

Abstract

Federal, state, and tax compliance developments are converging in ways that require immediate attention from nonprofit leaders. This February 23, 2026 Navigator News Update highlights tightening federal grant compliance expectations, increased DEI-related enforcement activity, funding disruption risks, and key IRS, audit, and fraud-prevention issues—alongside significant state-level proposals affecting nonprofit funding, transparency, political activity, and fundraising operations. Use this update to prioritize governance and compliance actions, strengthen documentation, and plan for operational and financial resilience.

February 23, 2026 Navigator News Update: Including DEI Certification Requirements, Mission vs. Resilience, and More!

From Nonprofit Management Navigator

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

NEW SPECIAL REPORT-- FREE DOWNLOAD

From Mission-First to Mission-and-Resilience: How Nonprofits Must Manage Mounting Operating Challenges in 2026 and Beyond

As nonprofit organizations enter 2026, they face sustained volatility driven by funding instability, workforce shortages, regulatory expansion, cybersecurity threats, and rising service demand. Mission alignment alone is no longer sufficient to ensure performance. Organizational resilience—including financial durability, workforce capacity, governance strength, regulatory readiness, and enterprise risk management—has become essential to mission success. This article presents a board-level framework organizing fourteen operating challenges into four strategic risk categories, offering practical guidance to help nonprofit leaders prioritize risk and strengthen long-term organizational stability.

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Introduction

The nonprofit operating environment continues to change quickly across federal regulation, workforce compliance, and tax administration—while states are advancing new oversight measures affecting fundraising, political activity, transparency, and eligibility for public funding. This week's update compiles the most consequential developments across four areas: Nonprofit News and Federal Regulatory Developments, Human Resources, IRS/Accounting & Finance, and State Nonprofit News. Each item includes an actionable summary and source reference so you can assess relevance, consult professional advisors where needed, and update internal controls, policies, and planning.

Priority Legend

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

Nonprofit News & Federal Regulatory Developments

Executive Summary: Federal oversight of nonprofit grants and compliance is tightening, with new proposed mandatory DEI-related certifications at GSA, expanding DOJ False Claims Act investigations tied to grant representations, HHS AI screening for DEI language, and increased Congressional scrutiny of foreign funding and FARA compliance. At the same time, persistent federal funding backlogs are creating cash-flow uncertainty, while expanded SNAP work requirements and childcare funding freezes may increase service demand. Leaders should prioritize grant compliance review, documentation, contingency planning.

⚡ Key Actions for This Section:

- Review federal grant and SAM.gov registration requirements for any current or proposed certification obligations.
 - Audit DEI-related policies, practices, and grant representations for consistency and legal review.
 - Strengthen documentation and internal controls supporting federal funding compliance and reporting.
 - Prepare cash-flow and continuity plans to manage reimbursement delays and potential funding interruptions.
 - Assess exposure related to foreign funding, advocacy activity, and other areas drawing heightened governmental scrutiny.
 - Review grant application language for potential automated screening risks in federal systems.
 - Plan for possible increases in client demand tied to SNAP eligibility changes and other program shifts.
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● Nonprofits and Associations Face Ten High-Stakes 2026 Legal Challenges

Together with other industry experts, a prominent Washington DC law firm's 2026 legal checklist for nonprofit leaders identifies ten critical risk areas: evolving federal grant compliance under Executive Order 14332, indirect cost rate caps, prohibitions on grants to foreign-controlled entities, AI governance, data security, worker classification, and employment law changes. Federal grantees face possible termination for non-alignment with administration priorities. Organizations are advised to form cross-functional compliance teams to navigate these intersecting risks.

Source: [ArentFox Schiff: Nonprofits and Associations in 2026: A Checklist for Leadership's Top 10 Legal Issues \(January 13, 2026\)](#)

● GSA March 30 Comment Deadline Approaching — Mandatory "Illegal DEI" Certifications Proposed for All Federal Grant Recipients

The General Services Administration proposed January 28, 2026, revising SAM.gov registration requirements to mandate federal grant recipients certify they operate no illegal DEI programs, aligning with controversial July 2025 DOJ guidance. The proposed certification creates compliance risks as what constitutes "illegal DEI" remains legally undefined. The public comment period is open until March 30, 2026. Nonprofit grant applicants face uncertain certification requirements potentially conflicting with state laws, necessitating legal review of all diversity initiatives, careful documentation of compliance rationales, and strategic decisions about program modifications before final regulations take effect.

