

Abstract

Nonprofit leaders face an unusually volatile operating environment in early 2026. Federal regulatory changes, cybersecurity threats, geopolitical instability, and escalating government scrutiny of nonprofit governance and funding sources are reshaping risk management priorities across the sector. The approaching SAM.gov “Illegal DEI” certification deadline, continuing disruptions to federal grant programs, and rising congressional oversight of nonprofit funding and foreign influence represent immediate operational concerns for nonprofit leaders. This week’s **Navigator News Update** covers the most significant federal regulatory, human resources, financial, and state-level developments affecting nonprofit organizations.

March 16, 2026 Navigator News Update: Including the SAM.gov “Illegal DEI” Certification Deadline, Mounting Cybersecurity Threats, GoFundMe Investigation, and More!

From Nonprofit Management Navigator

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

Introduction

Nonprofit organizations are entering 2026 facing one of the most complex operating environments in recent memory. Federal policy changes, international instability, heightened cybersecurity threats, and growing scrutiny of nonprofit governance are converging to create new operational and compliance risks for nonprofit leaders.

Several developments now require particularly close attention. Proposed federal certifications tied to “illegal DEI” policies could expose federal grant recipients to significant False Claims Act liability. At the same time, Congress and federal regulators are increasing oversight of nonprofit funding sources, governance structures, and political activity.

The developments summarized in this week’s Navigator update highlight the issues nonprofit executives and boards should be monitoring most closely. Taken together, they illustrate how quickly the nonprofit operating environment is changing — and why proactive governance,

strong compliance systems, and diversified revenue strategies are becoming essential for organizational resilience.

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Summary

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 Federal Regulatory Developments

Executive Summary:

Federal regulatory changes, geopolitical instability, and increasing congressional scrutiny are creating a rapidly evolving policy environment for nonprofit organizations. The approaching SAM.gov certification deadline tied to “illegal DEI” policies could expose federal grant recipients to False Claims Act liability across an organization’s entire operations. At the same time, the continuing DHS shutdown is freezing key federal grant programs relied upon by nonprofits, including the Nonprofit Security Grant Program. Cybersecurity risks are also rising sharply amid reduced federal support and heightened geopolitical tensions.

Key Actions for This Section:

Organizations should take several immediate steps to protect their operations and funding:

- Engage legal counsel to review DEI-related programs and evaluate potential SAM.gov certification risks
 - Review FEMA and DHS-dependent funding exposure and prepare contingency cash-flow plans
 - Strengthen cybersecurity protections including MFA, patch management, and tested backups
 - Brief the board on federal grant termination risks under Executive Order 14332
 - Conduct an internal review of foreign funding sources and disclosure practices
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● **The SAM.gov “Illegal DEI” Comment Deadline Is Only Days Away — Time to Act Has Nearly Expired**

The March 30, 2026 public comment deadline for the GSA’s proposed “Illegal DEI” SAM.gov certification is only days away. All federal financial assistance recipients would be required to certify compliance; a false certification could trigger False Claims Act treble-damage liability across an organization’s entire operations. Engage legal counsel immediately to review DEI-related programs, evaluate certification risk, and consider submitting formal comments before the deadline. Document board deliberations and review your SAM.gov registration status and renewal timeline.

Source: [Venable LLP — GSA Proposes Adding “Illegal DEI” Certifications to SAM.gov \(February 2026\)](#)

● **US-Iran Military Conflict: Operational and Safety Risks for Nonprofits**

On February 28, 2026, the US and Israel launched coordinated strikes on Iran (Operation Epic Fury). Iran retaliated against all six Gulf states, Israel, and US bases. The State Department issued a worldwide caution and urged immediate departure from 15 countries. Commercial airspace across the region was largely suspended. DHS warned of elevated risk of retaliatory cyberattacks and lone-wolf attacks on US soil. As of March 16, the conflict remains active. International nonprofit organizations are not unaffected by the conflict. International nonprofits should take several actions immediately: audit all staff and partners in the region immediately, enroll affected personnel in STEP ([step.state.gov](#)), activate emergency contact protocols, pause all non-essential Middle East travel, review travel security and international operations insurance, assess cybersecurity posture given DHS warnings of Iran-linked retaliation against US targets.

Source: [US Department of State — Worldwide Caution \(February 28, 2026\)](#)

Additional source: [Council on Foreign Relations — US Homeland Security Concerns After Iran Strikes](#)

● **Elevated Cybersecurity Risk: CISA Weakened, Iran Conflict, Record Breaches**

Three converging risks define the 2026 cyber environment for nonprofits: CISA lost ~30% of its workforce and eliminated MS-ISAC funding that provided free services to

nonprofits; DHS has warned of elevated Iran-linked cyberattack retaliation against US targets; and 2025 set a US data breach record with 3,322 incidents, ransomware present in 88% of small-organization breaches. Cyber insurance underwriters are tightening requirements and raising premiums across the board. In this environment nonprofits should: verify MFA, patch status, and tested backups immediately, update your incident response plan, assess cyber liability insurance coverage and engage your broker on current underwriter requirements, designate a cybersecurity point of contact — free CISA regional support is no longer reliably available, and brief staff on heightened phishing risk tied to the Iran conflict.

Source: [Cybersecurity Dive — CISA's 7 Biggest Challenges in 2026](#)

Additional source: [Barracuda Networks — Reported US Data Breaches Hit Record High in 2025](#)

● **DHS Shutdown Enters Its Fifth Week — FEMA Grants and the Nonprofit Security Program Remain Frozen**

No resolution appears in sight for the DHS partial shutdown, which began February 14. FEMA is operating in emergency-only mode, all non-disaster Public Assistance reimbursements are paused, and the \$300 million FY 2026 Nonprofit Security Grant Program remains inaccessible. Given the situation your organization should confirm cash-flow sufficiency for FEMA-dependent programs, monitor NSGP award timelines, document all shutdown-period expenses for future reimbursement, and assess multi-agency programs for secondary DHS disruption exposure.

