peer-review processes and centralizing political control over billions in research and program funding.

<https://www.whitehouse.gov/presidential-actions/2025/08/improving-oversight-of-federal-grantmaking/>

● **Trump Administration Directs Criminal Investigation into Nonprofits**

The Department of Justice directed multiple U.S. attorney offices to prepare criminal investigations of the Open Society Foundations, with potential charges including racketeering, arson, wire fraud, and material support for terrorism. This unprecedented action followed a

September 25 presidential memorandum directing federal agencies to investigate and disrupt nonprofits allegedly supporting domestic terrorism. The National Council of Nonprofits condemned these actions as baseless attacks on freedom of speech designed to silence organizations disagreeing with administration policies. Civil society leaders warn these investigations represent weaponization of government power against constitutionally protected nonprofit advocacy and philanthropic activities.

<https://www.councilofnonprofits.org/pressreleases/statement-diane-yentel-reported-trump-administration-criminal-investigations>

One-Third of Nonprofits Experience Government Funding Disruptions

Urban Institute research reveals one in three nonprofits experienced government funding disruptions between January and June 2025, with 21 percent losing funding, 27 percent facing delays or freezes, and 6 percent receiving stop-work orders. Organizations experiencing disruptions were twice as likely to reduce staff compared to all nonprofits, with 23 percent cutting programs and 21 percent reducing people served. Among organizations facing three types of disruptions, 48 percent reduced programs and 38 percent decreased individuals reached. Nonprofits report severe cash flow problems, hiring freezes, and inability to plan short or long-term operations amid unprecedented funding uncertainty.

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

Nonprofits Form Defensive Alliance Against Administration Targeting

Charitable organizations are establishing a mutual support network, informally termed "NATO for nonprofits," to protect members facing potential government retaliation. The alliance offers embattled groups strategic assistance, legal support, public statements of solidarity, and staff loans to maintain operations during crises. Led by former Justice Department official Vanita Gupta, over 3,700 organizations have signed a joint letter condemning efforts to intimidate and silence charitable groups through executive action. This collective defense strategy represents a significant shift from previous isolated responses to administration pressures, creating resilience for nonprofits navigating political scrutiny.

<https://www.nbcnews.com/politics/donald-trump/nato-nonprofits-groups-band-together-trump-rcna234954>

Education Department Reopens Mental Health Grant Programs

The U.S. Department of Education announced \$270 million in funding across two mental health grant programs with an October 29, 2025 application deadline, after controversially canceling these congressionally approved programs last spring. The School-Based Mental Health Services Grant Program and Mental Health Service Professional Demonstration Grant Program now focus exclusively on recruiting school psychologists rather than broader mental health professionals. This narrowed scope concerns education organizations, as school counselors and social workers

who provide crucial student support are excluded. Nonprofits serving schools face both opportunities for funding and challenges adapting proposals to meet restrictive new priorities.

<https://www.ed.gov/grants-and-programs/grants-birth-grade-12/safe-and-supportive-schools/school-based-mental-health-services-grant-program>

Nonprofit Regulatory Developments

 **Executive Summary:** Major regulatory changes take effect across federal agencies affecting grant administration, controlled substances procedures, and tax compliance. HHS implements revised grants policy effective October 1 transitioning to unified federal guidance. The One Big Beautiful Bill Act substantially increases university endowment excise taxes and expands high compensation penalties. DEA modernizes controlled substances ordering through mandatory electronic enrollment. Treasury actions underscore international sanctions compliance requirements, while Education Department mental health grant competitions close October 29.

 **Key Actions for This Section:** Organizations must ensure compliance with new requirements:

- Review HHS grant agreements for alignment with updated 2 CFR requirements
- Transition DEA controlled substances applications to electronic portal by November 3
- Assess university endowment tax liability under new tiered structure
- Evaluate executive compensation for expanded excise tax exposure
- Implement OFAC screening protocols for international operations
- Submit Education Department mental health applications by October 29 deadline

HHS Grants Policy Statement Version 2.0 Now Operative

The Department of Health and Human Services Grants Policy Statement version 2.0 became effective October 1, 2025, governing all HHS awards made on or after that date. The updated policy shifts from 45 CFR Part 75 to adopting 2 CFR Parts 200 and 300 as the primary regulatory framework for HHS grant administration. HRSA issued guidance confirming the alignment applies to fiscal year 2025 awards and modifications starting October 1. Nonprofits receiving HHS funding must ensure compliance with revised administrative requirements, cost principles, and audit requirements under the new unified guidance framework affecting billions in health-related grant programs.