Source: [Venable: GSA Proposes Adding Illegal DEI Certifications \(January 28, 2026\)](#)

● DOJ Ramps Up False Claims Act DEI Investigations — Nonprofit Federal Grantees at Risk

The Department of Justice is conducting civil investigations under the False Claims Act into entities that maintain diversity, equity, and inclusion programs while receiving federal grants or contracts. Acting on Executive Order 14173, DOJ is scrutinizing whether recipients made false compliance certifications. Nonprofits receiving federal funding should audit DEI policies, certifications, and grant-related representations, as investigations impose significant legal and reputational burdens even when no violation is ultimately found.

Source: [Mayer Brown: DOJ Pursues DEI Investigations of Federal Contractors \(January 6, 2026\)](#)

● Grant-Seeking Nonprofits Face Automated AI Screening for DEI Language at HHS

Health and Human Services has used Palantir and Credal AI tools since March 2025 to audit grants, applications, and job descriptions for compliance with executive orders targeting "gender ideology" and diversity initiatives, according to HHS's 2025 AI inventory published in February 2026. The department did not publicly announce this AI screening program, which automatically flags perceived alignment with prohibited concepts. Grant-seeking nonprofits in health and social services face automated screening of applications for DEI-related content. Organizations must carefully review language in submissions while understanding AI tools may identify violations based on keyword detection rather than legal analysis.

Source: [HHS AI Tools from Palantir Target DEI and Gender Ideology in Grants \(February 3, 2026\)](#)

● Congressional Scrutiny of Nonprofits Intensifies: Foreign Funding, FARA Compliance, and Judicial Influence

A February 10 House Ways and Means Committee hearing examined how foreign money flows through U.S. nonprofits to influence domestic policy. The House Judiciary Committee also launched an investigation of a climate law nonprofit over alleged judicial influence. Twenty-six state attorneys general urged DOJ to investigate nonprofits for possible unregistered foreign agent activity under FARA. Organizations with foreign donors, board members, or advocacy activities face heightened legal exposure.

Source: [Akin Gump: Government Scrutiny of Nonprofits Intensifies \(February 2026\)](#)

● Federal Funding Threats to Sanctuary Jurisdictions Continue to Endanger Nonprofits Serving Immigrant Communities

The Trump administration continues to threaten significant federal funding cuts to sanctuary cities and states limiting immigration enforcement cooperation, creating financial uncertainty for jurisdictions including Minnesota, California, and New York. The proposed "No Bailouts for Sanctuary Cities Act" would eliminate funding for programs serving undocumented immigrants including school nutrition, emergency Medicaid, and food assistance. Nonprofits partnering with affected jurisdictions face potential grant disruptions, contract modifications, and service capacity reductions as local governments navigate federal funding threats while maintaining community trust and public safety policies.

Source: [NPR: Trump Threatens Sanctuary Cities \(January 17, 2026\)](#)

● The Origins, Purpose, and Regulatory Role of DEI — And What Disappears With It

DEI traces to President Kennedy's Executive Order 10925 (1961) and Title VII (1964), designed not to replace anti-discrimination law but to operationalize it through proactive hiring pipelines, pay equity audits, and demographic tracking. Executive Orders 14151 and 14173 (January 2025) eliminated that infrastructure. Title VII, the ADA, and the Equal Pay Act remain fully operative — but without DEI's preventive architecture, organizations lose the internal monitoring systems that detected disparities before they became violations. Discrimination does not disappear; it goes undetected until an affected employee files an EEOC charge, shifting accountability from prevention to litigation.

Source: [EEOC: What You Should Know About DEI-Related Discrimination at Work](#)

● Federal Funding Backlog Persists — Cash Flow and Reimbursement Risks Continue for Nonprofit Grantees

Congress ended the partial government shutdown on February 3, 2026, funding most federal departments through September 30, 2026. The Department of Homeland Security received only a two-week continuing resolution, which expired February 14, 2026, triggering a second, DHS-specific shutdown after Congress left for recess without reaching a deal. Nonprofit organizations should expect continuing payment delays from both shutdowns — agency staff face backlogs processing reimbursements and issuing new awards. Grant competitions paused during the shutdowns have resumed with compressed timelines. Organizations relying on DHS-adjacent funding (FEMA, CISA, TSA, immigration-related programs) must closely monitor developments and prepare contingency cash flow plans.

