

## **Abstract**

Nonprofit organizations enter the second half of January 2026 facing mounting regulatory volatility, workforce uncertainty, and intensified federal oversight. Against this backdrop this week's Navigator News Update begins with a tribute to Dr. Martin Luther King as we pause to honor his memory on January 19<sup>th</sup>. Following the tribute the Navigator examines the expanding risks associated with government shutdown threats, abrupt federal grant reversals, aggressive enforcement actions targeting DEI programs, and growing scrutiny of tax-exempt organizations. At the same time, nonprofits are adapting to evolving tax incentives, artificial intelligence governance challenges, and significant state-level developments impacting funding stability and compliance obligations. Together, these developments underscore the importance of proactive governance, rigorous compliance frameworks, and strategic contingency planning. As nonprofits continue advancing mission-driven work amid political, legal, and economic uncertainty, staying informed remains essential to sustaining operations, protecting staff, and safeguarding public trust.

# **January 19, 2026 Navigator News Update: Remembering MLK, Shutdown Risks, Grant Volatility, Expanded Nonprofit Oversight, and More!**

**From Nonprofit Management Navigator**

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

## **Introduction**

This week's Navigator News Update reflects a nonprofit operating environment defined by uncertainty, rapid policy shifts, and heightened enforcement risk. As organizations honor the enduring legacy of Dr. Martin Luther King Jr., many are simultaneously confronting real-time challenges that test operational resilience and governance capacity. Federal funding instability has re-emerged as a central concern, highlighted by looming shutdown deadlines and the abrupt termination—and restoration—of critical mental health grants. Regulatory scrutiny continues to intensify across multiple fronts, including DEI initiatives, tax-exempt status, AI governance, and political activity restrictions. Meanwhile, human resources compliance obligations are evolving amid shifting enforcement priorities, and states are responding with both protective measures and

new regulatory frameworks. This update provides nonprofit leaders with timely, curated insights designed to support informed decision-making during these unpredictable times.

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## Priority Legend

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

 **Immediate Action**       **Requires Organizational Response**       **Monitor and Prepare**

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## Nonprofit News and Regulatory Developments

### **Executive Summary:**

This week we honor the memory of Dr. Martin Luther King. In addition, ongoing federal funding volatility, intensified enforcement activity, and emerging governance risks dominate this week's nonprofit landscape. Shutdown threats, grant terminations, IRS criminal investigations, and DOJ scrutiny of DEI programs collectively heighten operational and compliance exposure for nonprofit organizations.

### **Key Actions for This Section:**

- Review federal funding dependencies and develop contingency plans
  - Strengthen governance and compliance documentation
  - Reassess DEI programs and political activity restrictions
  - Enhance board oversight of AI and emerging risks
  - Take a moment to reflect on the contributions of Dr. Martin Luther King
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### **The Arc Bends Because the Work Continues**

This week, nonprofits honor the challenges Dr. Martin Luther King Jr. confronted—systemic racism, economic injustice, and violence—while acknowledging the real progress achieved through sustained, nonviolent action. Yet, as King warned, much work remains. Organizations such as The King Center advance nonviolence education and leadership development; the NAACP continues its civil-rights advocacy and litigation; Points of Light promotes service as a force for justice. Together, these nonprofits keep King's mission alive, relevant, and urgently unfinished.

Sources: <https://thekingcenter.org>, <https://naacp.org>, <https://www.pointsoflight.org>

### **Government Shutdown Risk Looms as Continuing Resolution Expires January 30, 2026**

Congress faces another funding deadline on January 30, 2026, when the continuing resolution funding most federal agencies expires. After ending a 43-day shutdown in November 2025, lawmakers must pass nine remaining appropriations bills or another short-term measure to avoid partial closure. Nonprofits relying on federal grants and contracts face operational uncertainty and potential payment delays. While some agencies including Veterans Affairs and Agriculture have full-year funding through September 2026, most federal programs supporting nonprofit services remain at risk if Congress fails to reach agreement before the deadline.