Source: [Granted AI — DHS Shutdown Begins: What Grant Seekers Need to Know \(February 18, 2026\)](#)

● **Federal Courts Still Cannot Define "Illegal DEI" — Every Federal Grantee Remains in Legal Uncertainty**

The Seventh Circuit heard oral argument in *Chicago Women in Trades v. Trump* (No. 25-2144) on January 30, 2026, and federal courts still cannot define “illegal DEI.” The government acknowledged that educational, awareness-based activities without exclusion or discrimination remain lawful—currently the most defensible compliance position for federal grantees, who otherwise face False Claims Act treble-damage liability. Organizations should maintain and document this position, monitor the ruling for further guidance, and engage legal counsel before the March 30 SAM.gov comment deadline.

Source: [Ogletree Deakins — Still No Answers: Seventh Circuit Oral Argument Leaves DEI Questions Unresolved \(February 18, 2026\)](#)

● **Executive Order 14332: Full Compliance with a Federal Grant No Longer Protects It from Cancellation**

Signed August 7, 2025, Executive Order 14332 (“Improving Oversight of Federal Grantmaking”) directs that all discretionary federal grants include termination-for-convenience clauses permitting cancellation whenever an award no longer advances agency priorities. A fully compliant nonprofit can now lose a federal grant for reasons entirely unrelated to performance. Organizations should audit active grants for these clauses, build termination scenarios into financial models, brief boards on the changed risk profile of federal grant dependency, and accelerate non-federal revenue development.

Source: [Hogan Lovells — Federal Grantmaking Transformed: Executive Order Brings Sweeping Changes \(August 2025\)](#)

● February 2026 Federal Funding Update: Litigation Ongoing, Compliance Requirements Intensifying

The legal challenge to the 2025 broad federal grant freeze — brought by the National Council of Nonprofits — continues in the U.S. Court of Appeals for the D.C. Circuit, with a decision expected imminently. While some grant stability has been restored by congressional action, OMB leadership’s alignment with Project 2025 priorities keeps risks alive: payment delays, slower grant notices, and compliance-based terminations remain real threats. Nonprofits should strengthen grants management systems and documentation now.

Source: [The Grant Plant NM: Information Sharing on Federal Funding — February 2026 \(February 2026\)](#)

● The Johnson Amendment Ruling Could Come Before Spring — Every Nonprofit Board Must Be Briefed Now

A ruling is expected before spring 2026 in *National Religious Broadcasters v. Bessent* (No. 6:24-cv-00311, E.D. Tex.), where the IRS agreed to a proposed consent decree that would permanently enjoin enforcement of the Johnson Amendment’s political activity ban against houses of worship. If approved, the decree would set precedent without appellate review, potentially creating unequal enforcement between religious and secular nonprofits. Leaders should place a briefing on the next board agenda, review political activity policies, and engage legal counsel to assess implications.

Source: [Perlman & Perlman — Can New York Save the Johnson Amendment? \(February 2026\)](#)

● Foreign Funding Disclosure Legislation Targeting Nonprofits

Multiple bills pending in the 119th Congress would dramatically expand disclosure and registration requirements for nonprofits receiving foreign funding. The Think Tank and Nonprofit Foreign Influence Disclosure Act (H.R. 3966) would require tax-exempt organizations to disclose contributions over \$10,000 from foreign governments in

annual filings, with a Treasury searchable database. The FRONT Act (S. 2305) could require FARA registration for any nonprofit receiving even minimal funding from a country of concern. A House Ways and Means hearing titled Foreign Influence in American Non-Profits: Unmasking Threats from Beijing and Beyond was held February 10, 2026. Florida, Nebraska, Arkansas, Texas, and multiple other states enacted similar laws in 2025. Legal counsel review of all foreign funding sources is urgent.

Source 1: [Covington Inside Political Law — Congress Weighs Foreign Agent Disclosure and Registration Bills](#)

Source 2: [Akin Gump — Government Scrutiny of Nonprofits Intensifies](#)

Source 3: [Whiteford, Taylor & Preston — Nonprofits and New Foreign Influence Registration and Reporting Schemes](#)

Human Resources Developments

Executive Summary:

Nonprofit employers are entering 2026 facing significant workforce-related legal and operational uncertainty. A new PSLF rule could affect recruiting and retention at some nonprofits beginning July 1, 2026, while the Department of Labor is proposing to roll back the current independent contractor rule. At the same time, labor policy, accommodation rules, board fiduciary expectations, and donor-facing workplace giving opportunities are all shifting. Nonprofit leaders should review employment classifications, monitor pending litigation and rule changes, and brief both boards and HR teams on the practical implications of these developments.

Key Actions for This Section:

Organizations should take several immediate steps to reduce workforce and governance risk:

- Review whether your organization could be affected by the new PSLF “substantial illegal purpose” rule
 - Audit all independent contractor relationships before the April 28, 2026 DOL comment deadline
 - Review D&O coverage and board fiduciary training materials
 - Monitor NLRB and EEOC policy shifts that could affect union, handbook, and accommodation issues
 - Consider whether 2026 charitable deduction changes create an opportunity for internal giving campaigns
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 **PSLF “Substantial Illegal Purpose” Rule Takes Effect July 1 2026**

The Department of Education finalized a rule (October 30, 2025) allowing the Secretary to strip nonprofit employers of PSLF qualifying status based on a finding of “substantial illegal purpose.” Targeted activities include immigration assistance, gender-affirming care, and DEI-related work. If disqualified, all employee payments after that date lose credit toward forgiveness. More than 12 state attorneys general and a nonprofit-union coalition have filed suits. Rule takes effect July 1, 2026; litigation could delay implementation. Nonprofits, if they have not already done so, should: brief the board and consult legal counsel on organizational exposure, communicate proactively with PSLF-reliant staff, noting the rule is not retroactive and that litigation is pending, do not alter PSLF recruiting messaging prematurely, and monitor active lawsuits for injunctive relief before the July 1 effective date.