Source: [NPR: House Vote Ends Government Shutdown \(February 3, 2026\)](#)

● Expanded Mexico City Policy Now Final — U.S. Nonprofits Receiving Foreign Assistance Must Review New Compliance Conditions

The State Department issued a final rule on January 27, 2026, implementing the Protecting Life in Foreign Assistance award term. The expanded policy now applies to all non-military foreign assistance — approximately \$40 billion affecting 2,562 organizations in 160 countries — far beyond previous family planning-focused applications. Recipients must certify they will not perform or actively promote abortion as a method of family planning, promote "gender ideology," or engage in discriminatory DEI programs. The policy extends to U.S. NGOs, public international organizations, foreign governments, and parastatals receiving State Department grants, cooperative agreements, or voluntary contributions. Organizations must decide whether to accept these conditions or decline U.S. foreign assistance.

Source: [Federal Register: Protecting Life in Foreign Assistance \(January 27, 2026\)](#)

● SNAP Work Requirements Now in Effect — Food Bank and Social Service Nonprofits Face Growing Client Surge

SNAP work requirements effective February 1, 2026, expanded to adults ages 55–64 and parents with children 14 or older, eliminating previous exemptions for homeless individuals, veterans, and foster youth. The Congressional Budget Office projects 2.4 million people will lose benefits over ten years. Nonprofits operating food banks and emergency assistance programs face substantial client increases as newly ineligible individuals seek alternative food sources while navigating 80-hour monthly work, volunteer, or training requirements to maintain benefits.

Source: [ABC News: New SNAP Work Requirements Set to Take Effect Feb. 1 \(2026\)](#)

● DOE Rescinds 15% Indirect Cost Cap for Nonprofit Grantees

On January 27, 2026, the Department of Energy formally rescinded its 15% cap on indirect cost reimbursements for nonprofit grantees through a new Policy Flash. The rescission was compelled by H.R. 6938, signed January 23, 2026, which requires DOE to apply the same indirect cost rates in effect in FY2024. Nonprofits conducting DOE-funded energy research and community projects can once again recover legitimate overhead costs, reversing a policy that had imposed serious financial strain on mission-driven research organizations.

Source: [Reliascent Government Contracting Advisors](#)

● Federal Childcare Funding Freeze Disrupts Nonprofit Early Childhood Programs

On January 6, 2026, HHS froze Child Care and Development Fund, TANF, and Social Services Block Grant disbursements in California, Colorado, Illinois, Minnesota, and New York, citing fraud concerns. A broader government-wide "Defend the Spend" verification system implemented December 30, 2025, also blocked payments in other states, with Head Start programs in more than 20 states unable to access funds. Nonprofit providers delivering early childhood services faced temporary closures and payroll disruptions, threatening continuity of care for vulnerable families.

Source: [U.S. Department of Health and Human Services](#)

Human Resources Developments

📄 **Executive Summary:** Federal employment enforcement in 2026 is placing increased emphasis on EEOC investigations of DEI-related employment programs, with aggressive subpoena activity and website archiving to identify violations. The agency is prioritizing reverse discrimination claims while DOJ eliminated disparate-impact rules under Title VI for federally funded nonprofits. EEOC's rescinded harassment guidance requires policy updates, restored OFCCP funding means renewed

contractor audits, and USCIS's new wage-weighted H-1B lottery changes visa planning. These developments require proactive HR governance, documentation, legal review.

Key Actions for This Section:

- Review all DEI-related employment programs, selection criteria, and communications with counsel for compliance risk.
 - Ensure documentation supports hiring, promotion, and compensation decisions under evolving enforcement priorities.
 - Confirm current anti-harassment policies and investigation practices remain strong despite changing guidance.
 - Verify readiness for federal contractor compliance obligations where applicable, including audit preparedness.
 - Coordinate early on immigration planning for the FY2027 H-1B registration process and data requirements.
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EEOC Enforcement of DEI Programs Escalates — Nike Subpoena a Warning to All Employers

On February 4, 2026, the EEOC filed a motion to enforce a sweeping subpoena against Nike for alleged pattern-or-practice discrimination against white employees under its diversity programs. The subpoena seeks years of hiring metrics, DEI strategies, and executive interview access. This signals that nonprofit DEI programs — employee resource groups, fellowship pipelines, supplier diversity — may all face investigative scrutiny if the EEOC determines they disadvantage majority-group employees.