Source: <https://ctmirror.org/2026/01/05/congress-federal-shutdown-january-2026/>

### **Trump Administration Terminates Then Restores \$2 Billion in Mental Health and Addiction Grants**

On January 14, 2026, SAMHSA sent termination letters to approximately 2,000 nonprofits, canceling nearly \$2 billion in mental health and substance abuse grants effective immediately. The abrupt cuts threatened overdose prevention, naloxone distribution, peer recovery support, and services for people experiencing homelessness and addiction. After intense bipartisan backlash, the administration reversed the terminations within 24 hours. The chaotic episode underscores ongoing federal funding volatility and the need for nonprofits to develop contingency plans amid unpredictable policy shifts.

Source: <https://www.npr.org/2026/01/14/nx-s1-5677104/trump-administration-letter-terminating-addiction-mental-health-grants>

### **Nonprofit Boards Establish AI Ethics Committees as Technology Governance Becomes Critical**

Nonprofit boards are creating dedicated AI Ethics committees to monitor algorithmic bias and mission alignment as artificial intelligence adoption moves from IT departments to boardroom oversight. Governance experts warn that failure to oversee AI-driven data security and resource allocation could result in reputational harm and regulatory violations. Boards must now integrate AI governance into core risk management frameworks while ensuring technology deployment aligns with organizational values and serves beneficiaries appropriately.

Source: <https://www.onboardmeetings.com/blog/nonprofit-board-news-january-2026-responding-to-rapid-change/>

### **Federal Court Considers Johnson Amendment Settlement Allowing Political Endorsements During Religious Services**

A Texas federal judge ruled in early January 2026 that Americans United for Separation of Church and State cannot intervene in litigation involving a proposed IRS settlement that would permit churches to make political endorsements during worship services without losing tax-exempt status. The settlement, if approved, would exempt religious services from the Johnson

Amendment's prohibition on political campaign intervention by 501(c)(3) organizations. Nonprofits face uncertainty as critics warn the settlement could open doors for dark money in campaigns while creating disparate treatment between religious and secular nonprofits. The development may prompt broader questions about political activity restrictions for all tax-exempt organizations.

Source: <https://religionnews.com/2026/01/05/judge-rules-americans-united-cant-intervene-in-nrb-johnson-amendment-case/>

### ● **Presidential Directive Heightens Anti-Terrorism Due Diligence for Nonprofit Grant Makers**

A September 2025 presidential memorandum on countering domestic terrorism significantly expands federal enforcement scrutiny of nonprofits and their financial networks. The directive instructs the IRS to ensure no tax-exempt entities finance political violence or domestic terrorism, with Treasury mandated to trace funding streams and coordinate with the Department of Justice on potential prosecutions. Nonprofit boards face heightened compliance risks requiring enhanced due diligence on grant recipients, vendors, and partners. Organizations must strengthen documentation of screening procedures, review programmatic activities for political violence allegations, and prepare for potential IRS audits or DOJ investigations, even without formal terrorism designations being invoked.

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

### ● **IRS Criminal Investigation Division Targets Tax-Exempt Organizations**

IRS Criminal Investigation is undergoing significant restructuring to increase enforcement focus on tax-exempt organizations, according to November 2025 reports. Gary Shapley, advisor to Treasury Secretary Scott Bessent, has compiled a list of exempt organizations for examination, signaling a potential wave of criminal probes into nonprofits. Organizations face heightened risk of investigation regarding fund diversion, improper use of tax-deductible donations, and offshore operations. Nonprofits should immediately review and strengthen compliance programs, internal controls, and documentation practices to demonstrate funds are used strictly for exempt purposes. The IRS may employ grand jury subpoenas, search warrants, and John Doe summonses, with potential severe consequences including prosecution, substantial fines, and civil penalties for noncompliance.

