Abstract

The nonprofit sector confronts unprecedented operational challenges in November 2025 as federal funding disruptions intensify during the second-longest government shutdown in U.S. history. With 36% of organizations operating at deficit, 42 million Americans facing SNAP funding exhaustion, and Hurricane Melissa devastating Caribbean communities, nonprofits must navigate simultaneous crises while federal oversight increases and traditional funding sources contract. Organizations face immediate workforce decisions, emergency cash management requirements, and strategic imperatives to diversify revenue streams. This comprehensive update provides essential intelligence on regulatory developments, compliance requirements, and actionable strategies for nonprofit leaders managing through this volatile period while maintaining mission delivery to communities experiencing escalating needs.

November 3, 2025 Navigator News Update: Including Federal Government Shutdown Impact on Nonprofits, SNAP Funding Crisis and More!

From Nonprofit Management Navigator

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

Introduction

November 2025 marks a critical inflection point for America's nonprofit sector as organizations confront converging crises that threaten operational sustainability and service delivery capacity. The federal government shutdown extending into November compounds earlier funding freezes and grant terminations, creating cascading financial pressures for organizations already operating on razor-thin margins. Simultaneously, 42 million SNAP recipients face benefit exhaustion while Hurricane Melissa's Category 5 landfall in Jamaica demands immediate humanitarian response. Against this backdrop, one-third of nonprofits report operating deficits while navigating new regulatory scrutiny and federal investigations targeting progressive organizations. This environment demands strategic agility, transparent communication, and decisive action from nonprofit leaders. The developments detailed in this update require immediate attention and coordinated organizational responses to ensure mission continuity during this unprecedented period of sector-wide instability.

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 November 2, 2025

Nonprofit News

📋 Executive Summary

The sector faces compounding crises as the second-longest government shutdown disrupts federal grants serving organizations dependent on government funding for an average 28% of their revenue. SNAP funding exhaustion threatens 42 million Americans while Hurricane Melissa's Category 5 impact demands Caribbean response coordination. Progressive nonprofits face federal criminal investigation threats under National Security Presidential Memorandum-7 without evidence of wrongdoing. Financial instability intensifies with 36% of organizations ending 2024 in deficit, one-third losing government funding in early 2025, and inflation straining operations while demand increases. Foundation giving shows 5.3% growth potential, yet organizations must urgently diversify revenue streams as traditional funding sources contract and political uncertainty creates unpredictable giving patterns.

⚡ Key Actions for This Section

Organizations should take immediate steps to protect their workforce and funding while adapting to the new operating environment:

- Implement emergency cash management and pursue bridge financing to address federal grant delays
- Expand emergency food distribution capacity and alternative funding for SNAP benefit gaps
- Coordinate Caribbean disaster response through established partnerships with flexible cash assistance
- Establish protocols for responding to federal inquiries and coordinate board communication strategies
- Launch multi-stream fundraising strategies including monthly giving, corporate partnerships, and major gifts
- Build emergency reserves and strengthen donor relationships for organizational sustainability
- Develop scenario-based contingency plans with clear decision triggers for various funding scenarios

🔴 Federal Judges Order SNAP Benefits Paid Using Emergency Funds as November 1 Deadline Passes

Two federal judges ruled October 31 that the Trump administration must use USDA contingency funds to provide at least partial SNAP benefits for November, rejecting arguments that the $5.3 billion emergency reserve applies only to natural disasters. With 41 million Americans facing benefit suspension, the administration claims insufficient authority and warns partial payments could cause operational collapse. States including Louisiana, Vermont, and Delaware declared emergencies to cover benefits locally. Food banks report surging demand as 25 states notified recipients benefits won't be issued. The crisis leaves nonprofits unable to meet increased need while facing their own federal funding delays, creating unprecedented pressure on the charitable food assistance system.

https://www.cnn.com/2025/10/31/politics/snap-benefits-november-judge-ruling

🔴 Government Shutdown Reaches Day 33, Now Second-Longest in US History

The federal shutdown that began October 1 reached day 32 on November 3, becoming the second-longest in US history, with Senate adjourned until Monday and no resolution in sight. Approximately 730,000 federal employees work without pay while 670,000 remain furloughed, unable to process grant renewals or answer nonprofit inquiries. Head Start programs serving 58,600 children in 41 states lost funding November 1. Food banks report demand surges up to 120 families daily as both SNAP benefits and nonprofit federal funding remain suspended. Organizations already weakened by earlier 2025 funding cuts face impossible choices: take expensive loans, reduce services, or close entirely while community needs intensify from furloughed workers seeking assistance.