Source: [Labor and Employment Law Insights: Inside the EEOC's Sweeping Nike DEI Subpoena \(February 2026\)](#)

EEOC Spotlights Reverse Discrimination Enforcement in 2026 — Nonprofits at Risk

Attorneys and EEOC observers confirm the agency will pursue 'reverse discrimination' claims from majority-group employees aggressively in 2026. Chair Lucas has publicly solicited complaints from white male employees via social media. While a major increase in litigation has not yet materialized, EEOC has stepped away from some traditional investigations in favor of claims aligning with administration priorities. Nonprofits with race- or gender-conscious programs face compliance and litigation exposure.

Source: [HR Dive: EEOC to Spotlight 'Reverse Bias' in 2026, Attorneys Say \(February 11, 2026\)](#)

DOJ Eliminates Disparate-Impact Rule Under Title VI — Major Shift for Federally Funded Nonprofits

Effective December 9, 2025, DOJ issued a final rule rescinding its disparate-impact regulations under Title VI, eliminating 50 years of liability based on statistical outcomes for federal funding recipients. Civil rights enforcement now requires proof of intentional discrimination. Nonprofits must recognize that many state laws retain disparate-impact standards, creating a dual compliance landscape. Program design, data collection practices, and equity initiatives all warrant legal review.

Source: [U.S. Department of Justice: DOJ Rule Restores Equal Protection for All in Civil Rights Enforcement \(December 9, 2025\)](#)

EEOC Now Mining Archived Websites to Identify Nonprofits That Rebranded DEI Programs Without Substantively Changing Practices

EEOC Chair Andrea Lucas announced the Commission will search archived websites to identify organizations that changed DEI language without substantively altering underlying practices, signaling deep skepticism about cosmetic compliance efforts. This investigative approach supplements traditional enforcement methods with technological tools to detect organizations attempting to disguise prohibited programs through rebranding. Nonprofit organizations that modified diversity program descriptions should ensure actual practice changes align with revised communications. Inconsistencies between historical and current web content could trigger investigations, requiring comprehensive documentation demonstrating genuine programmatic modifications rather than superficial rebranding efforts.

Source: [Ogletree: EEOC Consolidates Power, Signaling Aggressive Enforcement \(February 6, 2026\)](#)

● EEOC Rescinds Harassment Guidance: What Nonprofits Must Do Now

With the 2024 Harassment Guidance rescinded, nonprofits lose a key 190-page compliance reference that shaped anti-harassment policies, training, and investigations. No replacement has been announced. Nonprofit HR leaders should maintain and strengthen existing anti-harassment policies and training, continue prompt investigation practices, and document all actions carefully. State laws in Connecticut, Massachusetts, New York, and others with broader protections remain fully operative, adding multistate compliance complexity.

Source: [Day Pitney: EEOC Rescinds Its 2024 Harassment Guidance \(January 2026\)](#)

● Congress Restores OFCCP Funding — Federal Nonprofit Contractors Face Renewed Enforcement

President Trump signed H.R. 7148 on February 3, 2026, restoring OFCCP funding for FY 2026. The agency is expected to resume active enforcement under Section 503 of the Rehabilitation Act and VEVRAA for disability and veteran-related compliance, revise complaint intake forms to reflect the post-EO 11246 environment, and potentially restart contractor portal certification. Nonprofit federal contractors must ensure their Affirmative Action Plans remain current and audit-ready.

Source: [HR Works: What Employers Should Expect Now That OFCCP Has Been Allocated Funding \(February 3, 2026\)](#)

● USCIS Opens FY2027 H-1B Registration March 4: New Wage-Weighted Lottery Changes the Stakes

USCIS announced the FY2027 H-1B cap registration window runs March 4–19, 2026, with selections by March 31. For the first time, a new wage-weighted selection system — effective February 27, 2026 — replaces the random lottery, prioritizing higher-compensated positions. Nonprofit employers including hospitals, universities, and research organizations must now supply SOC codes and prevailing wage level data at registration. The \$215-per-beneficiary registration fee applies. Early workforce planning and engagement with immigration counsel is essential.