Source: <https://www.wealthmanagement.com/philanthropy/nonprofits-facing-higher-security-based-on-irs-criminal-investigation>

### ● **DOJ Pursues False Claims Act Investigations Targeting DEI Policies at Federal Contractors and Grant Recipients**

The Department of Justice established a Civil Rights Fraud Initiative in May 2025 and is actively investigating federal contractors and grant recipients, including nonprofits, over diversity, equity, and inclusion programs using False Claims Act theories. DOJ issued civil investigative demands to organizations across multiple industries seeking extensive documentation about DEI policies

dating back several years. Nonprofits receiving federal funds face unprecedented legal exposure as the administration argues that maintaining certain DEI programs while certifying compliance with anti-discrimination requirements constitutes false certification. Organizations must immediately review DEI programs, public-facing statements, and federal contract certifications while preparing document preservation protocols for potential investigations.

Source: <https://www.mayerbrown.com/en/insights/publications/2026/01/doj-pursues-dei-investigations-of-federal-contractors>

### **Education Department Finalizes Controversial PSLF Rule Limiting Nonprofit Employer Eligibility**

The Department of Education finalized regulations in October 2025, effective July 1, 2026, authorizing the Secretary to disqualify nonprofit employers from Public Service Loan Forgiveness eligibility based on determinations of "substantial illegal purpose." The rule targets organizations allegedly engaged in activities including supporting illegal immigration, aiding and abetting illegal discrimination, or violating state laws. Multiple lawsuits challenge the rule as exceeding statutory authority, since the 2007 PSLF statute explicitly designates all 501(c)(3) organizations as qualifying employers. Nonprofits face recruitment and retention challenges as current and prospective employees on PSLF tracks risk losing eligibility for loan forgiveness. The vague regulatory language creates uncertainty for organizations engaged in lawful mission-driven work, including immigrant services, gender-affirming care, and civil rights advocacy that may conflict with current administration policies.

Source: <https://independentsector.org/blog/public-service-loan-forgiveness-final-rule/>

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## **Nonprofit Human Resources Developments**

### **Executive Summary:**

Federal human resources enforcement priorities are shifting rapidly as agencies regain quorum authority and recalibrate civil rights standards. Nonprofits face heightened exposure related to DEI initiatives, religious accommodation obligations, national origin discrimination, wage-and-hour compliance, and pregnancy-related accommodations. The elimination of disparate impact liability at the federal level adds complexity for organizations operating across multiple jurisdictions, while aggressive EEOC pattern-or-practice enforcement raises the stakes for employment policy design and documentation.

### **Key Actions for This Section:**

- Conduct immediate audits of DEI programs and employment policies
- Review religious accommodation procedures under the heightened *Groff* standard

- Ensure hiring and recruitment practices comply with national origin discrimination guidance
  - Update compensation structures to meet state-specific overtime thresholds
  - Monitor anticipated changes to Pregnant Workers Fairness Act regulations
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### ● **EEOC Restored Quorum Signals Shift in DEI Enforcement Priorities**

The Equal Employment Opportunity Commission regained its three-member quorum in October 2025 with Andrea Lucas as chair, enabling renewed enforcement authority. The restored quorum empowers the agency to issue new regulations, rescind existing guidance, and pursue pattern-or-practice litigation targeting diversity initiatives and religious accommodations. Nonprofits must reassess DEI programs and religious accommodation policies to mitigate heightened investigation risks. The shift from disparate impact to intentional discrimination enforcement requires immediate policy audits and documentation of merit-based decision-making.

Source: Holland & Knight – Back in Business: EEOC's Restored Quorum Explained

### ● **Department of Justice Eliminates Disparate Impact Standard Under Title VI**

The DOJ issued a final rule on December 9, 2025, eliminating disparate impact liability from Title VI regulations affecting federal funding recipients. The rule removes provisions that prohibited unintentional discrimination based on statistical disparities, focusing enforcement solely on intentional discriminatory conduct. Nonprofits receiving federal assistance must revise civil rights compliance procedures to address the regulatory shift. Organizations face compliance uncertainty as state and local laws may still impose disparate impact liability, creating complex multi-jurisdictional requirements.

Source: U.S. Department of Justice – Department of Justice Rule Restores Equal Protection

### ● **EEOC Expected to Revise Pregnant Workers Fairness Act Regulations in 2026**

With the EEOC's restored quorum, Chair Andrea Lucas is positioned to modify or rescind the Pregnant Workers Fairness Act regulations finalized in 2024. Lucas previously opposed the broad interpretation of pregnancy-related conditions requiring workplace accommodations, including abortion and menopause. Nonprofit employers must monitor anticipated regulatory changes while maintaining current PWFA compliance. The uncertainty surrounding which pregnancy conditions will require accommodation creates implementation challenges and potential liability exposure for nonprofits with affected employees.

