

Abstract

The nonprofit sector enters mid-2026 facing unprecedented regulatory, financial, and operational disruption. Federal enforcement tied to DEI compliance, False Claims Act exposure, and expanding IRS scrutiny is reshaping risk across the sector. Simultaneously, workforce pressures, cybersecurity threats, and shifting donor dynamics are forcing organizations to rethink sustainability. This May 11, 2026 Navigator News Update provides nonprofit leaders with a structured, priority-driven analysis of the most critical developments affecting governance, funding, compliance, and operations—along with clear actions to navigate a rapidly evolving environment.

May 11, 2026 Navigator News Update: Including Federal DEI Enforcement Expansion, IRS Whistleblower Crackdown and More!

From Nonprofit Management Navigator

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Introduction

You are operating in one of the most volatile nonprofit environments in decades. Federal policy is no longer evolving gradually—it is shifting rapidly and, in many cases, unpredictably. Enforcement priorities tied to DEI, federal funding, and civil rights compliance are expanding simultaneously across multiple agencies, while financial oversight from the IRS and Treasury is tightening in parallel. At the same time, your organization is likely dealing with rising demand, unstable revenue streams, workforce pressures, and increasing cybersecurity risk. These are not isolated challenges—they are converging into a single operating reality that requires faster decision-making and stronger governance.

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

Nonprofit Federal News and Regulatory Developments

Executive Summary:

Federal policy and enforcement actions are rapidly reshaping the nonprofit operating environment. New DEI-related certification requirements tied to federal funding introduce significant False Claims Act exposure, while DOJ enforcement, IRS investigations, and AI driven grant terminations increase compliance uncertainty. Simultaneously, funding disruptions, cybersecurity threats, and governance expectations are intensifying. Nonprofits must act quickly to reassess compliance, diversify revenue, strengthen internal controls, and prepare boards and leadership teams for a far more volatile and enforcement-driven landscape.

Key Actions for This Section:

- Conduct immediate legal review of all federal grant certifications, DEI-related policies, and compliance representations
- Audit current programs, employment practices, and vendor relationships for potential civil rights and FCA exposure
- Develop contingency plans to address sudden federal funding disruptions, including AI-driven grant cancellations
- Diversify revenue streams with an increased focus on major gifts, planned giving, and non federal funding sources
- Implement or strengthen cybersecurity protections, including MFA, staff training, and incident response planning
- Initiate board-level discussions on enterprise risk, governance responsibilities, and organizational resilience planning

Federal Grant Certification Overhaul Raises Serious False Claims Act Exposure for Nonprofits

Executive Order 14398, signed March 26, 2026, and proposed GSA SAM.gov revisions require nonprofits receiving federal grants to certify they avoid "racially discriminatory DEI activities." Noncompliance may trigger False Claims Act liability, contract termination, suspension, or debarment. The requirements are broadly written, definitions remain vague, and penalties are severe—including mandatory treble damages. Nonprofits with active federal funding must urgently reassess their programs, policies, certifications, and subcontractor relationships.

Source: Foley Hoag LLP, April 2026 <https://foleyhoag.com/news-and-insights/publications/alerts-and-updates/2026/april/new-dei-compliance-requirements-for-federal-contractors-and-grant-recipients-what-you-need-to-know/>

Anti-DEI Contract Clauses Move From Policy to Enforcement

The March 26 executive order now requires federal contracts to include clauses prohibiting "racially discriminatory DEI activities," with implementation beginning April 25. Although framed around federal contractors, the order adds to the compliance pressure facing federally funded nonprofits that operate employment, vendor, program participation, or resource-allocation practices involving race or ethnicity. Nonprofits should review whether current DEI activities could be characterized as disparate treatment.