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

DEA Modernizes Controlled Substances Ordering System

The Drug Enforcement Administration published a final rule effective November 3, 2025, modernizing the Controlled Substances Ordering System by requiring all CSOS enrollment

applications and supporting materials to be submitted through the secure online portal. This regulation eliminates paper-based, notarized applications, streamlining the enrollment process for healthcare-related nonprofits, hospitals, and clinics handling controlled substances. The online system reduces processing time from an estimated three hours to 1.75 hours per application and eliminates notary costs averaging five dollars. Affected nonprofits must transition to electronic enrollment procedures and ensure staff understand new digital certificate requirements.

<https://www.federalregister.gov/documents/2025/10/02/2025-19325/controlled-substances-ordering-system-csos-modernization>

OBBBA Expands Endowment Excise Tax on Universities

The One Big Beautiful Bill Act substantially increases the excise tax on university endowment investment income through a new tiered structure with rates of 1.4%, 4%, and 8% based on student-adjusted endowment levels. Private institutions with at least 3,000 tuition-paying students and endowments exceeding \$500,000 per student face these higher taxes, affecting 56 colleges initially with expansion expected. The provision applies to tax years beginning after December 31, 2025, and creates additional financial burdens requiring affected institutions to engage in proactive tax planning. Educational nonprofits must assess whether they meet new thresholds and calculate projected tax liability.

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

OBBBA Expands Excise Tax on High Compensation

The One Big Beautiful Bill Act expands the existing 21% excise tax on excess compensation to cover all current and former employees receiving more than \$1 million annually, not just the five highest-compensated employees. This significant expansion applies to severance agreements and is effective for tax years after December 31, 2025, increasing compliance burdens and potential tax liability for larger nonprofits with highly compensated executives or specialists.

Organizations must review all employment agreements, evaluate severance packages, and consider restructuring compensation to minimize excise tax exposure while balancing the need to attract qualified leadership.

<https://www.grassiadvisors.com/blog/the-one-big-beautiful-bill-and-charitable-giving-what-it-means-for-your-nonprofit/>

Treasury Department Actions Underscore NGO Sanctions Compliance Requirements

Treasury Department press releases and actions during the week of October 14 highlight Office of Foreign Assets Control sanctions and anti-money laundering compliance requirements affecting nonprofits with international operations. Recent sanctions actions reaffirm that nonprofits must screen grantees, partners, and beneficiaries against OFAC lists before providing funds or services. Organizations operating internationally face heightened scrutiny of foreign

partner relationships, payment systems, and beneficiary identification procedures. Nonprofits should review compliance programs, implement robust screening controls, maintain documentation of due diligence efforts, and stay current with Treasury designations affecting humanitarian operations.

<https://home.treasury.gov/news/press-releases>

Education Department Closes Mental Health Grant Competitions

The Department of Education is closing multiple fiscal year 2025 K-12 mental health grant competitions with October 29 deadlines, creating a narrow window for nonprofits preparing applications during the week of October 13-20. The Safe and Supportive Schools Mental Health Service Professional Demonstration Grant Program funding opportunities require comprehensive applications addressing student mental health needs, evidence-based interventions, and partnerships between schools and community providers. Nonprofits interested in competing must expedite application development during the active preparation window. These grants represent significant funding for school-based mental health services.

<https://www.ed.gov/grants-and-programs/grants-birth-grade-12/safe-and-supportive-schools/mental-health-service-professional-demonstration-grant-program>

Nonprofit Human Resources Developments

 **Executive Summary:** The federal government shutdown paralyzes HR compliance agencies with massive furloughs at EEOC, DOL, and NLRB halting investigations, audits, and case processing. E-Verify system remains disabled preventing new hire verifications. The reconstituted EEOC with Republican majority will target DEI programs and rescind 2024 harassment guidance protecting LGBTQ+ employees. Commissioner Panuccio's confirmation enables revision of Pregnant Workers Fairness Act regulations. DOL transitions to electronic-only back wage payments while OSHA maintains emergency enforcement during appropriations lapse.