Source: Arkansas Business – The Pregnant Workers Fairness Act: What Employers Can Expect This Year

### ● **Federal Minimum Salary Threshold for Overtime Exemption Remains at \$684 Per Week**

The federal salary threshold for overtime-exempt executive, administrative, and professional employees remains at \$684 per week for 2026 after courts blocked the Biden administration's proposed increases. However, six states including California, New York, and Washington have higher thresholds taking effect January 1, 2026. Multi-state nonprofits must navigate varying state requirements creating complex compensation compliance challenges. Organizations risk misclassification penalties and wage-hour lawsuits without updating salary levels and job classifications to meet applicable state-specific standards and duties tests.

Source: ADP – Minimum Salary Requirements for Overtime Exemption in 2026

### ● **DOJ and EEOC Issue Guidance Targeting National Origin Discrimination Against U.S. Citizens**

On November 19, 2025, the EEOC released technical assistance emphasizing that discriminating against American workers in favor of visa holders violates Title VII. The guidance identifies unlawful practices including job postings stating “H-1B preferred” and disparate treatment in hiring, compensation, and terminations. Nonprofits employing foreign workers must audit recruitment practices and vendor contracts for compliance risks. The enforcement priority shift requires documented objective hiring standards to defend against anti-American bias claims, particularly for organizations with visa-sponsored positions.

Source: Epstein Becker Green – The EEOC, DOJ, and DOL Amplify National Origin Discrimination

### ● **EEOC Launches Pattern-or-Practice DEI Investigations with Restored Authority**

The EEOC filed a petition in November 2025 to enforce a subpoena against Northwestern Mutual investigating discrimination charges related to DEI policies. The agency now pursues systemic enforcement actions examining whether race- or sex-based employment decisions violate Title VII. Nonprofits with diversity programs face heightened investigation risks requiring immediate policy reviews. Organizations must document merit-based rationales for all employment decisions and eliminate quotas or balancing efforts to avoid pattern-or-practice liability under the commission's aggressive enforcement posture.

Source: Wright Lindsey Jennings – Are We Nearing the End of DEI?

### ● **EEOC Signals Expanded Religious Accommodation Enforcement Under New Leadership**

Chair Andrea Lucas emphasized religious accommodation protections following the Supreme Court’s *Groff v. DeJoy* decision requiring employers to demonstrate substantial business costs.

The EEOC is expected to issue new guidance expanding workplace protections, particularly for antisemitism and religious bias claims. Nonprofits must revise religious accommodation procedures to meet stricter undue hardship standards. Organizations face compliance challenges balancing religious expression with workplace operations, requiring clear policies and training to prevent discrimination claims while respecting diverse faith practices.

Source: Venable LLP – What Now? EEOC Regains Quorum

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## IRS, Accounting & Finance Developments

### Executive Summary:

The IRS is intensifying scrutiny of tax-exempt organizations at the same time sweeping charitable tax law changes take effect in January 2026. Nonprofits face heightened enforcement risk despite reduced IRS staffing, alongside new donor behavior driven by revised deduction rules. Near-term Form 990 and Form 8868 deadlines require immediate planning, while updated IRS guidance on paid family and medical leave and emerging scholarship tax credit programs add new layers of compliance complexity. Together, these developments demand disciplined governance, proactive financial planning, and early preparation to avoid penalties and operational disruption.