Source: The White House, <https://www.whitehouse.gov/presidential-actions/2026/03/addressing-dei-discrimination-by-federal-contractors/>

Civil Rights Fraud Initiative Produces First FCA Resolution

DOJ's IBM settlement remains the key enforcement signal for federally funded nonprofits. DOJ announced that IBM agreed to pay more than \$17 million to resolve allegations involving federal anti-discrimination compliance and DEI-related practices. The nonprofit takeaway is that employment and program practices may become grant compliance issues when organizations certify compliance with federal civil rights laws. Legal review should focus on current certifications and historical practices.

Source: U.S. Department of Justice — <https://www.justice.gov/opa/pr/ibm-pays-17-million-resolve-allegations-discrimination-through-illegal-dei-practices>

IRS Criminal Investigation and FBI Launch Joint Probe of Nonprofits for Alleged Domestic Terrorism Links

IRS Criminal Investigation confirmed it is collaborating with the FBI to investigate nonprofits suspected of funding domestic terrorism or political violence, following AG Bondi's directive. Experts warn this signals a "new world" of enforcement—criminal prosecution risk based on organizational mission, not merely tax compliance. With no publicly disclosed target list, virtually any advocacy or social justice nonprofit now faces enhanced scrutiny of its finances, donors, and programs.

Source: NewsNation, March 24, 2026 <https://www.newsnationnow.com/politics/non-profits-fbi-irs-terrorism/>

DOGE's AI-Assisted Grant Reviews Expose Nonprofits to Unpredictable, Algorithm-Driven Funding Termination Risk

Court depositions unsealed in March 2026 revealed DOGE staffers used ChatGPT to cancel 97% of National Endowment for the Humanities grants in just 22 days. Keywords like "BIPOC," "Tribal," and "LGBTQ" triggered cuts regardless of program content. By January 2026, DOGE had terminated nearly 16,000 federal grants totaling approximately \$49 billion. Nonprofits dependent on federal funding must diversify revenue, audit grant language, and prepare for algorithm-driven funding disruptions.

Source: Granted AI, March 16, 2026 <https://grantedai.com/blog/doge-chatgpt-neh-grants-lawsuit-ai-government-decision-making-2026>

SPLC Pleads Not Guilty to Federal Fraud Charges as Trial Date Set and DAF Grant

Suspensions Remain in Force

The SPLC entered a not guilty plea on May 7, 2026 to all eleven federal counts filed April 21, including wire fraud and money laundering. Defense counsel called the charges "provably wrong." A superseding indictment is possible; trial is tentatively set for October 5, 2026. Fidelity Charitable and Vanguard Charitable have suspended DAF grants to the SPLC. Any nonprofit facing federal charges risks immediate loss of DAF contributions regardless of ultimate outcome.

Source: U.S. Department of Justice — [Federal Grand Jury Charges Southern Poverty Law Center](#) (April 21, 2026) **Source:** WSFA 12 News — [Southern Poverty Law Center Pleads Not Guilty](#) (May 7, 2026)

NEA Redirects Federal Arts Funding Away from DEI-Related Programs Toward Administration-Priority Initiatives

The National Endowment for the Arts canceled its Challenge America grant program for FY 2026—which served underserved communities for over two decades—and now requires all applicants to certify compliance with anti-DEI executive orders. The agency now prioritizes America's 250th anniversary and other administration-specified programming. Arts nonprofits must evaluate whether their missions align with the NEA's revised criteria, as DEI-oriented programs carry significant funding risk each grant cycle.

Source: League of American Orchestras / americanorchestras.org (updated February–March 2026) <https://americanorchestras.org/learn/development-fundraising/nea-funding/nea-funding-opportunities/tips-for-your-nea-grant-application/>

The Funding Imperative: Nonprofits Must Rebuild Revenue From the Ground Up to Survive the Federal Retreat

With \$49 billion in federal grants terminated, revenue diversification is now a survival requirement. The most significant fundraising shift of 2026 is a decisive pivot toward individual major gifts, driven by a strong stock market, the largest intergenerational wealth transfer in history, and new OBBBA tax incentives for non-itemizers. Orr Group's 2026 analysis concludes that organizations succeeding this year will diversify revenue, invest in major and planned giving, and align donor engagement with how donors give today — not how they gave in the past.