Source: [U.S. Citizenship and Immigration Services](#)

IRS, Accounting & Finance Developments

📄 Executive Summary: Tax administration and compliance risks are rising as IRS processing constraints continue while critical developments demand attention. Surging AI-powered phishing scams threaten organizations, the six-year group exemption moratorium ended, ERC enforcement continues, and UBIT compliance requirements expand. New charitable deduction rules, the March 31 Single Audit deadline under updated OMB guidance, strict Form 990 e-filing enforcement, and heightened document retention requirements with potential criminal liability for officers make filing readiness, audit preparedness, fraud prevention, governance controls essential.

⚡ Key Actions for This Section:

- Confirm 2025 Form 990-series filing readiness, including mandatory e-filing requirements and extension planning.
- Strengthen cybersecurity and verification protocols to reduce exposure to phishing and identity theft scams targeting finance teams.
- Review eligibility and compliance requirements for group exemptions, UBIT, and other tax-related obligations.
- Prepare for Single Audit deadlines and updated Uniform Guidance requirements where federal awards are involved.
- Ensure document retention and governance policies are current, implemented, and consistently followed.

● IRS Staffing Cuts Raise Serious Risks for Nonprofit Form 990 Filers

The National Taxpayer Advocate's January 29, 2026 annual report to Congress warned that IRS workforce reductions — from roughly 102,000 to 74,000 employees in 2025, a drop exceeding 27% — threaten the 2026 filing season. IT staffing fell 27%, Taxpayer Services lost over 9,000 employees, and unprocessed paper returns topped 294,000 by year-end 2025. Nonprofit Form 990 filers may encounter extended processing delays, limited agency guidance, and reduced capacity to resolve errors or respond to correspondence in a timely manner.

Source: [Internal Revenue Service — National Taxpayer Advocate Annual Report](#)

● **IRS Warns of Surging AI-Powered Phishing Scams and Identity Theft Targeting Organizations in 2026 Tax Season**

An IRS Tax Tip issued January 8, 2026, cautioned businesses and nonprofit organizations to guard against escalating threats including phishing and smishing attacks, spear-phishing impersonating executives to obtain employee W-2 data, "ghost" preparers, and social media tax misinformation. These attacks now incorporate AI to convincingly mimic IRS communications. Nonprofits with lean finance teams are especially vulnerable; organizations should update cybersecurity protocols and train staff on verification procedures.

Source: [IRS: When Preparing to File Taxes, Keep an Eye Out for Scams — Tax Tip 2026-02 \(January 8, 2026\)](#)

● **IRS Ends Six-Year Group Exemption Moratorium — Rev. Proc. 2026-8 Sets New Standards**

Effective January 20, 2026, the IRS reopened group exemption letter applications after a nearly six-year moratorium, under Revenue Procedure 2026-8, which replaces guidance dating to 1980. Central organizations must now demonstrate active oversight of subordinates through newly defined criteria for affiliation, supervision, and control, and submit standardized annual reports electronically via Form 8940. Organizations with existing group exemptions have a transition window through January 2027 to achieve full compliance.

Source: [Morgan Lewis: Internal Revenue Service Issues Updated Group Exemption Procedures \(February 2026\)](#)

● **GAO Report and Ongoing IRS Enforcement Spotlight Remaining ERC Compliance Risks**

A February 10, 2026, GAO report confirms the IRS closed nearly all outstanding Employee Retention Credit claims by December 31, 2025, but approximately 41,000 claims remain under audit or appeal. The One Big Beautiful Bill Act extended the IRS audit window to six years and imposed new promoter penalties. Nonprofits that filed ERC claims — even valid ones — should retain all supporting documentation and prepare for potential IRS examination.

Source: [Accounting Today: IRS Learned Lessons from ERC Fraud Wave \(February 10, 2026\)](#)

● **UBIT Compliance Remains a Growing Risk as Nonprofits Diversify Revenue Streams in 2026**

With funding environments tightening, many nonprofits are generating revenue from new activities — creating unrecognized Unrelated Business Income Tax (UBIT) exposure. UBIT applies when income comes from regularly carried-on, commercially structured activity not substantially tied to mission. Form 990-T is due May 15, 2026, for calendar-year filers. Nonprofits should audit advertising revenue, facility rentals, merchandise sales, and sponsorship arrangements before filing.