https://abcnews.go.com/Politics/live-updates/government-shutdown-updates-senate-reconvene-monday-amid-funding/?id=126890075

🔴 Hurricane Melissa Caribbean Response

Hurricane Melissa made landfall October 29, 2025 as a Category 5 storm in Jamaica, tied for the strongest Atlantic hurricane on record. Organizations like CARE, Red Cross, Direct Relief, and World Central Kitchen are coordinating responses including cash assistance, emergency supplies, medical aid, and food distribution. Initial reports indicate widespread infrastructure damage, flooding, landslides, telecommunications outages, and power failures. Experts note cash donations are most effective as unsolicited goods can overwhelm strained systems. Nonprofits responding to Caribbean disasters must coordinate through established partnerships, provide flexible cash assistance, prioritize women and vulnerable populations, and ensure aid reaches isolated communities while maintaining operational safety during ongoing storm conditions.

Source: https://www.redcross.org/about-us/news-and-events/press-release/2025/red-cross-movement-responds-in-caribbean-.html

🔴 **Trump Administration Targets Nonprofits with Criminal Investigation Threats**

Under National Security Presidential Memorandum-7, the Trump administration has directed investigations into progressive nonprofits including Open Society Foundations, Southern Poverty Law Center, and Ford Foundation, alleging connections to political violence without evidence. The directive orders federal agencies to investigate institutional funders and nonprofit officers, raising concerns about First Amendment violations. Nonprofit leaders condemn these actions as attempts to silence organizations disagreeing with administration policies, threatening the sector's core democratic principles.

Source: https://www.devex.com/news/what-is-trump-doing-to-us-nonprofits-and-philanthropies-111164

🔴 **Federal Government Shutdown Compounds Financial Instability for Nonprofits**

As the government shutdown extends into late October 2025, nonprofits face compounding financial pressures from frozen federal grants and delayed reimbursements. Urban Institute analysis shows 60-80% of nonprofits receiving government grants cannot cover expenses if funding is lost, with the average nonprofit deriving 28% of revenue from government sources. Organizations already strained by earlier 2025 funding freezes and cuts now confront decisions about staff reductions, service curtailment, and emergency borrowing. The shutdown particularly impacts hunger relief, housing assistance, and health services as demand increases while federal support for SNAP, WIC, and other programs faces disruption. Executive directors must develop contingency plans addressing cash flow scenarios and communicate transparently with boards about operational sustainability during prolonged federal funding uncertainty.

Source: https://www.cnbc.com/2025/10/26/government-shutdown-puts-some-nonprofits-in-jeopardy.html

🔴 **Nonprofit Funding Diversification Strategies**

Nonprofits must urgently diversify revenue through monthly giving programs, corporate partnerships, foundation grants, and earned income opportunities. Organizations with diversified streams demonstrated greater resilience during past crises, with recurring donations providing predictable revenue. Near-term prospects include individual major gifts, crowdfunding campaigns, and fee-for-service offerings. Without new revenue, nonprofits face staff reductions, service cuts, and potential closures, with social service and hunger relief organizations experiencing the most severe impacts. Organizations must immediately implement multi-stream fundraising strategies, build emergency reserves, and strengthen donor relationships to ensure organizational sustainability.

Source: https://prosper-strategies.com/nonprofit-funding-strategies/

🟢 Foundation Giving Expected to Grow 5.3% in 2025 Despite Economic Uncertainty

CCS Fundraising's Philanthropy Outlook projects foundations will lead charitable giving growth in 2025 with a 5.3% increase, building on $103.5 billion distributed in 2023. Strong stock market performance boosted foundation assets, enabling grantmaking to surpass $100 billion for three consecutive years. Over a third of foundations surveyed anticipate increasing support to grantees affected by the new administration or those filling funding gaps. However, political context creates unpredictable giving trends as market volatility and proposed tax increases could impact endowments.

Source: https://blog.candid.org/post/data-forecasts-more-foundation-giving-in-2025-charitable-giving-trends

🔴 36% of Nonprofits Ended 2024 with Operating Deficit, Highest in Decade

Nonprofit Finance Fund's State of the Sector Survey reveals 36% of 2,206 surveyed organizations ended 2024 with operating deficits, the highest rate in 10 years. This marks a sharp increase from 13% in 2021 among repeat respondents. While 85% expect service demand to increase in 2025, 86% cite inflation's impact on operations and clients. The survey shows declining financial health as COVID-era flexible funding and public investments wane, creating tension between rising needs and shrinking resources.