### Key Actions for This Section:

- Strengthen governance, internal controls, and financial documentation
  - Update fundraising strategies and donor communications for new tax incentives
  - Begin Form 990 preparation well ahead of the May 15, 2026 deadline
  - Calendar the Form 8868 extension deadline and confirm e-filing capability
  - Review payroll systems for PFML withholding and reporting requirements
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### IRS Enforcement Refocus Increases Scrutiny of Exempt Organizations

The IRS announced heightened enforcement directed at exempt organizations despite workforce reductions exceeding 25%. The agency's refocused compliance priorities prompt nonprofits to reassess governance structures and personnel policies to minimize investigative exposure. Organizations must strengthen internal controls and documentation practices amid increased audit risks. The combination of reduced IRS staffing and intensified scrutiny creates unpredictable compliance timelines, requiring nonprofits to proactively address governance vulnerabilities and employment tax compliance.

Source: Federal News Network – Federal Workforce Reductions Impact Service Delivery



### ● **New Charitable Giving Tax Provisions Reshape Nonprofit Fundraising Strategies**

The One Big Beautiful Bill Act, enacted July 2025, fundamentally altered charitable tax incentives effective January 2026. The law introduces a universal above-the-line deduction of \$1,000 for individuals and \$2,000 for joint filers who take the standard deduction, potentially reaching 86% of taxpayers previously ineligible for charitable deductions. However, itemizers face new restrictions: a 0.5% adjusted gross income floor before deductions apply and a 35% cap on deduction value for top earners. Nonprofits must adapt fundraising strategies to address donors accelerating gifts to 2025 to maximize tax benefits, revise messaging around donor-advised funds, and prepare for potential volatility in giving patterns as approximately \$74–81 billion in donations may shift over the next decade.

Source: <https://www.fidelitycharitable.org/articles/obbb-tax-reform.html>

### ● **60% AGI Limit for Cash Charitable Contributions Made Permanent**

The One Big Beautiful Bill Act permanently extends the 60% adjusted gross income limit for cash contributions to public charities, previously set to revert to 50%. This provision provides donors with sustained clarity for planning major gifts. Non-cash contributions remain capped at 30% of AGI. Nonprofits benefit from predictable deduction limits that support multi-year giving strategies. Excess contributions can be carried forward for up to five years under existing rules.

Source: <https://www.fidelitycharitable.org/articles/obbb-tax-reform.html>

### ● **Form 990 Filing Deadline for Calendar Year 2025 is May 15, 2026**

Calendar-year tax-exempt organizations must file Form 990 by May 15, 2026, the 15th day of the fifth month following year-end. Failure to file timely results in \$20 daily penalties up to \$10,000 or 5% of gross receipts. Organizations not filing for three consecutive years face automatic revocation of tax-exempt status. Nonprofits should prepare financial data early and consider requesting a six-month extension via Form 8868 if needed.

Source: <https://www.irs.gov/charities-non-profits/return-due-dates-for-exempt-organizations-annual-return>

### ● **Form 8868 Extension Deadline for Calendar Year Nonprofits is May 15, 2026**

Calendar-year tax-exempt organizations must file Form 8868 by May 15, 2026, to obtain an automatic six-month extension for Form 990 filing, moving the deadline to November 16, 2026. No justification is required for the extension request. However, the extension applies only to filing, not to any taxes due. Organizations should file electronically through IRS-authorized providers for instant confirmation. Missing the extension deadline exposes nonprofits to late-filing penalties and potential exemption revocation.

Source: <https://www.taxzerone.com/tax-extension/efile-irs-form-8868-exempt-organization-tax-extension-online/>

### ● **IRS Denies Tax-Exempt Status to Cannabis Tourism Organization**

The IRS denied tax-exempt status to a cannabis-focused tourism group, citing federal criminalization of cannabis and private benefit concerns. The organization aimed to promote cannabis industry development through education and networking. Despite state legalization, federal Schedule I classification prevents exemption. This precedent warns nonprofits that activities supporting federally illegal substances, even with legitimate educational purposes, face IRS rejection regardless of state law compliance.

Source: <https://www.marijuanamoment.net/irs-denies-marijuana-tourism-groups-request-for-nonprofit-tax-exempt-status-citing-ongoing-federal-prohibition/>

### ● **IRS Notice 2026-6 Extends PFML Transition Period Through Calendar Year 2026**

The IRS extended transition relief for state-administered paid family and medical leave programs through 2026, responding to implementation challenges. States and employers won't face penalties for non-compliance with third-party sick pay withholding and reporting requirements for medical leave benefits attributable to employer contributions. However, voluntary employer contributions must be treated as wages for employment tax purposes starting in 2026. Nonprofits participating in state PFML programs should update payroll systems.