Source: [Independent Sector — New PSLF Rule and Its Meaning for Nonprofits](#)

Additional source: [American Bar Association — PSLF Final Rule Takes Effect July 2026](#)

Act Now: DOL Moves to Roll Back Independent Contractor Rule — Comment Deadline April 28, 2026

On February 27, 2026, the Department of Labor published a proposed rule (RIN 1235-AA46) to rescind the Biden 2024 independent contractor classification standard under the FLSA and replace it with the more employer-friendly 2021 framework. For nonprofits, misclassification findings trigger back wages, benefits liability, and tax penalties. The same standard would extend to FMLA coverage determinations. The comment deadline is April 28, 2026. Audit all contractor relationships now and consult legal counsel before adjusting any classifications pending the final rule.

Source: [Federal Register — RIN 1235-AA46 Proposed Rule \(Feb. 27, 2026\)](#)

Directors & Officers Insurance: Essential — and Often Misunderstood — Nonprofit Protection

D&O insurance protects nonprofit leaders from personal liability arising from governance decisions. Nonprofit premiums typically range from \$600–\$1,700 annually for \$1 million in coverage. Standard general liability policies do not cover these risks. Without D&O coverage, board members’ personal assets are exposed. D&O is a “claims-made” policy — it must be active both when the alleged act occurs and when the claim is filed, making continuous coverage critical.

Source: [Ward and Smith, P.A.: Understanding Director and Officer Liability Insurance \(December 18, 2025\)](#)

Fiduciary Responsibility: What Every Nonprofit Board Member Must Know

Every board member accepts three binding legal duties: care, loyalty, and obedience. The duty of loyalty — the most commonly breached — requires putting the nonprofit's interests first, disclosing conflicts of interest, and avoiding the appropriation of "corporate opportunities" meant for the organization. Breaches can result in personal liability, attorney general enforcement, and reputational damage. Annual conflict-of-interest disclosures and formal recusal policies are essential risk-management tools.

Source: [Napa Legal Institute: What Directors Need to Know About the Duty of Loyalty \(January 6, 2026\)](#)

● **New OBBBA Deduction Creates Opportunity: Engage Staff and Volunteers as Donors to Your Own Organization**

Beginning tax year 2026, the One Big Beautiful Bill Act permanently allows standard-deduction filers to deduct up to \$1,000 (\$2,000 for joint filers) in cash donations to qualified 501(c)(3) public charities — including their own nonprofit employer. With approximately 86% of taxpayers projected to take the standard deduction, most nonprofit employees and volunteers now have a direct tax incentive to give. Launch a workplace giving campaign, update acknowledgment templates, and train staff to communicate this new benefit to their colleagues.

Source: [Giving USA — Adapting to Charitable Tax Changes: What Nonprofits Need to Know for 2026 \(Nov. 2025\)](#)

● **NLRB Shifts to Republican Majority — Union and Labor Policy Changes Coming for Nonprofits**

On January 7, 2026, the NLRB regained a quorum when Senate-confirmed members James Murphy and Scott Mayer were sworn in, giving the Board a 2-1 Republican majority. Nonprofits with unionized workforces or facing organizing campaigns should prepare for doctrinal shifts. The new majority is widely expected to narrow the Biden-era Cemex bargaining-order standard and roll back 2023 quickie-election rules. Existing pro-labor precedents remain enforceable until formally changed. Review handbooks, contractor classifications, and organizing response protocols now.

Source: [Fisher Phillips — What Employers Should Expect from the NLRB in 2026 \(Dec. 2025\)](#)

● **EEOC Moves to Narrow Pregnant Workers Fairness Act Rules — Nonprofits Must Track Policy in Flux**

The EEOC regained a Republican majority in October 2025 and voted 2-1 in January 2026 to rescind its 2024 workplace harassment guidance. Chair Andrea Lucas — who opposed the 2024 PWFA final rule's broad scope — is now expected to move quickly to rescind or narrow regulations that currently require accommodation for conditions including infertility, menstruation, and abortion. Current PWFA rules remain in force.

Nonprofits should maintain existing accommodation policies, brief HR staff on the uncertainty, and monitor EEOC rulemaking closely.

Source: [Jackson Lewis — EEOC Scraps Internal Voting Procedures, Fast-Track Policy Changes \(Jan. 2026\)](#)

IRS, Accounting & Finance Developments

Executive Summary:

Nonprofit financial management in 2026 is being reshaped by federal funding uncertainty, new federal audit thresholds, and growing scrutiny of nonprofit financial controls. Updated OMB Uniform Guidance rules are already changing procurement, cybersecurity, and audit requirements for federal grant recipients. At the same time, the IRS is expanding enforcement efforts targeting abuse of tax-exempt status, while liability insurance costs and funding volatility are forcing organizations to rethink financial resilience strategies. Nonprofit boards and finance leaders should prioritize stronger compliance systems, improved scenario planning, and diversified revenue strategies.

Key Actions for This Section:

- Review all federal awards to determine whether the revised Uniform Guidance rules apply
- Prepare for the **new** \$1 million single audit threshold and related compliance changes
- Conduct an internal review of financial controls and grant documentation
- Evaluate liability insurance coverage and renewal risk
- Implement multi-scenario budgeting to prepare for potential funding disruptions

OMB Uniform Guidance (2 CFR Part 200) — Dual Compliance Environment Active Through FY2026

The April 2024 overhaul of the Uniform Guidance — the most significant update since 2013 — is fully in effect for all new federal awards issued on or after October 1, 2024. Organizations are navigating a dual compliance environment: older awards follow prior rules while new awards require updated procurement policies, mandatory cybersecurity protections (§200.303(e)), and higher financial thresholds. The single audit threshold rises to \$1M and the de minimis indirect cost rate rises from 10% to 15%. Many organizations will face their first Subpart F audit at their FY2026 year-end. Review all active award portfolios and update internal policies now.