Source: https://nff.org/learn/survey

🔴 Survey Reveals One-Third of US Nonprofits Lost Government Funding in Early 2025

Analysis shows 21% of nonprofit service providers lost grants or contracts in the first half of 2025, 27% faced funding delays or freezes, and 6% received stop-work orders. This widespread disruption reflects the administration's funding freezes, contract terminations, and withheld grants. Nonprofits already struggling with inflation and rising demand must now navigate unprecedented government funding instability. The data reveals systemic challenges threatening the sector's ability to deliver critical community services nationwide.

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

🟡 Department of Education Finalizes Controversial PSLF Rule Limiting Nonprofit Eligibility

The Department of Education finalized regulations effective July 1, 2026, excluding nonprofits with "substantial illegal purpose" from Public Service Loan Forgiveness eligibility. Organizations deemed to support illegal immigration, perform gender-affirming procedures for minors, or engage in other activities the administration opposes may be disqualified. Past qualifying payments remain credited, but future employment won't count toward forgiveness. The National Council of Nonprofits calls the rule unlawful, arguing federal statute clearly covers all 501(c)(3) organizations and DOE lacks authority to change eligibility. Lawsuits challenging the regulations are expected, with critics warning the vague standards enable political targeting that threatens nonprofits' ability to recruit and retain talent.

https://www.insidehighered.com/news/government/student-aid-policy/2025/10/31/ed-finalizes-pslf-rule-limiting-who-gets-forgiveness

🔴 Trump Administration Cuts SOAR Program Supporting Disabled Homeless Individuals

The Trump administration abruptly terminated federal support in October 2025 for the SOAR program, which helped disabled homeless individuals access SSI and SSDI benefits nationwide. The program, which achieved a 65% approval rate compared to the 30% national average, received approximately $2.6 million annually from HHS. State nonprofits that previously relied on free SOAR training to assist disabled clients in applying for benefits will face reduced capacity to serve this vulnerable population. Organizations must develop alternative approaches to help disabled clients navigate benefit applications as trained caseworkers diminish through attrition.

Source: https://www.cbpp.org/blog/trump-administration-abruptly-cut-off-highly-effective-support-for-disabled-people

🟡 Monthly Giving Revenue Increases 11% While One-Time Giving Declines

Monthly giving revenue grew 11% and now accounts for 28% of all online giving, while one-time online giving decreased 12%. The average monthly gift of $25 totals $300 annually, outpacing the average one-time gift of $121. With 57% of recurring donors enrolled, 94% prefer monthly giving. This shift toward subscription-style philanthropy offers nonprofits predictable revenue streams and improved donor retention. However, only 14% of nonprofits prompt donors to make donations recurring during the checkout process, representing a missed opportunity.

Source: https://doublethedonation.com/nonprofit-fundraising-statistics/

🟡 Mobile Giving Donations Surge 205% as Smartphones Dominate Philanthropy

Mobile giving donations increased 205% with 25% of donors now giving via mobile devices and average mobile pledges reaching $167. With 94.4% of millennials and 98% of Gen Z owning smartphones, and half of Americans spending 5-6 hours daily on phones, mobile optimization becomes critical for nonprofit success. SMS campaigns show 98% open rates and raise $92 per 1,000 messages sent. Nonprofits must ensure mobile-friendly websites, simplified donation forms, and strategic text messaging campaigns to capture this growing donor segment.

Source: https://360matchpro.com/fundraising-statistics/

Nonprofit Federal Regulatory Developments

📋 Executive Summary

Federal regulatory developments in 2025 signal heightened scrutiny and enforcement priorities affecting tax-exempt organizations. The 2025-2026 Priority Guidance Plan includes Johnson Amendment clarifications and excess compensation rules while notably excluding long-awaited guidance on group exemptions and UBIT expense allocation. HHS adoption of 2 CFR Part 200 creates immediate compliance challenges for grant recipients. The Joint Terrorism Task Force received expanded authorization to investigate nonprofit funders and officers, creating new legal exposure for foundations and individual donors. Proposed donor-advised fund regulations remain unfinalized but threaten increased administrative costs and compliance burdens. The July 2025 Johnson Amendment consent judgment applies only to churches, leaving secular nonprofits fully restricted from partisan political activity despite widespread confusion about the ruling's scope.