Source: [Orr Group — Trends for 2026: What's Next in Philanthropy and Nonprofit Fundraising \(March 31, 2026\)](#)

Operating in the Fog: Maximizing Organizational Resilience Is the Only Viable Response to an Unpredictable Regulatory Future

The nonprofit operating environment of 2026 is defined by a compounding convergence: expenses that remain elevated, revenue increasingly hard to forecast, and community demand that keeps rising. BDO's 2026 Sector Outlook warns that governance discussions must shift from compliance questions ('Did we meet our budget?') to resilience questions ('Are we prepared for volatility?'). Organizations should treat budgeting as a living system, build scenario plans with pre-agreed response triggers, and run board education cycles that keep trustees

current on fast-changing compliance obligations.

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

Nonprofits Are Prime Cyberattack Targets — And Most Are Dangerously Unprepared in an Era of Intensifying Threats

Nonprofits are prime cyberattack targets — and most are dangerously unprepared. NTEN and Candid research compiled by The Modern Nonprofit finds: 60% of nonprofits experienced a cyberattack in the past two years; 70% lack a formal cybersecurity policy; the average breach costs \$200,000; and ransomware attacks have doubled in one year. In today's environment, a breach risks simultaneous operational disruption, donor trust collapse, and grant disqualification. Annual risk assessments, multi-factor authentication, staff phishing training, and a written incident response plan are now prerequisites — not options.

Source: [The Modern Nonprofit — Nonprofits Are Prime Targets for Cyberattacks: Is Your Organization at Risk? \(2025/2026\)](#)

The Board's Expanded Mandate: Governance in 2026 Requires Capabilities and Commitments That Most Boards Were Never Designed to Provide

Nonprofit boards are being asked to function in a role with no clear historical precedent. NonProfit PRO's 2026 trends analysis finds boards must expand beyond fiduciary oversight into active stewardship of organizational health — treating leadership sustainability, compensation, and operating resilience as core governance responsibilities. BDO's 2026 Sector Outlook adds that technology risk is now a strategic fiduciary issue: boards must ensure that financial systems and donor data are secure. How individual boards adapt will vary; that they must adapt is no longer in question.

Source: [NonProfit PRO — 7 Nonprofit Trends Shaping the Sector in 2026 \(March 23, 2026\)](#)

The Volunteer Revolution: Episodic, Remote, and Skills-Based Engagement Is Reshaping Nonprofit Human Capital Strategy

Nonprofit volunteering is undergoing structural transformation. Benevity Impact Labs' State of Corporate Volunteering 2026 Report documents the shift: corporate volunteers logged 23.7 million approved hours in 2025 — a 175% increase since 2019 — yet average hours per volunteer fell from 16.4 to 12.7 annually, and 'micro-volunteers' contributing fewer than five hours account for 60% of all volunteers. VolunteerHub's research finds 73% of Gen Z volunteers seek remote opportunities. Organizations must build episodic, skills-based pathways alongside traditional on-site roles — or forfeit the majority of available volunteer capacity.

Source: [Benevity Impact Labs — State of Corporate Volunteering 2026 Report \(March 2026\)](#)

Nonprofit Human Resources Developments

Executive Summary:

Nonprofit HR risk is rising quickly as federal agencies intensify enforcement around DEI, immigration compliance, worker classification, wage-and-hour rules, and PSLF eligibility. The

most urgent issues involve DEI-related Title VII exposure, possible ICE activity at nonprofit service sites, immediate Form I-9 fines, and the July 1 PSLF eligibility rule. Nonprofit employers should move quickly to audit employment practices, prepare staff response protocols, review payroll and contractor classifications, and communicate carefully with affected employees.