Source: [D'Arcangelo & Co., LLP — Changes to the Uniform Guidance \(Federal Awards\)](#)

● **IRS Fraud Task Force Targeting 501(c)(3) Misuse — Minnesota as National Template**

Treasury Secretary Bessent announced on January 9, 2026 that the IRS will form a dedicated Fraud Task Force to investigate misuse of 501(c)(3) tax-exempt status, triggered by the estimated \$9 billion Feeding Our Future social services fraud scandal in Minnesota. The task force will also probe abuse of pandemic-era tax incentives. Bessent stated that the Minnesota protocols will serve as a launching pad for investigations into other states. House Ways and Means Republicans have separately pressed the IRS to adopt a more aggressive nationwide oversight posture. Any organization relying on government-funded programs should review its compliance posture immediately.

Source 1: [U.S. Treasury — Secretary Bessent Announces Initiatives to Combat Rampant Fraud in Minnesota](#)

Source 2: [U.S. Treasury — Treasury Accepting Whistleblower Tips on Fraud, Money Laundering, Sanctions Violations](#)

● **IRS Reopens Group Exemption Program After 5-Year Freeze**

After suspending all new group exemption applications in June 2020, the IRS reopened the program under Revenue Procedure 2026-8, effective January 20, 2026. This replaces rules from 1980 and imposes significant new obligations: central organizations must demonstrate active supervision and control over every subordinate; maintain only one group exemption letter; file electronically via Form 8940 at pay.gov (\$3,500 fee); and submit annual Supplemental Group Ruling Information within a 60-day window before fiscal year-end. A transition period runs through January 22, 2027 for existing central organizations to comply.

Source: [New Changes Announced for Nonprofits with Group Tax Exemptions — Venable LLP \(January 28, 2026\)](#)

● **Federal Funding Terminations Trigger GAAP Accounting, Going Concern, and Audit Disclosure Obligations**

The AICPA's Center for Plain English Accounting (CPEA) issued guidance on the financial reporting implications of the federal funding freeze and grant terminations for nonprofits. Affected organizations must reassess revenue recognition under ASC 958 and ASC 606, evaluate whether new barriers have been created that render grants conditional, reduce receivables or establish reserves for collectability concerns, and evaluate footnote disclosures on going concern, subsequent events, and liquidity. Auditors are scrutinizing these questions in current-year audits.

Source: [Accounting for Uncertainties — Considerations and Best Practice for Not-for-Profits Impacted by the Federal Funding Freeze — Anders CPA \(April 15, 2025\)](#)

● **Nonprofit Liability Insurance Has Reached Crisis Levels — Premiums Have Risen 163% Since 2019**

A 2025 national survey found that human services nonprofits have experienced average liability insurance premium increases of 163 percent since 2019, with one in four organizations reporting increases of 200 to 1,800 percent. Multiple carriers are exiting the nonprofit market entirely. You should conduct a full coverage gap analysis, explore group purchasing cooperatives and nonprofit-specific insurance pools, and brief the board's finance committee on coverage gaps and potential non-renewal.

Source: [Social Current — The Ongoing Crisis of Nonprofits and Liability Insurance \(August 2025\)](#)

● **Revenue Diversification: From Best Practice to Mission-Critical Survival Strategy**

Revenue diversification is no longer optional. FundRobin characterizes 2026 as a "Funding Cliff," driven by the expiration of pandemic-relief funds and accelerating federal contraction. The recommended strategy is a "Resilience Pivot": abandon volume-based grant seeking in favor of high-precision targeting, state-grant navigation, and trust-based private philanthropy. Organizations should immediately target 3–6 months of cash reserves and pursue multi-year, unrestricted general operating support from aligned funders.

Source: [FundRobin: 2026 Nonprofit Funding Landscape — Strategic Playbook for the Federal-to-State Shift \(February 2026\)](#)

● **Multi-Scenario Budgeting: How to Quantify the "What-ifs" Before a Crisis Forces You To**

Multi-scenario budgeting builds two to four financial models — typically best-case, moderate, and worst-case — that quantify revenue risks and expense decisions before uncertainty strikes. NFF's updated guide advises nonprofits to identify key revenue drivers, map expense flexibility, and gauge their financial safety net. Importantly, boards must determine their risk tolerance in advance, so contingency actions — staffing, program, and reserve decisions — can be deployed rapidly under pressure.

Source: [Nonprofit Finance Fund: Demystifying Scenario Planning \(February 12, 2026\)](#)

● **Corporate Partnerships: Opportunity and Urgency for Nonprofits in 2026**

A new survey of 70 corporate citizenship leaders reveals that only 15% describe their nonprofit partners as financially stable. Corporate budgets are largely holding for 2026,

but companies are narrowing focus toward food security, affordability, housing, and digital inclusion. Nonprofits must demonstrate tangible business value — co-branding, employee engagement, ESG alignment — not just charitable appeal. Federal funding cuts have made corporate partnerships a strategic lifeline, not a supplemental pursuit.

Source: [Harvard Law School Forum on Corporate Governance: 2026 Outlook for Corporate Citizenship and Philanthropy \(February 24, 2026\)](#)

State Nonprofit News

Executive Summary:

State-level policy developments are creating significant new operational risks for nonprofits across the country. Investigations into crowdfunding platforms, growing state budget deficits, Medicaid funding pressures, and expanding state oversight of nonprofit grant recipients are all increasing compliance and financial uncertainty. Several states are also advancing new regulatory initiatives affecting nonprofit governance, technology use, and reporting requirements. Nonprofit leaders should monitor these developments closely and begin planning for potential reductions in state funding, increased regulatory scrutiny, and new compliance obligations.

Key Actions for This Section

- Map exposure to state funding sources and contracts
 - Monitor state budget developments and Medicaid funding risks
 - Review compliance obligations tied to state grant oversight laws
 - Monitor litigation affecting federal-state funding programs
 - Evaluate risks related to third-party fundraising platforms
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Crowdfunding Platforms Face Legal Scrutiny Over Unauthorized Nonprofit Fundraising Pages

State attorneys general in more than 20 states have launched inquiries into GoFundMe after reports that the platform automatically created over 1.4 million fundraising pages for U.S. nonprofits without their consent. Regulators warn the practice may violate charitable solicitation and consumer protection laws because the pages could confuse donors and divert funds from official nonprofit channels. The controversy highlights growing legal and governance risks associated with third-party crowdfunding platforms and underscores the need for nonprofits to actively monitor and control online fundraising activities conducted in their name.