⚡ Key Actions for This Section

Organizations must navigate evolving regulatory requirements and increased enforcement scrutiny:

- Monitor IRS Priority Guidance Plan developments on Johnson Amendment and executive compensation
- Review HHS grants for compliance with new 2 CFR Part 200 requirements effective October 2025
- Establish protocols for responding to federal inquiries and coordinate board communication strategies
- Continue accepting DAF donations while monitoring proposed regulatory developments
- Document nonpartisan practices and seek legal counsel before any election-related activities

🟡 Treasury and IRS Release 2025-2026 Priority Guidance Plan with Johnson Amendment Focus

The IRS and Treasury Department released their 2025-2026 Priority Guidance Plan in August 2025, identifying 105 guidance projects for the fiscal year running through June 2026. The plan includes guidance on the Johnson Amendment's prohibition against 501(c)(3) organizations' participation in political campaigns, alongside other nonprofit-impacting topics including racial discrimination policies for private schools and excess compensation rules. Nonprofits should monitor these developments as clarifications could significantly affect political activity restrictions and compliance requirements.

Source: https://www.irs.gov/pub/irs-counsel/2025-2026-initial-pgp.pdf

🔴 HHS Adopts 2 CFR Part 200 and Issues New Grants Policy Statement Effective October 2025

The Department of Health and Human Services published Version 2.0 of its Grants Policy Statement, effective October 1, 2025, marking the first major update since 2007. HHS fully adopted the federal Uniform Guidance at 2 CFR Part 200, replacing the previous 45 CFR Part 75 regulations, with twelve HHS-specific modifications codified at 2 CFR Part 300. Grant recipients must navigate updated requirements for cost principles, procurement standards, and civil rights assurances, creating immediate compliance challenges for nonprofits receiving HHS funding.

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

🔴 Joint Terrorism Task Force Authorized to Investigate Nonprofit Funders and Officers

The National Joint Terrorism Task Force received authorization to coordinate investigations of institutional and individual funders, and officers and employees of organizations allegedly supporting political violence. This expands federal enforcement to include foundation grantmakers, individual donors, and nonprofit leadership for potential Foreign Agents Registration Act and money laundering violations. Organizations should establish protocols for responding to federal inquiries, avoid inconsistent statements, and coordinate board communication strategies.

Source: https://www.morganlewis.com/pubs/2025/10/presidential-memorandum-on-countering-domestic-terrorism-legal-and-enforcement-implications

🟢 Proposed Donor-Advised Fund Regulations

In November 2023, the IRS issued proposed regulations broadening DAF definitions and classifying distributions to non-501(c)(3) entities as taxable, subject to 20 percent excise tax. Proposed rules expand donor-advisor definitions to include personal investment advisors, potentially making their compensation impermissible excess benefit transactions subject to penalties. As of late 2024, regulations remain proposed and unfinalized, with 2006 rules still governing. If implemented, regulations could increase DAF sponsor administrative costs, potentially raising fees for all account holders, complicate legitimate expense payments, and require sponsoring organizations to modify investment advisor arrangements. Nonprofits should continue accepting DAF donations while monitoring regulatory developments.

Source: https://getfullyfunded.com/updates-on-donor-advised-funds/

🔴 Johnson Amendment Recent Developments

On July 7, 2025, the IRS filed a consent judgment stating churches may endorse political candidates through usual communication channels without losing tax-exempt status. This interpretation applies only to churches and houses of worship, not secular 501(c)(3) nonprofits, which remain fully restricted from partisan political activity. The Johnson Amendment itself remains law and can only be changed by Congress. All non-religious 501(c)(3) organizations must continue prohibiting candidate endorsements, campaign contributions, and partisan political activities while maintaining permissible issue advocacy and limited lobbying. Organizations should clearly document nonpartisan practices and seek legal counsel before any election-related activities.

Source: https://www.councilofnonprofits.org/trends-and-policy-issues/protecting-johnson-amendment-and-nonprofit-nonpartisanship

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Nonprofit Human Resources Developments

📋 Executive Summary

Nonprofit workforce challenges intensify as only 41% of organizations can pay all staff a living wage, with small nonprofits facing the most severe compensation constraints. The Department of Labor's July 2025 regulatory rollback eliminates protections for home care workers and tightens FMLA eligibility while expanding permissible work hours for minors. The FTC abandoned comprehensive non-compete bans but signals targeted enforcement against overbroad agreements. Organizations must strategically expand volunteer use during funding stress while maintaining FLSA compliance and proper screening. Strong executive directors demonstrate crisis leadership through transparent communication and agility while boards intensify financial oversight with more frequent meetings and enhanced monitoring. Average salary increases of 4.77% trail inflation, with human services experiencing 13.15% turnover despite above-average raises, highlighting that compensation alone cannot address burnout in resource-constrained environments.