Source: [Charitable Allies: UBIT for Nonprofits — A Guide to Staying Compliant in 2026 \(January 16, 2026\)](#)

● **New 2026 Charitable Deduction Rules Are Now in Effect — Nonprofits Must Update Donor Communication Strategies**

Starting in 2026, taxpayers taking the standard deduction can claim up to \$1,000 (individuals) or \$2,000 (married couples) for cash donations to public charities, potentially benefiting 87% of taxpayers who do not itemize. However, itemizers now face a new 0.5% AGI floor requiring charitable giving to exceed this threshold before deductions apply. Donor-advised funds and private foundations do not qualify for the standard deduction benefit. These changes require nonprofits to educate

donors about new giving strategies while navigating more complex tax conversations that vary significantly based on individual donor circumstances.

Source: [Carnegie Invest: Charitable Giving Tax Changes Coming in 2026 — What You Should Know](#)

● **March 31 Deadline Alert — First Single Audits Under 2025 OMB Compliance Supplement Now Due**

The Office of Management and Budget released the final 2025 Compliance Supplement on November 25, 2025, enabling completion of delayed Uniform Guidance audits. Effective for fiscal years beginning after June 30, 2024, the supplement incorporates the revised \$1 million audit threshold and updates compliance requirements across federal programs. Organizations with multiple grants must track which Uniform Guidance version applies to each award, as transitional rules operate simultaneously. Nonprofits receiving federal awards should immediately review updated compliance requirements with auditors and update internal policies around procurement, costs, and equipment management. First audits under the 2025 Supplement are due March 31, 2026.

Source: [BNN CPA: Changes in the 2025 Compliance Supplement for Uniform Guidance Audits](#)

● **Form 990 Series Electronic Filing Requirements Remain Strictly Enforced for Tax Year 2025 Returns**

The IRS continues mandatory e-filing for all Form 990, 990-EZ, 990-PF, and 990-T returns for tax years ending July 31, 2021 and later. For calendar-year filers, the 2025 Form 990 is due May 15, 2026, with a six-month extension available via Form 8868. Three consecutive years of non-filing triggers automatic revocation of tax-exempt status. Nonprofits should confirm IRS-authorized preparers are registered e-filers.

Source: [IRS: E-file for Charities and Nonprofits](#)

● **Document Retention Policies Gain Urgency — Board Members and Officers Face Personal Criminal Liability Under Federal Law**

Document retention has emerged as a significant 2026 compliance priority, with boards increasingly viewing written retention policies as a transparency benchmark, governance tool, and fiduciary duty. Form 990 Part VI disclosure requirements reinforce accountability expectations. Critically, Sarbanes-Oxley (18 U.S.C. §1519) criminalizes intentional document destruction by board members, officers, employees, and trustees who knowingly destroy records to obstruct federal investigations — penalties include imprisonment up to 20 years and substantial fines. Civil spoliation penalties include default judgment and monetary sanctions against individuals. Permanent retention is required for Articles of Incorporation, IRS determination letters, Form 990s, board minutes, and audit reports.

Source: [Minnesota Council of Nonprofits: Document Retention Requirements](#)

Nonprofit State News Developments

 **Executive Summary:** States are advancing nonprofit oversight measures affecting political activity, fundraising compliance, transparency, and contract eligibility. Florida's AG opinion threatens DEI-related grant terms, red-state legislatures restrict funding based on political designations, and Maryland advances political activity restrictions and public records disclosure. California's AB 488 creates urgent filing obligations, Pennsylvania enforces BCO-10 reporting and modernizes audit thresholds, and New York's Pennies for Charity intensifies fundraiser oversight. Multi-state organizations should monitor developments closely and align governance, compliance, reporting practices accordingly.

Key Actions for This Section:

- Review state grant and contract terms for new or emerging DEI-related conditions and certification risks.
- Track legislative and regulatory changes affecting fundraising registration, reporting, and platform eligibility.
- Assess whether proposed transparency or public records measures could expand disclosure obligations for state-funded nonprofits.
- Monitor political activity restrictions and ensure policies and staff guidance remain compliant.