Source:

<https://www.nonprofitpro.com/article/state-attorneys-general-press-gofundme-over-nonprofit-pages-donation-practices/>

● **State Budget Crisis Deepens: Federal Aid Withdrawal Compounds Existing Deficits**

Ten states face a challenging fiscal outlook in 2026; 13 more are in conditional status (MultiState, December 2025). The OBBBA imposes phased Medicaid and SNAP cost-shifts on states through FY2032. Idaho ordered permanent 3% agency cuts; Illinois directed 4% spending reserves; California relied on \$10 billion in borrowing to balance FY2026. For nonprofits reliant on state grants or purchase-of-service contracts, this compounds direct federal funding risk already underway. Nonprofits should be proactive consider doing the following: map every state-funded contract by exposure and renewal date, model 10%, 25%, and 50% funding reduction scenarios, monitor state appropriations committees covering human services, housing, and behavioral health, brief boards on state-budget risk as a distinct category, and engage your state nonprofit association for sector-wide advocacy and early warning on proposed cuts.

Source: [Pew Charitable Trusts — Mounting Pressures Usher in a New Budget Era \(January 2026\)](#)

Additional source: [NCSL — State Budget Shortfall Database \(updated weekly\)](#)

● **Medicaid Cuts Are Already Materializing at the State Level—April 2026 is the Next Pressure Point**

North Carolina imposed across-the-board Medicaid rate cuts in October 2025, reversed them in December after court rulings, but a \$319 million funding gap remains and the state has confirmed Medicaid is funded only through April 2026. Multiple states—including North Carolina, Idaho, and Colorado—implemented cuts in 2025, with further reductions projected. Leaders should model Medicaid revenue exposure by state using reduction scenarios, monitor state legislative activity, and brief boards and funders explicitly on Medicaid risk before April strains materialize.

Source: [The Pew Charitable Trusts — How States Are Assessing the Impact of Federal Policy Changes \(November 24, 2025\)](#)

● **State Oversight Laws Targeting Nonprofits Receiving Government Funds**

A growing number of states are enacting laws expanding audit and accountability requirements for nonprofits that receive public funding. North Carolina's 2025 legislation created a new publicly funded entities category, giving the State Auditor explicit authority to audit any nonprofit holding state or federal funds, while establishing a new Division of Accountability, Value, and Efficiency (DAVE). In Minnesota, legislators proposed mandatory external financial audits for grantees deriving more than 50% of revenue from state sources. At the federal level, Executive Order 14332 requires political appointee review of all discretionary grant awards. Organizations should

strengthen internal audit protocols, documentation practices, and grant file management now.

Source 1: [NC Center for Nonprofits — 2025 Nonprofit Policy Year in Review and Preview of Things to Come in 2026](#)

Source 2: [ArentFox Schiff — Nonprofits and Associations in 2026: A Checklist for Leadership's Top 10 Legal Issues](#)

● **Multi-State Coalition Secures Second Federal Court Order Blocking Trump Administration's Demand That States Share Personal Data of SNAP Recipients**

A federal judge in the Northern District of California issued a second injunction on March 2, 2026, blocking the Trump Administration from forcing states to turn over sensitive personal data — including names, Social Security numbers, and immigration status — belonging to SNAP applicants and recipients. The ruling found that the Administration's proposed data-sharing protocol would improperly share data with agencies unrelated to federal benefits administration. Nonprofits that administer food assistance programs and serve immigrant communities face compounding risk: continued federal threats to cut SNAP administrative funding could jeopardize program operations, while data-sharing demands raise privacy and trust concerns among vulnerable clients. State coalitions and legal counsel remain essential tools for managing these evolving federal pressures.

Source: [California Attorney General's Office – March 2, 2026](#)

● **California Leads Four-State Lawsuit Challenging \$600 Million in Trump Administration Cuts to CDC Public Health Grants**

In February 2026, California, Colorado, Illinois, and Minnesota jointly sued the Trump Administration after the federal Office of Management and Budget directed the CDC to rescind more than \$600 million in public health grants exclusively to those four Democratic-led states. California faces the largest share of the cuts — roughly \$130 million — which fund over 400 public health jobs, HIV testing and treatment, health data modernization, and emergency preparedness programs. California-based nonprofit health organizations are directly exposed: the San Francisco AIDS Foundation alone reported the cancellation of a \$500,000 federal grant. A federal judge issued a temporary restraining order blocking the cuts for 14 days, but the legal battle continues and the outcome remains uncertain — requiring California nonprofits reliant on CDC pass-through funding to develop contingency plans urgently.

Source: [CalMatters – February 12, 2026](#)

● **Minnesota Files Federal Lawsuit to Block Withholding of \$243 Million in Medicaid Payments Affecting Nonprofit Service Providers**

Minnesota Attorney General Keith Ellison and the Department of Human Services filed a federal lawsuit, challenging the Trump Administration's unprecedented withholding of \$243 million in Medicaid payments through an auditing tool called "deferral." The administration cited fraud concerns, but Minnesota contends the action violates due process and federal law, as deferrals have never before been applied across entire service areas statewide. For Minnesota nonprofits delivering Medicaid-reimbursed services — including mental health, disability support, and home-based care — the withholding creates immediate cash-flow risk and potential service disruptions. Providers may face payroll shortfalls and difficulty sustaining operations while the lawsuit proceeds, underscoring the urgent need for contingency planning.