Source: <https://www.irs.gov/pub/irs-drop/n-26-06.pdf>

### ● **Treasury and IRS Enable States to Opt Into 2027 Scholarship Tax Credit Program**

The Treasury Department and IRS issued Revenue Procedure 2026-6 in December 2025, allowing states to make advance elections to participate in a new federal tax credit program beginning in 2027. Under the One Big Beautiful Bill Act, individual taxpayers can claim up to \$1,700 in nonrefundable federal tax credits for donations to qualifying scholarship granting organizations (SGOs) serving K-12 students from low- and middle-income families. This creates opportunities and challenges for nonprofits as states must voluntarily opt in and certify eligible SGOs. Nonprofits operating as SGOs must meet specific 501(c)(3) requirements and comply with new reporting standards, potentially expanding educational funding sources while adding administrative complexity.

Source: <https://www.irs.gov/newsroom/treasury-irs-allow-states-to-make-an-advance-election-to-participate-in-the-new-federal-tax-credit-for-individual-contributions-to-scholarship-granting-organizations-under-the-one-big-beautiful-bill>

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# State Nonprofit News

## Executive Summary:

State governments continue to play a critical role in shaping nonprofit operating conditions as federal funding volatility and regulatory uncertainty persist. Recent state actions reflect a mix of regulatory relief, emergency funding interventions, and new compliance obligations—particularly in areas such as artificial intelligence governance, healthcare financing, data privacy, and nonprofit eligibility protections. Nonprofits must closely monitor state-specific developments throughout 2026 to mitigate risk, secure funding continuity, and maintain compliance.

## Key Actions for This Section:

- Track state-level AI compliance deadlines and disclosure requirements
- Monitor Medicaid reimbursement and healthcare funding developments
- Confirm applicability of nonprofit exemptions under new state privacy laws
- Evaluate state-based safeguards protecting nonprofit funding and eligibility
- Identify emergency and transitional grant opportunities tied to federal funding disruptions

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### Colorado Extends AI Act Compliance Deadline to June 2026

Colorado's landmark Artificial Intelligence Act, requiring risk assessments for high-risk AI systems affecting consequential decisions in areas like employment and healthcare, has been extended from February 1 to June 30, 2026. This extension provides nonprofits additional time to implement required risk management programs and impact assessments before enforcement begins. Organizations deploying AI for decision-making must prepare compliance frameworks now.

Source: <https://www.schellman.com/blog/ai-services/what-you-need-to-know-about-the-colorado-ai-act>

### North Carolina Restores Medicaid Rates After Provider Lawsuits

Governor Josh Stein reversed October 2025 Medicaid reimbursement cuts affecting nonprofit healthcare providers across North Carolina, following multiple lawsuits and court rulings. Rates were restored to September 30 levels, though a \$319 million funding gap persists through April 2026. Rural nonprofit hospitals and community health programs face continued uncertainty requiring close monitoring of legislative budget negotiations.

Source: <https://www.carolinajournal.com/ncdhhs-reverses-medicaid-cuts-as-lawsuits-mount-statewide/>

### **Indiana Consumer Data Privacy Act Takes Effect With Nonprofit Exemption**

Indiana's comprehensive data privacy law became effective January 1, 2026, granting consumers rights to access, correct, and delete personal data. Nonprofits are explicitly exempt from compliance obligations, though Attorney General Todd Rokita criticized this exemption, noting many nonprofits collect substantial personal data. Organizations should verify their exempt status and monitor potential legislative amendments during the 2026 session.

Source: <https://indianacapitalchronicle.com/briefs/indiana-prepares-for-2026-data-privacy-law-with-new-consumer-bill-of-rights/>

### **California Protects Nonprofit Funding Access Through Alternative Tax-Exempt Status**

Signed October 7, 2025, AB 1318 allows California nonprofits to maintain state grant and contract eligibility using either federal or state tax-exempt status, protecting organizations from federal political targeting. This safeguard becomes critical as the Trump administration threatens to revoke 501(c)(3) status from organizations supporting immigrant services, racial justice, and LGBTQ rights. Vulnerable nonprofits should secure California tax exemption through Form 3500.