- Confirm audit and annual reporting obligations are being met for each state in which the organization solicits contributions.
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● **Florida: Attorney General's DEI Opinion Threatens Grant and Contract Terms for State-Funded Nonprofits**

On January 19, 2026, Florida AG James Uthmeier issued a formal opinion declaring numerous Florida laws imposing race-based or DEI-related requirements to be presumptively unconstitutional. The opinion directly affects nonprofits receiving state contracts or funding that include DEI certification requirements. Florida nonprofits must review all current and pending state contracts. Those with DEI-related compliance provisions embedded in grant or contract agreements should consult counsel immediately.

Source: [Jackson Lewis: Florida and Texas Attorneys General Announce Opposition to DEI Programs \(January 19, 2026\)](#)

● **Red-State Governors and Legislatures Move to Restrict Nonprofit Funding Based on Political Designations**

Governors in Texas and Florida have issued executive orders designating CAIR — a U.S. nonprofit — as a terrorist organization, with Florida restricting state contracts and Texas barring land purchases. Florida's pending HB 1471/SB 1632 would further empower state law enforcement to designate domestic groups and prohibit state funding to them. Stanford Law scholars warn this trend could expand across multiple states, creating existential financial and legal risks for nonprofits engaged in advocacy, civil rights, or politically disfavored activities.

Source: [Stanford Law School Legal Aggregate](#)

● **Minnesota: 2026 Legislative Session Now Underway — Federal Funding Threats Create Urgency for Nonprofits Dependent on State Contracts**

Minnesota's 2026 legislative session commenced February 17 with lawmakers preparing to address threats of federal funding cuts to sanctuary jurisdictions and heightened immigration enforcement operations. The administration has threatened to withhold significant federal dollars from Minnesota after identifying the state on a list of sanctuary locations, raising urgent questions about potential budget impacts for nonprofits dependent on federal grants administered through state agencies. Minnesota nonprofits receiving federal funds should closely monitor legislative developments, assess vulnerability to potential funding disruptions, and develop contingency financial plans with diversified revenue sources.

Source: [Minnesota Daily: Minnesota Legislators Prepare for Start of Session \(February 3, 2026\)](#)

● **Maryland 'Keeping Charities Nonpartisan Act' Advances Through Legislative Hearings**

Maryland Senate Bill 4 and crossfiled House Bill 514, the Keeping Charities Nonpartisan Act of 2026, received legislative hearings on February 11 (Senate) and February 18, 2026 (House). The bills would strengthen the federal Johnson Amendment at the state level by expressly prohibiting charitable organizations from engaging in partisan political activity. Violations could trigger civil penalties up to \$5,000 per offense, with willful violations risking revocation of state tax-exempt status — providing a Maryland-specific backstop if federal nonprofit protections are weakened or repealed.

Source: [LegiScan — Maryland SB 4 \(2026\)](#)

● **Pennsylvania: Bipartisan Bill to Modernize Charitable Audit Thresholds Advances — Key Threshold Changes for Pennsylvania Nonprofits**

Pennsylvania Senators introduced Senate Bill 1183 on February 5, 2026, raising audit thresholds for registered charitable organizations. The legislation increases the audit requirement from \$750,000 to \$1 million in annual contributions, while establishing tiered requirements at \$500,000 (review/audit) and \$150,000 (compilation/review/audit). Organizations receiving under \$150,000 would face no mandatory financial statement requirements, aligning Pennsylvania more closely

with neighboring states and federal single audit standards. Pennsylvania nonprofits should reassess their financial reporting obligations under these proposed changes, carefully tracking contribution levels to identify which tier applies.

Source: [Senator Culver: Culver and Pisciotano Introduce Bipartisan Bill to Update Charitable Audit Thresholds \(February 5, 2026\)](#)

● **California: AB 488 Compliance Deadline and Registry Portal Transition Create Urgent Filing Obligations**

More than 30,000 California nonprofits faced a January 15, 2026, compliance deadline with the Attorney General's Registry or risk disruption to online fundraising under AB 488. The AG paused new non-compliance designations through spring 2026, pending launch of a new filing portal. For all charities, renewal filing deadlines are extended to April 30, 2026. Nonprofits must confirm their registry status now or risk losing donor platform access.