⚡ Key Actions for This Section

Organizations must address workforce sustainability while navigating regulatory changes and funding pressures:

- Develop compensation strategies addressing living wage gaps and implement total rewards emphasizing work-life balance
- Review workplace policies for DOL rollback implications on home care workers, FMLA eligibility, and minor work hours
- Assess non-compete agreements for overbroad restrictions and individualized consideration
- Expand volunteer recruitment with robust management systems while ensuring FLSA compliance
- Implement scenario-based contingency plans with transparent stakeholder communication
- Intensify board financial oversight through more frequent meetings and enhanced cash flow monitoring

🔴 Living Wage Crisis: Only 41% of Nonprofits Can Pay All Staff Adequately

Research reveals a troubling compensation challenge across the nonprofit sector. The Nonprofit Finance Fund's 2025 State of the Sector Survey found just 41% of organizations can pay all full-time employees a living wage, with inflation and restricted funding creating severe workforce pressures. For small nonprofits with budgets under $250,000, only 28% meet this threshold. Organizations cite local cost of living as a significant management challenge, while 69% struggle with expenses that outpace revenue growth. This compensation gap threatens nonprofits' ability to compete for talent and retain experienced staff, requiring immediate strategic planning around workforce sustainability and operational funding models.

Source: https://nff.org/learn/survey

🟡 Expanded Volunteer Use During Funding Stress

Federal law defines volunteers as those serving without compensation beyond $500 annually in expense reimbursement, protected under the 1997 Volunteer Protection Act. Critical regulations require that nonprofit employees cannot volunteer for the same or similar duties as their paid positions, and volunteer work cannot occur during regular working hours. Organizations must ensure volunteers are not coerced, properly screened, insured, and appropriately supervised. During funding stress, nonprofits can strategically expand volunteer recruitment for non-employee roles, implement robust volunteer management systems, maintain proper liability insurance, ensure Fair Labor Standards Act compliance, and create clear position descriptions that distinguish volunteer from employee functions.

Source: https://www.energizeinc.com/art/federal-law-protects-nonprofit-volunteers

🔴 Volunteer Roles During Shutdown and Grant Reductions

During the 2025 shutdown, volunteers cannot fill financial gaps as nonprofits face furloughs and reduced capacity. Organizations struggle with increased demand while facing resource constraints and staff burnout. AmeriCorps VISTA volunteers themselves are not receiving stipends during the shutdown. Most urgently needed volunteer roles include emergency food distribution, client intake and assistance, fundraising support, community outreach, and administrative functions that free paid staff for specialized duties. Nonprofits must rapidly recruit skilled volunteers, implement expedited screening processes, provide comprehensive training, ensure adequate supervision, and maintain compliance with labor laws while acknowledging volunteers supplement rather than replace paid staff capacity.

Source: https://aijourn.com/grantwatch-the-lifeline-nonprofits-are-turning-to-during-the-2025-government-shutdown/

🟡 DOL Sweeping Regulatory Rollback Affecting Workplace Rules

The Department of Labor unveiled a major deregulatory initiative on July 22, 2025, targeting over sixty workplace regulations deemed obsolete or burdensome. The rollback includes repealing 2013 rules extending minimum wage protections to home care workers, eliminating mandates for diversity training in federally funded workplaces, tightening FMLA eligibility criteria, and expanding permissible work hours for minors in certain industries. For nonprofits, particularly those with government contracts or grants, these changes present both compliance uncertainties and potential liability concerns. Organizations must review how eliminated protections affect their workforce obligations and should monitor the public comment periods to understand final rule implementations affecting their operations.

Source: https://www.beankinney.com/u-s-department-of-labors-july-2025-regulatory-rollback-implications-and-strategic-considerations-for-employers/

🟢 FTC Abandons Non-Compete Rule but Signals Targeted Enforcement Ahead

On September 5, 2025, the Federal Trade Commission withdrew its appeal of court rulings blocking its comprehensive non-compete ban, ending efforts to impose a nationwide prohibition on employee non-compete agreements. However, the agency immediately pivoted to case-by-case enforcement, filing its first targeted action against Gateway Services for imposing non-competes on nearly 1,800 employees regardless of their roles. The FTC also launched a public inquiry seeking information on non-compete prevalence and issued warning letters to healthcare employers. Nonprofits using non-compete agreements should review their scope and application, as overbroad restrictions without individualized consideration may face scrutiny under Section 5 of the FTC Act as unfair methods of competition.