Source: <https://calnonprofits.org/new-law-protects-california-nonprofits-from-political-targeting/>

### **California Mandates Generative AI Training Data Disclosures Starting January 2026**

AB 2013 requires developers of generative AI systems available to Californians to publish training data documentation by January 1, 2026, including dataset sources, intellectual property status, and whether personal information was used. Nonprofits developing or substantially modifying AI tools must comply with these transparency requirements or face enforcement through California's Unfair Competition Law. Major developers like OpenAI and Anthropic have already posted disclosures.

Source: <https://www.crowell.com/en/insights/client-alerts/californias-ab-2013-requires-generative-ai-data-disclosure-by-january-1-2026>

### **Hawai'i Distributes \$50 Million in Emergency Grants to Nonprofits Facing Federal Cuts**

Hawaii's Act 310 program awarded \$49.5 million to 213 nonprofit applicants in November 2025, addressing federal funding freezes and reductions affecting healthcare, housing, child care, and food security services. The emergency legislation allows 50% advance payments to prevent organizations from missing payroll or cutting services while awaiting state reimbursements.

Nonprofits should apply for regular grants-in-aid by January 23, 2026, for the upcoming legislative session.

Source: <https://www.thegardenisland.com/2026/01/12/hawaii-news/nonprofit-leaders-applaud-up-front-grant-funding/>

### **North Carolina Awarded \$213 Million Federal Grant for Rural Health Amid Medicaid Uncertainty**

North Carolina received \$213 million through the federal Rural Health Transformation Program to strengthen healthcare access in underserved areas, providing \$200 million annually for five years. This funding arrives as the state faces a projected \$50 billion loss in federal Medicaid funding over the next decade due to the same reconciliation law. Nonprofit healthcare organizations must navigate this complex landscape of new opportunities alongside significant long-term funding threats.

Source: <https://wlos.com/news/local/north-carolina-millions-improve-rural-health-medicaid-cuts-one-big-beautiful-bill-rural-health-transformation-program-congressman-chuck-edwards-president-donald-trump-hospitals-funding-mahec-mountain-area-health-education-center-health-human-services>

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## Summary

This week's Navigator News Update, while taking a moment to honor the memory of Dr. Martin Luther King, highlights a nonprofit sector operating under sustained pressure from federal funding volatility, intensified regulatory scrutiny, and evolving compliance demands. Looming government shutdown risks, abrupt grant terminations, and expanded DOJ and IRS enforcement initiatives underscore the importance of contingency planning and governance vigilance. Human resources compliance remains complex as enforcement priorities shift away from disparate impact while aggressively targeting DEI practices, religious accommodations, and national origin discrimination. Significant tax law changes reshape charitable giving incentives, requiring nonprofits to adjust fundraising strategies and financial planning. At the state level, emergency funding measures, regulatory extensions, and new AI and privacy frameworks demonstrate both risk mitigation and emerging obligations. Together, these developments reinforce the need for nonprofit leaders to remain proactive, informed, and prepared in an increasingly unpredictable operating environment.

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## About Nonprofit Management Navigator

[Nonprofit Management Navigator](#) is a trade name of PMG46, LLC doing business as Nonprofit Management Navigator. Nonprofit Management Navigator provides this complimentary weekly subscription service designed for nonprofit leaders. This essential resource provides curated news updates on the legal, regulatory, and operational developments impacting organizations, saving executives time while keeping them informed about the important changes directly impacting their organizations. In addition to timely news, Nonprofit Management Navigator also offers in-depth reports and practical management guidance to help leaders navigate an increasingly unpredictable operating environment. What makes Nonprofit Management Navigator particularly valuable is its commitment to accessibility—the entire service is available as a complimentary subscription, ensuring critical operational intelligence reaches nonprofit leaders regardless of budget limitations during these chaotic regulatory times.

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