Source: [Minnesota Attorney General's Office – March 3, 2026](#)

● **New RAND Report Projects State Medicaid Budgets Will Decline by \$665 Billion Over a Decade, Threatening Nonprofit Health and Social Service Providers Nationally**

A new analysis by RAND Health, released in late February 2026 and reported by Stateline on March 4, projects that state Medicaid budgets will contract by \$665 billion between 2025 and 2034 as a result of the federal One Big Beautiful Bill Act. Arizona, Iowa, and Nevada face reductions exceeding 15% of their Medicaid budgets; California and New York face the largest dollar-value losses at \$112 billion and \$63 billion respectively. Nonprofit health and social service providers in states with high Medicaid reliance face compounding pressure: reduced reimbursement rates, shrinking state general fund dollars, and an estimated 7.6 million fewer Medicaid enrollees by 2034. Organizations should begin scenario budgeting now to plan for the significant structural funding changes ahead.

Source: [Stateline – March 4, 2026](#)

● **North Carolina Food Distribution Nonprofits Face Staff Reductions as State Budget Impasse Enters Ninth Month**

As of early March 2026, North Carolina remains the only state in the country without an enacted state budget, now more than eight months into the fiscal year. The ongoing standoff — rooted in disagreements over income tax cut timelines — has left food banks and nonprofits operating food pantries without additional state funding or certainty about the next fiscal year. The funding freeze forces nonprofit food distributors to make difficult operational choices, including staff reductions, at a time when demand for food assistance is rising due to higher grocery prices and federal benefit uncertainty. Nonprofit leaders warn that private donations cannot fill the growing gap left by absent state investment.

Source: [NC Local – March 4, 2026](#)

● **Nonprofit-Operated Mobile Crisis Response Teams Shut Down Across Montana Due to Inadequate Medicaid Reimbursement Rates**

Two nonprofit-operated mobile crisis response teams — in Billings and Great Falls, Montana — have recently shut down, with remaining programs across the state operating under severe financial stress. Montana's Medicaid program only reimburses teams for time spent on active calls, leaving documentation and on-call readiness time entirely unfunded. In Missoula, Medicaid covers just 20% of the program's \$1.4 million annual cost. As mental health nonprofit operators in Montana struggle with a structural funding mismatch, abrupt closures push patients toward costly emergency rooms and increase law enforcement burden. The state is exploring higher Medicaid reimbursement rates, but nonprofits warn that a fundamental funding model overhaul — similar to those in eight other states that mandate private insurer coverage — is needed to sustain these services.

Source: [Flathead Beacon / KFF Health News – March 4, 2026](#)

● **Colorado AI Act Takes Effect June 30, 2026 — Nonprofits Using Hiring or HR Tools Must Act Now**

Colorado's AI Act (SB 24-205), effective June 30, 2026, requires employers using high-risk AI systems that substantially influence employment decisions to exercise "reasonable care" to prevent algorithmic discrimination. This includes AI-assisted applicant screening, performance evaluation, and promotion tools. Penalties reach \$20,000 per violation. Nonprofits operating in Colorado — or using AI-driven HR platforms with Colorado employees — must conduct written impact assessments, establish AI governance programs, and post public disclosures.

Source: [Rocky Mountain Employer — Colorado AI Act: New Compliance Requirements \(Dec. 2025\)](#)

● **State Anti-DEI Legislation Continues to Expand — Education and Public-Sector Partnerships Require Immediate Review**

State legislatures continue to enact laws restricting DEI initiatives, particularly in higher education and public-sector institutions. Ohio Senate Bill 1—the Advance Ohio Higher Education Act—prohibits DEI-based hiring and admissions at public colleges, bans DEI offices and training programs, and restricts statements on politically controversial topics (signed March 28, 2025; effective June 27, 2025). Nonprofits with public education or state-government partnerships should identify affected programs, engage legal counsel to evaluate compliance obligations, and monitor state legislative calendars for pending DEI legislation.

Source: [Chronicle of Higher Education — Here Are the States Where Lawmakers Are Seeking to Ban Colleges' DEI Efforts](#)

● **Pennsylvania's Annual Reporting Requirement (Act 122 of 2022) Reaches Full Implementation Phase in 2026, With Compliance Stakes Rising for All Nonprofits in the State**

Pennsylvania's Act 122 of 2022 replaced the state's previous once-a-decade decennial filing requirement with a mandatory annual report for all domestic and foreign nonprofit corporations and other filing entities. The annual report, filed for free by nonprofits through the PA Business Filing Services portal, was first due by June 30, 2025. The 2026 filing cycle — also due by June 30 — ends the penalty-free transition period. Beginning with reports due in 2027, nonprofits that fail to file within six months of the deadline face administrative dissolution and loss of their registered name — significant risks for organizations with established community identity and charitable solicitation registrations. Pennsylvania nonprofits that have not yet filed their first report must act now to remain in compliance and protect their operating status.

Source: [Boyer & Ritter CPAs – 2026](#)

● **California Introduces SB 1240 to Establish Office of Nonprofit Empowerment and Strengthen State-Nonprofit Partnerships Amid Federal Funding Cuts**

California State Senator Jerry McNerney introduced SB 1240 in February 2026, which would create an Office of Nonprofit Empowerment (ONE) within the Governor's office. Modeled after the state's small business advocacy offices, ONE would coordinate state policy, provide technical assistance, improve grant payment timelines, and serve as a central resource for California's approximately 109,000 nonprofits employing 1.7 million workers. With significant federal funding cuts under the Trump Administration threatening California nonprofits across health care, education, social services, and the arts, SB 1240 is designed to strengthen the state-nonprofit partnership at a time of acute need. If passed, it would require the new office to report to the Governor and Legislature by March 2027 with recommendations for improving state-nonprofit collaboration and payment equity.

Source: [Davis Vanguard – February 2026](#)

● **Massachusetts Nonprofit Network Releases Second Annual Federal Impacts Survey Showing Rising Service Demands and Shrinking Resources**

On March 5, 2026, the Boston Foundation, Massachusetts Nonprofit Network (MNN), and MassINC Polling Group released findings from their second annual Federal Impacts Survey of nearly 500 Massachusetts nonprofit leaders. Two-thirds of respondents reported rising demand for their services over the past year, particularly from unhoused individuals, domestic violence survivors, and veterans — while simultaneously facing declining or frozen federal funding. The survey found that cuts to nutrition benefits had the most severe community impact, followed closely by immigration enforcement actions and health insurance cuts. With 86% of respondents anticipating increased fundraising needs and nearly 40% having already cut services or programming, the

report signals an urgent and widening gap between what Massachusetts nonprofits are being asked to deliver and the resources available to do so.