Source: https://www.ftc.gov/news-events/news/press-releases/2025/09/federal-trade-commission-files-accede-vacatur-non-compete-clause-rule

🔴 Strong Executive Directors Navigate Grant Reductions Through Transparency and Agility

Effective nonprofit leadership during federal funding disruptions requires executive directors to demonstrate strategic financial management, transparent stakeholder communication, and operational adaptability. Key characteristics include developing scenario-based contingency plans with clear decision triggers, maintaining open dialogue with staff and boards about sustainability challenges, diversifying revenue streams to reduce government dependency, and making evidence-based programmatic adjustments aligned with mission priorities. Successful leaders proactively engage funders about flexible funding needs, leverage cross-sector partnerships to maximize resources, and prioritize staff morale through honest communication about organizational challenges. As federal grant reductions persist, executive directors must balance immediate survival needs with long-term strategic positioning, requiring both crisis management capabilities and visionary leadership to guide organizations through unprecedented sector-wide instability.

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

🔴 Boards Must Intensify Financial Oversight as Federal Funding Contracts

Nonprofit boards face heightened fiduciary responsibilities during the current federal funding crisis, requiring more frequent meetings, enhanced financial monitoring, and strategic decision-making support for executive leadership. Critical board functions include reviewing cash flow projections and reserve adequacy, approving contingency plans for various funding scenarios, authorizing emergency borrowing or draw-downs if needed, and ensuring legal compliance during workforce reductions or program changes. Boards should also leverage their networks for fundraising, strategic partnerships, and advocacy efforts while providing emotional support to staff navigating organizational stress. As one-third of nonprofits reported operating deficits in 2024, boards must balance mission fidelity with financial sustainability, potentially making difficult choices about program scope, staffing levels, and organizational structure to ensure long-term viability.

Source: https://www.councilofnonprofits.org/articles/proposed-changes-federal-grants

🟡 Average Nonprofit Salary Increases Trail Inflation Despite Competitive Pressures

The 2025 NonProfit Organizations Salary & Benefits Report revealed average salary increases of 4.77% across the nonprofit sector, matching for-profit industries but insufficient to address accumulated purchasing power losses from recent inflation. Human services organizations experienced the highest turnover at 13.15% despite above-average raises, suggesting compensation alone cannot address burnout and workplace stress. Organizations with budgets exceeding $50 million showed significantly lower turnover rates at 3.71%, indicating resource advantages in retention strategies. The data underscores that nonprofits must emphasize comprehensive total rewards packages including work-life balance initiatives, professional development opportunities, and mission connection rather than relying solely on salary adjustments to compete for talent in a tight labor market with persistent cost-of-living pressures.

Source: https://thenonprofittimes.com/the-2025-nonprofit-organizations-salary-benefits-report/

IRS, Finance, and Accounting Developments

📋 Executive Summary

The IRS continues evolving its exempt organization enforcement priorities through the 2025-2026 Priority Guidance Plan while increasing scrutiny of Form 990 submissions and governance practices. The significantly reduced priority list from 231 to 105 projects signals deregulatory emphasis but delays anticipated guidance on group exemptions, UBIT expense allocation, and private foundation rules. The IRS emphasizes Form 990 as an enforcement tool with heightened focus on executive compensation disclosure, conflict-of-interest policies, and donor-advised fund contributions. Organizations face automatic revocation after three consecutive years of non-filing. The September 2025 presidential counterterrorism memorandum directs the IRS to investigate tax-exempt organizations for potential political violence financing, creating new audit exposure and possible referrals to DOJ for prosecution and tax-exempt status revocation proceedings.

⚡ Key Actions for This Section

Organizations must maintain vigilant compliance and documentation practices:

- Monitor Priority Guidance Plan developments on executive compensation and expenditure responsibility
- Ensure timely electronic Form 990 filing with comprehensive board review before submission
- Document robust governance practices including conflict-of-interest policies and board oversight
- Strengthen internal controls and maintain detailed records for all grants and partnerships
- Consider enhanced due diligence procedures given increased federal investigation directives

🟢 2025-2026 Priority Guidance Plan Addresses Exempt Organization Issues

The Treasury Department and IRS released their 2025-2026 Priority Guidance Plan containing 105 projects, significantly reduced from the prior year's 231 items. The plan includes seven exempt organization projects focusing on implementation of recent legislative changes, including modifications to executive compensation excise taxes under sections 4960 and 4968. Notably absent are several long-standing projects including group exemptions guidance, unrelated business income expense allocation regulations, and private foundation self-dealing rules. The shortened priority list and emphasis on deregulation signal a shift in IRS resource allocation that may delay anticipated guidance on critical issues. Nonprofits should recognize that pending matters like DAF regulations, expenditure responsibility requirements, and UBIT expense allocation may face extended timelines. Organizations must continue operating under current rules while monitoring for updates and should submit comments when Treasury solicits public input on priority items throughout the plan year.