Source: [The NonProfit Times: Time Running Out to Comply with California Fundraising Requirements \(January 8, 2026\)](#)

● **Texas: New Law Creates Criminal Penalties for Fraudulent Disaster-Relief Charitable Solicitations**

Texas enacted HB 20 during the 89th Legislature's Second Called Session, establishing new criminal penalties for fraudulent charitable solicitations following declared disasters and creating a designation program for legitimate disaster-relief nonprofits. The law directly affects how Texas nonprofits respond to emergencies and how they solicit disaster-relief donations. Organizations not enrolled in the designation program face heightened public skepticism and potential fraud association. Registration and compliance procedures are now in effect.

Source: [Texas Legislative Reference Library: 89th Legislature Effective Dates — HB 20, 89th 2nd Called Session](#)

● **New York: AG's 2025 Pennies for Charity Report Intensifies Fundraiser Oversight and Transparency Requirements**

New York AG Letitia James released the 2025 Pennies for Charity report, providing detailed data on professional fundraiser performance and compliance. The report flags organizations retaining disproportionate proceeds. New York nonprofits must file annual CHAR500 reports with the AG's Charities Bureau within 4.5 months of fiscal year-end. Non-filers risk registration revocation and loss of public credibility in a state with one of the nation's most active charitable oversight programs.

Source: [New York State Attorney General: 2025 Pennies for Charity](#)

● **Maryland: HB 0015 Advances — State-Funded Nonprofits Could Face Public Records Disclosure Obligations Under Proposed Legislation**

Maryland House Bill 0015 would classify certain nonprofit documents as public records when organizations receive \$50,000 or more annually from state grants, bond proceeds, or local impact grants. The proposed legislation extends Public Information Act requirements to nonprofits, subjecting them to the same disclosure rules and limitations that apply to governmental entities under Maryland law. Maryland nonprofits accepting substantial state funding should prepare for potentially expanded transparency obligations and review document retention policies and internal governance materials to ensure compliance readiness.

Source: [Maryland General Assembly: HB 0015](#)

● **Maryland: Baltimore Nonprofit Managing \$60 Million in Federal Funds Spotlights Single Audit Compliance Failures Across the Sector**

A Maryland nonprofit administering over \$60 million in Ryan White HIV program funds has failed to complete federally mandated audits for three consecutive years, according to investigative reporting. Connections Thru Life, selected by Baltimore City Health Department to manage taxpayer dollars, disclosed on Forms 990 from 2022–2024 that no required audits were completed. Federal regulations mandate Single Audits for organizations expending such substantial federal funding. Maryland nonprofits receiving federal awards must ensure timely Single Audit compliance to avoid regulatory

violations and reputational damage. This high-profile case illustrates the heightened scrutiny of nonprofit fiscal agent arrangements and the critical importance of robust financial oversight and transparent reporting.

Source: [Fox Baltimore: Maryland Nonprofit Managing \\$60 Million Has Not Completed Required Audits](#)

● **Pennsylvania: Bureau of Charitable Organizations Enforces Annual BCO-10 Reporting and Audit Requirements**

Pennsylvania's Bureau of Corporations and Charitable Organizations requires all soliciting charities to register and file annual BCO-10 reports. Organizations with contributions over \$25,000 must submit audited financial statements. Pennsylvania actively enforces these requirements, and out-of-state nonprofits fundraising from Pennsylvania residents are fully subject to registration rules. Delinquent organizations risk public exposure through the PA charity database and may face investigative referrals. Compliance before the May 2026 deadline is essential.

Source: [Pennsylvania Department of State: Information for Charitable Organizations](#)

Summary

Across federal regulation, workforce compliance, tax administration, and state oversight, nonprofits are facing a fast-changing environment that increases risk for organizations that rely on public funding, operate across multiple jurisdictions, or maintain complex HR and governance programs. This week's update highlights tightening federal grant compliance expectations and enforcement activity, continued funding disruption and reimbursement risks, shifting HR enforcement priorities, and multiple IRS and audit-related developments that affect filing readiness, fraud prevention, and governance controls. State actions add another layer, with proposals and enforcement trends affecting nonprofit funding eligibility, political activity limits, fundraising compliance, and transparency obligations. Leaders should prioritize compliance review, documentation, and proactive planning to protect mission delivery.

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