Source: [GBH News – March 5, 2026](#)

Weekly Theme Section: Governance and Board Responsibilities in a Time of Disruption

The following section is a new Navigator News Update feature. Every week this section will be devoted to a single topic of urgency and importance to nonprofit senior leaders and their boards. This week's special section focuses on governance and board responsibilities in this current period of nonprofit operating disruption.

Executive Summary

Nonprofit executive directors and their boards are operating in one of the most volatile governance environments the sector has faced in decades. Federal funding instability, expanding regulatory scrutiny, workforce burnout, rising operating costs, and rapid technological change are converging to create enterprise-wide risks that can no longer be treated as purely operational issues. Fiduciary oversight now requires active board engagement with federal grant compliance, financial sustainability, cybersecurity resilience, workforce stability, artificial intelligence governance, and evolving donor behavior. The developments outlined below illustrate why boards must expand their governance lens beyond traditional financial oversight and adopt a more comprehensive enterprise-risk perspective to ensure mission continuity and organizational resilience during this period of disruption.

Key Actions for This Section

- Conduct a board-level enterprise risk review covering federal funding exposure, regulatory changes, and operational vulnerabilities
 - Review federal grant dependency and compliance obligations, particularly termination-for-convenience provisions and evolving OMB guidance
 - Strengthen board oversight of cybersecurity and data protection, including incident response planning and staff training
 - Establish board awareness and governance policies for artificial intelligence, including risk management and vendor accountability
 - Assess workforce sustainability risks, including burnout, compensation competitiveness, and retention challenges
 - Direct management to develop multi-scenario financial plans addressing potential funding reductions and cost pressures
 - Accelerate revenue diversification strategies, including recurring giving programs, corporate partnerships, and earned income opportunities
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● **Federal Grant Compliance Obligations Intensify Under Executive Order 14332**

Executive Order 14332, signed August 2025, is the most consequential shift in federal grant policy in a generation. It introduces political review of all discretionary awards, new termination-for-convenience clauses, and reduced indirect cost rates — requiring nonprofits to demonstrably align programs with current administration priorities or risk mid-cycle funding termination. Boards must mandate strengthened grant documentation, monitor OMB updates to Uniform Guidance (2 C.F.R. Part 200), assign clear internal compliance accountability, and develop operational contingency plans for partial or full funding loss.

Source: [GCN — A New Chapter in Federal Grant Oversight: Executive Order 14332 \(October 2025\)](#)

● **DOGE Funding Disruptions Elevate D&O Liability Exposure for Nonprofit Boards**

As DOGE-driven funding disruptions intensify in 2026, nonprofit boards face escalating directors' and officers' liability exposure. Difficult decisions around program reductions, layoffs, and operational wind-downs are inviting heightened scrutiny from staff, donors, and beneficiaries around breach of fiduciary duty and fund mismanagement. Boards must strengthen documentation of all oversight decisions, review D&O insurance coverage limits, and develop proactive stakeholder communication strategies to minimize legal exposure. Bankruptcy-focused D&O coverage is increasingly essential for organizations facing sustained revenue loss.

Source: [WTW \(Willis Towers Watson\) — Directors and Officers \(D&O\) Liability: A Look Ahead to 2026 \(February 3, 2026\)](#)

● **Federal Grant Cuts Reshape the Funding Landscape for 2026**

Federal funding is being dramatically restructured in 2026. Major federal agencies now face budget reductions of 40% or more, with billions in NIH and NSF grants cancelled and indirect cost rates slashed to 15%. One-third of nonprofits already report federal funding declines, and private philanthropy growth of 5–7% cannot offset federal losses. Boards must ensure organizations build diversified funding portfolios, strengthen compliance and evaluation systems, and develop staff with data analytics and technology skills to remain competitive in this transformed grant environment.

Source: [The NonProfit Times — 2026 Grant Environment: Federal Cuts, Competition, and Tech \(January 12, 2026\)](#)

● **Nonprofits Face a 'Double Crunch' as Funding Cuts Collide with Rising Service Demand**

Nonprofit organizations are caught between shrinking financial resources and record demand for services. Federal funding cuts have forced housing programs, hunger-relief networks, medical research grantees, and arts institutions into crisis — while even short disruptions in SNAP or rent support cascade into housing instability for millions. With no federal resolution in sight, boards must actively engage communities, deploy compelling impact data to sustain donor confidence, ensure management has operational contingency plans in place, and make explicit governance decisions about which programs to protect and which to scale back.

Source: [United Way Worldwide — Nonprofits Face Double Crunch as Shutdown Follows Severe Funding Cuts](#)

● **Congressional Scrutiny of Nonprofit Governance and Foreign Funding Escalates**

Nonprofit boards now face a new governance pressure: bipartisan congressional scrutiny of foreign funding sources, board composition, and international partnerships. In February 2026, the U.S. House Ways and Means Committee held a hearing titled 'Foreign Influence in American Non-Profits,' signaling sustained investigative interest. Organizations with foreign partnerships, international funding, or public policy activities should immediately review governance transparency practices, ensure full disclosure compliance, and brief boards on emerging legislative risks. Proactive documentation and board oversight of foreign-source funding is now essential.

Source: [OnBoard Meetings — Nonprofit Board News, February 2026: AI Adoption, Funding Strain, and Rising Government Scrutiny \(February 2026\)](#)

● **Cybersecurity Oversight Ascends to Core Board Fiduciary Responsibility**

Cybersecurity oversight is now an essential element of nonprofit board governance and fiduciary duty. Boards must confirm that current cybersecurity policies are documented and enforced, that comprehensive incident response plans exist and are regularly tested, and that board members participate in tabletop breach simulations. Data breaches can delay programs, disrupt fundraising, impair compliance, and permanently damage donor trust. Recruiting trustees with cybersecurity or IT risk expertise and building board-level cyber literacy are now governance expectations — not optional enhancements — for boards of any size.