Source: https://rsmus.com/insights/tax-alerts/2025/eo-exempt-organization-matters.html

🟡 IRS Increases Form 990 Electronic Filing Scrutiny and Governance Standards

The IRS continues emphasizing Form 990 as an enforcement tool in 2025, with increased focus on executive compensation disclosure, conflict-of-interest policies, and board oversight practices. Organizations face heightened scrutiny of donor-advised fund contributions and digitized IRS communications, with automatic tax-exempt status revocation after three consecutive years of non-filing. Nonprofits should ensure timely electronic filing, comprehensive board review of returns, and robust governance documentation to maintain compliance.

Source: https://www.bradymartz.com/tax-considerations-for-non-profits-understanding-irs-compliance-in-2025/

🔴 IRS Directed to Investigate Tax-Exempt Organizations Under Counterterrorism Memorandum

The September 25, 2025 presidential memorandum directs the IRS Commissioner to ensure no tax-exempt entities finance political violence, with referrals to DOJ for investigation and potential prosecution. This directive could trigger IRS audits, Form 990 fraud investigations, and proceedings to revoke tax-exempt status based on alleged indirect support of prohibited activities. Organizations should strengthen internal controls, maintain detailed records, and consider enhanced due diligence procedures for grants and partnerships.

Source: https://www.arnoldporter.com/en/perspectives/blogs/enforcement-edge/2025/09/turning-counterterrorism-tools-onto-domestic-policy-targets

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State Nonprofit News

📋 Executive Summary

State-level developments create region-specific compliance requirements and operational challenges for nonprofits. Massachusetts enacted comprehensive data privacy protections explicitly covering nonprofits with restrictions on selling sensitive personal data effective 2027. Arizona homeless services providers face uncertainty from Trump administration HUD Continuum of Care restructuring threatening 3,000 permanent supportive housing beds and over $107 million in federal funding. Florida's DCF license denial forcing Heart of Florida Youth Ranch closure demonstrates heightened regulatory standards for youth residential facilities. New York maintains strict financial reporting thresholds requiring CPA audits above $1 million revenue with Attorney General enforcement through CHAR500 filing system. Arizona refugees lost SNAP eligibility November 1 under the One Big Beautiful Bill Act while facing $1,500 green card fees and 12.5-month processing times. Northern California nonprofits report $6.86 million in collective funding losses and $2.13 million in delayed reimbursements as regional economic instability compounds federal funding disruptions.

⚡ Key Actions for This Section

Organizations must navigate state-specific requirements and regional challenges:

- Massachusetts nonprofits: Review data collection and storage practices for 2027 privacy law compliance
- Arizona providers: Develop contingency plans for HUD funding restructuring and expand refugee food assistance
- Florida facilities: Ensure full DCF licensing compliance to avoid operational disruptions
- New York organizations: Maintain timely CHAR500 filing and prepare required CPA audit reports
- California nonprofits: Strengthen financial resilience planning and diversify revenue sources

🟡 Massachusetts Senate Approves Data Privacy Bill With Express Coverage of Nonprofits

The Massachusetts Senate unanimously passed the Massachusetts Data Privacy Act in late September 2025, establishing comprehensive data protection requirements that explicitly apply to nonprofit organizations. The legislation prohibits any entity, including nonprofits, from selling sensitive personal data such as precise geolocation, healthcare information, and biometric data without consumer consent. For Massachusetts nonprofits, this creates new compliance obligations around data collection, storage, and transfer practices, potentially requiring policy updates and staff training to meet the stringent standards when the law takes effect in 2027.

Source: https://malegislature.gov/PressRoom/Detail?pressReleaseId=256

🔴 Arizona Homeless Services Providers Face Uncertainty Due to Trump Administration Policy Changes

Arizona nonprofit homeless services organizations are confronting significant uncertainty as the Trump administration proposes major changes to HUD Continuum of Care grant structures. The potential funding caps could eliminate over 3,000 permanent supportive housing beds in Arizona, directly impacting nonprofits serving disabled and elderly homeless populations. With more than $107 million in federal HUD funding at stake and rapid implementation timelines, Arizona nonprofits managing homeless services must prepare contingency plans while federal appropriations remain unresolved during the government shutdown.

Source: https://www.kjzz.org/politics/2025-10-27/federal-funding-changes-could-mean-thousands-falling-back-into-homelessness-arizona-advocates-say

🔴 Florida Youth Residential Provider Loses DCF License Amid Tightened Requirements

The Florida Department of Children and Families declined to renew the license for Heart of Florida Youth Ranch in Marion County in late August 2025, prompting the facility to suspend operations. The nonprofit organization had provided residential care for at-risk children experiencing abuse and neglect. For Florida nonprofits operating licensed youth residential facilities, this highlights the critical importance of maintaining full compliance with DCF licensing standards and being prepared to respond to regulatory concerns, as license denials can force immediate program closures affecting vulnerable populations.