 **Key Actions for This Section:** Organizations must adapt HR operations to shutdown impacts and prepare for enforcement shifts:

- Continue completing Form I-9 for new hires despite E-Verify unavailability
- Document shutdown-related delays in employment verification procedures
- Review DEI programs with legal counsel for compliance risks
- Prepare for revised Pregnant Workers Fairness Act accommodation requirements
- Ensure employees can receive electronic back wage payments
- Maintain workplace safety protocols recognizing OSHA emergency authority continues

Federal Government Shutdown Paralyzes HR Compliance Agencies

The federal government shutdown beginning October 1, 2025 has severely disrupted nonprofit HR compliance operations across EEOC, DOL, and NLRB. The EEOC furloughed 1,686 of 1,814 employees, halting new investigations, mediations, and hearings while only docketing charges to preserve filing deadlines. The DOL's Wage and Hour Division reduced from 1,270 to just 10 active employees, pausing audits and investigations except for health and safety matters. The NLRB ceased all case handling, postponed union elections and hearings, and tolled all filing deadlines. Nonprofits face uncertainty managing pending cases and maintaining compliance during prolonged shutdown affecting essential enforcement agencies.

<https://ogletree.com/insights-resources/blog-posts/what-the-federal-government-shutdown-means-for-employers/>

BLS Releases September 2025 CPI Data

The Bureau of Labor Statistics released September 2025 Consumer Price Index data on October 15, 2025, providing critical inflation measurements nonprofits need for reviewing cost-of-living adjustments, salary thresholds, and benefit calculations. Organizations should analyze CPI trends to inform compensation planning, evaluate whether COLA provisions in employment agreements or collective bargaining agreements require adjustments, and assess budget implications of inflation on employee costs. The BLS also announced forthcoming methodology changes to the health insurance index affecting future CPI calculations, requiring nonprofits to monitor November releases.

<https://www.bls.gov/news.release/cpi.nr0.htm>

E-Verify System Disabled During Shutdown

The government shutdown disabled the E-Verify system on October 1, 2025, preventing nonprofits from enrolling new employers, creating verification cases for new hires, or resolving Tentative Nonconfirmations. Despite system unavailability, nonprofits must continue completing Form I-9 for all new employees following standard compliance procedures, as immigration documentation requirements remain in effect. USCIS typically suspends the three-day E-Verify submission rule and extends TNC resolution deadlines during shutdowns, but nonprofits cannot process verifications until system restoration. Organizations face compliance challenges requiring careful documentation of shutdown-related delays.

<https://www.spencerfane.com/insight/what-does-the-government-shutdown-mean-for-employers/>

EEOC Poised to Revise Pregnant Workers Fairness Act Regulations

With Commissioner Panuccio's confirmation establishing an EEOC quorum, the agency will quickly revise Pregnant Workers Fairness Act regulations that Acting Chair Andrea Lucas has criticized as exceeding statutory authority. A federal court in Louisiana's Western District already vacated portions requiring accommodation for elective abortions and ordered regulatory revisions. Expected changes include removing menstruation, infertility, abortion, and menopause from conditions requiring accommodation absent undue hardship. Nonprofits face uncertainty

about which pregnancy-related accommodations remain mandatory and must monitor forthcoming regulatory changes carefully while the current Final Rule remains partially effective.

<https://www.disabilityleavelaw.com/2025/10/articles/eeoc-guidance/confirmation-of-brittany-panuccio-restores-the-eeoc-quorum-changes-to-the-pregnant-workers-fairness-act-regulations-coming-soon/>

EEOC Expected to Target DEI Programs

The reconstituted EEOC with its Republican majority will prioritize investigating diversity, equity, and inclusion practices alleged to result in unlawful race- or sex-based decision-making, representing a fundamental enforcement shift. Acting Chair Lucas announced priorities including rooting out DEI-motivated discrimination, emphasizing individual merit and equal opportunity principles while curtailing disparate impact enforcement in favor of intentional discrimination theories. The Commission may eliminate EEO-1 reporting requirements. Nonprofits with DEI initiatives face heightened scrutiny, potential investigations, and pressure to modify or eliminate programs, requiring careful legal review of diversity practices and explicit documentation of lawful justifications.