Source: [KLR \(Kahn Litwin Renza\) — Strengthening Nonprofit Board Cybersecurity Oversight: Part 2 \(February 25, 2026\)](#)

● **Board-Level AI Oversight Becomes a Governance Mandate — Not an IT Function**

AI governance is now a core nonprofit board responsibility that extends well beyond IT oversight. As AI reshapes organizational operations, boards must ensure AI initiatives align with mission and values, guard against data bias and algorithmic discrimination, and protect sensitive donor and client information. Boards should require AI literacy training for directors, establish vendor accountability standards, and incorporate AI-related risks — including hallucinations, data exposure, and 'shadow AI' use — into enterprise risk management registers. Boards that delay formal AI governance frameworks risk both mission drift and donor trust.

Source: [Forvis Mazars — AI Governance for Nonprofit Boards \(February 2026\)](#)

● **Staff Burnout Formally Recognized as a Board-Level Fiduciary Responsibility**

Nonprofit boards are increasingly recognizing workforce burnout as a fiduciary concern directly linked to mission delivery. With 95% of nonprofit leaders concerned about staff burnout and one-third of nonprofits struggling with retention, the human cost is measurably affecting organizational capacity. Unaddressed burnout can cost organizations 33–200% of an employee's annual salary in turnover alone. Boards must ensure competitive compensation structures, adequate staffing levels, and well-being programs are properly resourced — treating workforce sustainability as a governance priority, not solely a management concern.

Source: [Nonprofit Learning Lab — Employee Burnout Prevention: Self-Care, Supervision, and HR Strategies for 2025–2026 \(December 26, 2025\)](#)

● **Declining Donor Retention and Shifting Philanthropic Behavior Threaten Revenue Stability**

Despite modest revenue growth in fiscal year 2025, donor acquisition and donor retention remain the sector's most-cited fundraising challenges. Looking ahead, 45% of nonprofits anticipate federal grant declines — nearly triple the 17% who predicted cuts just one year prior. Only 11% of donors currently give monthly, representing a significant untapped opportunity. Boards should ensure management accelerates recurring giving programs, deepens donor relationships through personalized engagement, and actively restructures revenue models to buffer against the growing convergence of government and philanthropic funding uncertainty.

Source: [NonProfit PRO — Nonprofit Revenue Growth Remains Strong as Funding Pressures Mount \(February 2026\)](#)

● **Rising Operating Costs and Inflation Pressure Nonprofit Budgets Beyond Breaking Point**

Rising operational costs are severely straining nonprofit finances. Eight in ten nonprofit leaders report cost increases of 13–15%, far exceeding the 2.9% general inflation rate.

With 44% of leaders now expecting the economy to worsen — up from 28% the prior year — and 56% dependent on increasingly uncertain federal funding, organizations face a compounding financial crisis. Boards must mandate multi-scenario budgeting, align reserve policies with actual risk exposure, and hold management accountable for strategic cost reviews that protect mission-critical programs and maintain financial sustainability.

Source: [Grassi Advisors — Financial Priorities for Nonprofits in 2026: Aligning Resources with Mission \(November 24, 2025\)](#)

● **Boards Must Mandate Revenue Diversification as a Strategic Governance Priority**

Revenue diversification is no longer a management best practice — it is a board-level governance imperative for 2026. High inflation, unpredictable federal funding, and shifting donor behavior demand that boards formally mandate flexible, multi-stream financial strategies. CFOs must provide boards with data-driven clarity on performance, liquidity, and risk to enable informed decision-making. Boards should approve strategies that include recurring giving expansion, corporate partnerships, earned income models, and reserve-building targets — positioning the organization for mission continuity regardless of external funding conditions.

Source: [BDO — 2026 Nonprofit Sector Outlook: Predictions and Priorities for Boards, CEOs, CFOs, and Controllers \(December 19, 2025\)](#)

● **New Charitable Deduction Rules Create Both Opportunities and Donor Communication Challenges**

Starting in 2026, new tax rules create an above-the-line charitable deduction of up to \$1,000 (single) and \$2,000 (joint) for standard-filers — potentially re-engaging small and mid-level donors in annual giving. However, itemizers will now only deduct contributions above 0.5% of adjusted gross income, complicating gift planning for major donors. Boards should ensure organizations proactively educate donors on how these changes affect giving strategies, recalibrate fundraising messaging accordingly, and capitalize on new small-donor engagement opportunities while managing major donor expectations.

Source: [PBMares — Nonprofit Outlook for 2026 \(January 13, 2026\)](#)

Summary

The developments highlighted in this issue of the Navigator illustrate the unusually complex environment nonprofit leaders are navigating in 2026. Federal policy volatility, rising regulatory scrutiny, evolving governance expectations, workforce pressures, and rapid technological change are collectively reshaping the nonprofit operating landscape.

Several developments demand immediate attention. The March 30 SAM.gov certification deadline tied to federal DEI compliance requirements is approaching rapidly and carries potential False Claims Act exposure for organizations that submit inaccurate certifications. Cybersecurity threats also continue to intensify. With federal cybersecurity support resources diminished and geopolitical tensions increasing the risk of retaliatory cyber activity, nonprofits must treat cybersecurity preparedness as a core organizational priority rather than a purely technical issue.

Beyond these immediate risks, the Weekly Theme section in this issue underscores a broader shift taking place in nonprofit governance. Boards are increasingly expected to oversee enterprise-wide risk management that extends beyond financial oversight to include cybersecurity resilience, artificial intelligence governance, workforce sustainability, and revenue diversification. These issues are rapidly becoming central fiduciary responsibilities.

For nonprofit leaders and boards alike, the central takeaway is clear: the organizations best positioned to succeed in the years ahead will be those that strengthen governance frameworks, diversify revenue sources, invest in operational resilience, and proactively anticipate emerging regulatory and financial risks rather than reacting to them after the fact.

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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