Source: https://www.ocala-news.com/2025/09/02/marion-facility-for-at-risk-youth-shuts-down-amidst-dcf-license-denial/

🟡 New York Nonprofits Face Heightened Financial Reporting Requirements Under State Law

New York State maintains strict nonprofit financial reporting thresholds requiring CPA audits for organizations with revenue exceeding $1 million and CPA reviews for those between $250,000 and $1 million. These requirements, enforced through the Attorney General's Charities Bureau via the CHAR500 filing system, carry significant penalties for noncompliance including fines and potential loss of tax-exempt status. New York nonprofits must ensure timely filing within 4.5 months of fiscal year-end and be prepared for potential Attorney General requests for additional audit reports even when revenues fall below standard thresholds.

Source: https://www.medowscpa.com/new-york-state-2025-non-profit-audit-and-review-requirements/

🔴 Arizona Refugees Lose SNAP Eligibility Under Federal Policy Change

Beginning November 1, 2025, refugees in Arizona without permanent residence lost eligibility for SNAP benefits under provisions of the One Big Beautiful Bill Act. More than 2,300 refugees arrived in Arizona in 2025, many now facing food insecurity while navigating a new $1,500 green card application fee and 12.5-month processing time. Arizona nonprofits serving refugee populations, including resettlement agencies and food banks, must rapidly expand emergency food assistance programs to address the gap while advocating for policy modifications that restore food security for vulnerable refugee families.

Source: https://news.azpm.org/p/bordernews/2025/10/27/227006-arizona-refugees-to-lose-snap-eligibility-in-november/

🔴 Northern California Nonprofits Report Major Financial Instability and Funding Losses

A new report from the Northern California Association of Nonprofits reveals that regional nonprofits are facing severe financial pressures in 2025, reporting $6.86 million in collective funding losses and $2.13 million in delayed reimbursements primarily from federal and state sources. The October 2025 report highlights how California nonprofits are struggling with declining community wealth, economic instability, and rising service demands while experiencing reduced government funding. California nonprofits must strengthen financial resilience planning, diversify revenue sources, and advocate for reliable state funding mechanisms to sustain critical community services.

Source: https://www.times-standard.com/2025/10/27/good-work-north-coast-nonprofits-facing-massive-challenges/

🟡 Arizona Homeless Services Provider Loses Major Support Amid Federal Uncertainty

One of Arizona's largest homeless services providers lost significant funding support amid uncertainty from Trump administration calls for reducing and restructuring homelessness assistance grants. This funding loss exemplifies challenges facing nonprofits nationwide as federal priorities shift. Organizations serving vulnerable populations face dual pressures of losing traditional support while demand for services increases. The situation highlights how political and policy changes at the federal level directly impact local nonprofit operations and the communities they serve.

Source: https://www.propublica.org/

Summary

November 2025 presents the nonprofit sector with converging crises demanding immediate executive action and strategic organizational adaptation. The second-longest government shutdown in U.S. history disrupts federal grants serving organizations dependent on government funding for 28% of their revenue on average, while 42 million Americans face SNAP funding exhaustion and Hurricane Melissa's Category 5 impact requires coordinated Caribbean humanitarian response. Progressive nonprofits confront federal criminal investigation threats without evidence while one-third of organizations operate at deficit following early 2025 funding losses affecting 21% of service providers. Regulatory developments signal heightened IRS scrutiny through Form 990 enforcement and counterterrorism investigation directives while HHS grant compliance requirements change under 2 CFR Part 200 adoption. Workforce challenges intensify as only 41% of organizations pay living wages while compensation increases of 4.77% trail inflation, driving 13.15% turnover in human services despite above-average raises. State developments create region-specific compliance burdens from Massachusetts data privacy protections to Arizona HUD restructuring threatening 3,000 housing beds and New York's strict financial reporting enforcement. Foundation giving projections show 5.3% growth potential yet organizations must urgently implement multi-stream fundraising strategies emphasizing monthly giving revenue up 11% and mobile optimization as donations surge 205%. Executive directors must demonstrate crisis leadership through transparent communication and scenario-based contingency planning while boards intensify financial oversight through enhanced monitoring and strategic decision support. The developments detailed throughout this update require coordinated immediate responses and sustained strategic adaptation to ensure mission continuity and organizational sustainability during this unprecedented period of sector-wide instability and federal funding uncertainty.

About Nonprofit Management Navigator

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