<https://ogletree.com/insights-resources/blog-posts/eeoc-realigned-panuccio-confirmation-ushers-in-new-era/>

EEOC Plans to Rescind 2024 Harassment Guidance

The EEOC will likely rescind or substantially revise its April 2024 "Enforcement Guidance on Harassment in the Workplace" that stated misgendering employees, barring gender identity-aligned dress, and denying appropriate bathroom access could constitute harassment. A Texas federal court already vacated these portions earlier in 2025, and Acting Chair Lucas publicly committed to revisiting this guidance following Commissioner Panuccio's confirmation. President Trump's Executive Order directed the EEOC to rescind all guidance inconsistent with defending biological sex distinctions. Nonprofits must anticipate reduced federal protection for LGBTQ+ employees and carefully navigate evolving legal standards.

<https://www.berkshireassociates.com/blog/update-brittany-panuccio-confirmed-as-eeoc-commissioner>

DOL Transitions to Electronic-Only Back Wage Payments

The Department of Labor's Wage and Hour Division implemented electronic-only back wage payments effective October 1, 2025, eliminating paper check options for employees receiving recovered wages from enforcement actions. This modernization streamlines payment processing, reduces delays, and provides electronic payment tracking but requires employees to have bank accounts or accept alternative electronic payment methods. Nonprofits subject to DOL investigations or compliance actions must ensure affected employees can receive electronic

payments, potentially assisting workers without banking access in establishing accounts or understanding payment options.

<https://www.dol.gov/agencies/whd/wow>

OSHA Maintains Emergency Enforcement During Shutdown

Despite the October 2025 federal government shutdown, OSHA continues emergency enforcement activities including inspections of imminent danger situations, workplace fatality investigations, and catastrophe responses. The agency retained approximately 300 of 1,180 employees to handle critical health and safety matters while furloughing staff responsible for routine inspections, compliance assistance, and technical guidance. Nonprofits should understand that while routine safety audits and consultations are suspended, emergency response capabilities continue uninterrupted, maintaining workplace safety obligations and OSHA's authority to investigate serious incidents.

<https://www.osha.gov/news/newsreleases/all>

NLRB Issues Shutdown Ethics Reminders

The National Labor Relations Board issued ethics guidance reminding furloughed employees about restrictions during the appropriations lapse, addressing outside employment limitations, communication protocols, and conduct standards applicable despite inactive employment status. The ethics reminder clarifies that furloughed NLRB employees remain federal employees subject to Standards of Ethical Conduct even when not performing duties or receiving pay, restricting activities that might create conflicts of interest. Nonprofits should understand that furloughed employees handling labor relations matters cannot engage in private sector work that would conflict with their government positions.

<https://www.nlr.gov/documents/2025/10/division-of-administrations/Ethics%20Reminder%20During%20Lapse%20in%20Appropriations%2010.01.25.pdf>

IRS, Accounting, and Finance Developments

 **Executive Summary:** The IRS furloughed nearly half its workforce halting most operations except essential functions, creating extended delays for determination letters and compliance matters. The One Big Beautiful Bill Act creates permanent changes including universal charitable deductions for non-itemizers, corporate contribution floors, and enhanced gift tax exemptions. A federal court ruled IRS standards for 501(c)(4) political activity unconstitutionally vague. FASB addresses nonprofit revenue recognition issues while donor-advised funds face growing reform pressure. Tax year 2026 inflation adjustments reflect OBBA provisions.

 **Key Actions for This Section:** Organizations must adapt to IRS disruptions and implement tax law changes:

- Prepare for extended IRS processing delays on determination letters and compliance matters
- Educate donors about 2026 universal charitable deduction excluding DAF contributions
- Review 501(c)(4) political activity standards given constitutional uncertainty
- Analyze corporate giving programs for one percent taxable income floor impact
- Monitor FASB deliberations on nonprofit revenue recognition guidance
- Update donor communications reflecting permanently higher exemptions and new deduction rules

IRS Furloughs Nearly Half Workforce During Shutdown

The Internal Revenue Service furloughed 34,400 of 74,300 employees on October 8, 2025, halting most operations except essential functions like e-filing, automated payment processing, and return processing. The agency retained only 53.6% of staff to handle critical taxpayer services, prepare for the 2026 filing season, and implement One Big Beautiful Bill Act provisions. Non-automated collections ceased, taxpayer correspondence responses stopped, and enforcement activities lost substantial staff. Nonprofits face extended delays for determination letter applications, compliance examination responses, and technical guidance requests, creating substantial uncertainty for organizations requiring IRS assistance.

<https://www.cnn.com/2025/10/09/politics/irs-furloughs-government-shutdown>

Court Rules 501(c)(4) Political Activity Standards Unconstitutionally Vague

A federal district court determined that IRS standards for measuring political activity by 501(c)(4) social welfare organizations are unconstitutionally vague, failing to provide adequate notice of prohibited conduct under the primary purpose test. The ruling challenges the agency's ability to enforce limitations on political campaign intervention by organizations claiming tax exemption under section 501(c)(4), potentially undermining decades of administrative guidance distinguishing permissible issue advocacy from prohibited political activity. Nonprofits operating as or considering 501(c)(4) status face heightened legal risk navigating political engagement without clear regulatory boundaries.

<https://www.bhfs.com/insight/court-finds-irs-standards-for-501c4-political-activity-unconstitutionally-vague/>

IRS Releases 2026 Tax Inflation Adjustments

The Internal Revenue Service published inflation adjustments for tax year 2026 incorporating changes from the One Big Beautiful Bill Act alongside standard annual indexing for income tax brackets, standard deductions, and numerous other provisions. The 2026 adjustments reflect permanent OBBBA modifications including the universal charitable deduction for non-itemizers, corporate charitable contribution floor, modified itemized deduction limits, and expanded SALT

deduction caps with income phaseouts. Organizations must understand these adjustments for donor education, compensation planning, and benefit program design as inflation-adjusted thresholds affect employee tax withholding and retirement contributions.

<https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill>

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. The universal charitable deduction's exclusion of DAF contributions signals policy direction toward direct charitable support.

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

FASB October Board Meeting Addresses NFP Revenue Recognition

The Financial Accounting Standards Board's October 8, 2025 meeting included agenda items on not-for-profit revenue recognition issues, with handouts and discussion materials posted for public review. Board deliberations covered implementation questions, technical corrections, and potential future projects affecting how nonprofits account for contributions, conditional grants, and exchange transactions under current revenue recognition standards. Nonprofits should monitor FASB meeting materials and exposure drafts resulting from these deliberations, as changes to revenue recognition guidance require updates to accounting policies and financial statement presentations.

<https://storage.fasb.org/BMHO20251008.pdf>

IASB-FASB Joint Meeting Notes Posted for Government Grants Agenda

The International Accounting Standards Board and FASB held a joint education session on October 3, 2025 with an agenda including government grants accounting, an area where U.S. GAAP lacks comprehensive guidance compared to international standards. Meeting notes indicate discussion of recognition, measurement, and presentation issues for government assistance received by entities, potentially signaling future standard-setting activity addressing gaps in authoritative guidance. Current diversity in practice for recognizing government awards creates comparability challenges. Nonprofits receiving government funding should monitor whether FASB pursues comprehensive government grant guidance.

<https://www.iasplus.com/en/news/2025/10/iasb-fasb-meeting-notes>

● **One Big Beautiful Bill Creates Universal Charitable Deduction**

The One Big Beautiful Bill Act signed July 4, 2025 establishes a permanent above-the-line charitable deduction of \$1,000 for single filers and \$2,000 for joint filers effective January 1, 2026, allowing non-itemizing taxpayers to claim deductions for cash contributions to qualified public charities. This provision excludes contributions to donor-advised funds and private foundations, potentially shifting giving patterns toward direct support of operating charities. The universal deduction may broaden the donor base by providing tax incentives to approximately 90% of taxpayers who claim standard deductions. Nonprofits should educate donors about eligibility requirements.

<https://www.dafgiving360.org/tax-law-changes>

● **Corporate Charitable Deduction Floor Takes Effect 2026**

The One Big Beautiful Bill Act imposes a one percent taxable income floor for corporate charitable contribution deductions effective for tax years beginning after December 31, 2025, fundamentally altering corporate giving incentives. Corporations can only deduct contributions exceeding one percent of taxable income, with amounts below the threshold neither deductible nor eligible for carryforward. While the 10% ceiling remains unchanged, the new floor may reduce giving from smaller corporations or those with limited profitability. Nonprofits dependent on corporate support must develop strategies helping business donors achieve the minimum threshold.

<https://bipartisanpolicy.org/explainer/the-one-big-beautiful-bill-acts-changes-to-charitable-deductions/>

● **Standard Deduction Permanently Increased Retroactive to 2025**

The One Big Beautiful Bill Act permanently increased the standard deduction by \$750 for single filers and \$1,500 for joint filers retroactive to tax year 2025, building on the TCJA's enhanced standard deduction. The higher thresholds mean fewer taxpayers will itemize deductions, potentially reducing the tax incentive for charitable giving among middle-income donors. However, the new universal charitable deduction partially offsets this impact by allowing non-itemizers to deduct contributions. Nonprofits should develop donor education emphasizing both tax and mission-driven motivations for philanthropic support.

<https://www.akroncf.org/story/understanding-the-one-big-beautiful-bill-act-three-insights-for-philanthropy/>

● **Gift and Estate Tax Exemptions Reach \$14 Million Per Individual**

The One Big Beautiful Bill Act permanently extended enhanced gift and estate tax exemptions with the 2025 level reaching \$13.99 million per individual (\$27.98 million for married couples), increasing to \$15 million and \$30 million respectively in 2026. These historically high exemptions mean fewer estates face federal estate taxes, potentially reducing incentives for

charitable bequests as a tax-minimization strategy. However, affluent individuals may still pursue estate planning that includes charitable giving for values-based reasons. Nonprofits should maintain robust bequest programs that emphasize mission fulfillment alongside remaining tax benefits.

<https://www.akroncf.org/story/understanding-the-one-big-beautiful-bill-act-three-insights-for-philanthropy/>

State Nonprofit News

 **Executive Summary:** State attorneys general coordinate resistance to perceived federal overreach with 21 states condemning retaliatory prosecution. New York updates political activity and lobbying guidance for tax-exempt organizations while announcing data breach settlements totaling \$1.42 million. California expands nonprofit eligibility for state grants and contracts by recognizing state tax-exempt status alongside federal exemptions. CalNonprofits establishes federal policy resources hub and hosts networking for small advocacy organizations. States demonstrate limited capacity to replace federal funding gaps during shutdown.

 **Key Actions for This Section:** Organizations must navigate evolving state regulatory environments:

- Review New York political activity guidance with legal counsel and update policies
- Prioritize cybersecurity investments and breach response planning
- Evaluate California state tax-exempt recognition for expanded funding opportunities
- Access state association resources for federal policy transition guidance
- Participate in peer networking and information-sharing initiatives
- Monitor state-federal tensions affecting regulatory enforcement approaches

New York AG Updates Political Activity and Lobbying Guidance

The New York Attorney General's Charities Bureau released updated guidance in October 2025 clarifying permissible political activities and lobbying for tax-exempt organizations, addressing confusion following federal policy shifts regarding campaign intervention prohibitions. The guidance distinguishes between prohibited political campaign activities, permissible issue advocacy, allowable lobbying within expenditure limitations, and voter education programs that don't constitute endorsements. New York nonprofits should review the updated guidance with legal counsel, revise policies governing political activities, train staff and board members on compliance requirements, and document decision-making processes.

<https://ag.ny.gov/guidance-for-tax-exempt-organizations-on-political-activity-and-lobbying>

Minnesota AG Joins 21 States Condemning Retaliatory Prosecution

Minnesota Attorney General Keith Ellison and 21 state attorneys general issued a multistate statement on October 13, 2025 condemning what they characterized as retaliatory prosecution of New York AG Letitia James, expressing concerns about weaponization of legal processes against state officials. The statement signals coordinated state-level resistance to perceived federal overreach and politically motivated investigations that could chill enforcement of consumer protection, charitable solicitation, and other laws protecting nonprofit stakeholders. This development reflects increasing tension between state and federal authorities that may affect nonprofit regulatory enforcement priorities.

https://www.ag.state.mn.us/Office/Communications/2025/10/13_James.asp

New York AG Announces Data Breach Settlements

The New York Attorney General announced settlements on October 14, 2025 with insurance companies totaling \$1.42 million over data protection failures, underscoring aggressive state enforcement of data security requirements affecting all organizations handling sensitive personal information. The settlements demonstrate that state attorneys general actively pursue entities failing to implement reasonable safeguards, provide timely breach notifications, and maintain compliance with evolving cybersecurity standards. New York nonprofits must prioritize cybersecurity investments, conduct risk assessments, implement appropriate controls, train staff, and develop comprehensive breach response plans.

<https://ag.ny.gov/press-release/2025/attorney-general-james-secures-142-million-car-insurance-companies-over-data>

CalNonprofits Member Networking for Small Advocacy Organizations

CalNonprofits hosted a member networking session on October 16, 2025 specifically for advocacy organizations with budgets under \$1 million, providing peer connections, resource sharing, and discussion of challenges unique to smaller nonprofits engaged in policy work. These targeted networking opportunities help smaller organizations access expertise, avoid isolation, and develop strategies for sustaining advocacy efforts despite limited resources and increasing operational pressures from funding volatility. Small advocacy nonprofits face disproportionate challenges maintaining effectiveness with minimal staff and competing for foundation support against larger organizations.

<https://calnonprofits.org/>

California Assembly Bill 1318 Expands Nonprofit Tax Exemption Recognition

California Assembly Bill 1318, chaptered as Chapter 451 on October 7, 2025, expanded nonprofit eligibility for state grants and contracts by recognizing California state tax-exempt status under Section 23701d alongside federal 501(c)(3) status. The legislation clarifies that organizations serving refugees, immigrants, and undocumented persons with California tax exemptions qualify for state social services contracts even without federal tax-exempt status, removing barriers preventing these nonprofits from accessing state funding streams. California

nonprofits serving immigrant communities should evaluate how state tax-exempt recognition creates new funding opportunities and assess organizational capacity for state contracting requirements.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1318

● CalNonprofits Establishes Federal Policy Resources Hub

CalNonprofits created a resources hub for nonprofit resilience under federal policy shifts, providing members with guidance, tools, and information supporting organizational adaptation to changing regulatory, funding, and programmatic environments. Centralized resources help nonprofits access timely information, best practices from peer organizations, legal guidance on compliance questions, and strategic frameworks for decision-making during uncertainty. California nonprofits should regularly consult state association resources, participate in information sessions and webinars, engage with peers facing similar challenges, and leverage collective knowledge for more effective navigation of federal policy transitions.

<https://calnonprofits.org/>

Summary

The week of October 20, 2025 presents nonprofit leaders with converging crises requiring immediate operational response and strategic adaptation. The federal government shutdown continues with no resolution, creating cascading disruptions through frozen grants, delayed payments, and furloughed federal partners. Urban Institute research confirms one-third of nonprofits experienced government funding disruptions since January, with affected organizations twice as likely to reduce staff and programs.

Beyond immediate shutdown impacts, nonprofits face unprecedented threats to sector independence through criminal investigations of major foundations, illegal withholding of \$8 billion in NIH research funding, and executive orders requiring political appointee review of all federal grants. Nonprofits helped organize October 18 No Kings protests. Brown University and MIT's rejection of the administration's higher education compact—which would exchange priority funding for institutional control over academic programs—signals broader sector concerns about conditional federal funding arrangements threatening organizational autonomy. The formation of collective defense networks and sign-on letters from thousands of organizations demonstrates sector recognition that coordinated resistance is essential for protecting constitutional freedoms and mission integrity.

Major tax legislation fundamentally reshapes charitable giving incentives beginning in 2026, while regulatory developments compound operational challenges across HHS grants policy, EEOC enforcement targeting DEI programs, and IRS operations disrupted by massive furloughs. State responses demonstrate both opportunities through expanded funding eligibility and limitations in replacing federal revenue comprising 33% of sector funding.

Organizations must balance crisis response with proactive adaptation, including activating emergency funding strategies, participating in collective defense networks, ensuring compliance with new regulatory requirements, and conducting legal review of programs facing heightened scrutiny.

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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