Key Actions for This Section:

- Review DEI training, affinity groups, hiring practices, promotion pathways, and employee resource groups for Title VII risk
- Establish written ICE response protocols and train designated staff responders
- Conduct an internal Form I-9 audit before receiving any Notice of Inspection
- Prepare careful employee communications regarding PSLF uncertainty before July 1
- Review staffing agency, contractor, consultant, and shared-service arrangements for joint employer and misclassification exposure
- Audit payroll, timekeeping, exempt classifications, and overtime compliance before a DOL investigation begins

EEOC Nonprofit DEI Settlement Signals HR Enforcement Risk The EEOC's March 19 settlement with Planned Parenthood of Illinois remains a major nonprofit HR warning. The agency said the organization would pay \$500,000 to resolve claims involving race-segregated affinity groups, mandatory DEI training, and unequal treatment. Nonprofits should review affinity groups, employee resource groups, DEI training materials, leave practices, and participation rules for Title VII exposure.

Source: U.S. Equal Employment Opportunity Commission — <https://www.eeoc.gov/newsroom/planned-parenthood-illinois-pay-500000-end-eeoc-dei-related-race-discrimination>

EEOC Chair Issues Direct Warning to Employers on DEI-Related Title VII Violations

On February 26, 2026, EEOC Chair Andrea Lucas sent letters to hundreds of major employers warning that DEI programs violating Title VII are subject to the full range of enforcement tools — including systemic and pattern-and-practice lawsuits. Accompanying technical assistance documents identify specific prohibited practices, including race-based hiring slates and exclusive mentorship programs. Nonprofits with DEI-structured employment programs must audit all hiring and promotion practices for compliance.

Source: U.S. Equal Employment Opportunity Commission, February 26, 2026 <https://www.eeoc.gov/remindertitleviiobligationsrelateddeiinitiatives>

ICE Ends "Sensitive Locations" Policy — Nonprofits Must Prepare for On-Site Immigration Enforcement

ICE has eliminated its longstanding policy protecting hospitals, schools, and places of worship from enforcement operations. Nonprofits providing health, social, or refugee services now face possible unannounced immigration enforcement on their premises. With 12,000 new agents added in January 2026, enforcement pressure will remain elevated. Nonprofit leaders must train designated staff responders, understand the difference between administrative and judicial warrants, and establish written ICE response protocols.

Source: Kutak Rock, February 4, 2026

<https://www.kutakrock.com/newspublications/publications/2026/february/ice-enforcement-rapid-response-preparedness>

ICE Reclassifies Form I-9 Errors, Eliminating the 10-Day Cure Period and Exposing Nonprofits to Immediate Fines

On March 16, 2026, ICE updated its Form I-9 Inspection fact sheet, reclassifying more than ten previously correctable errors as substantive violations. Errors including missing dates of birth, USCIS numbers, and incomplete Section 2 document data now carry immediate fines of \$288 to \$2,861 per form with no cure period. Nonprofits must now conduct proactive internal I-9 audits and remediate deficiencies before a Notice of Inspection arrives.

Source: Holland & Knight, April 2026

<https://www.hklaw.com/en/insights/publications/2026/04/quiet-change-serious-consequences-ice-expands-form-i9>

PSLF Eligibility Rule Requires Workforce Communication Before July 1

The final PSLF rule takes effect July 1, 2026 and allows the Education Department to exclude employers found to have a "substantial illegal purpose." Multiple lawsuits have been filed, but nonprofit employers should not wait for litigation outcomes. Employees relying on PSLF need clear, careful communications about uncertainty, and HR leaders should coordinate with counsel before making public assurances about continuing eligibility.

Source: American Bar Association —

https://www.americanbar.org/advocacy/governmental_legislative_work/publications/washington_letter/november-25-wl/pslf-final-rule-1125wl/

Joint Employer Proposal Creates Staffing and Contractor Exposure

DOL's April 22 proposed rule would create a unified joint-employer framework under the FLSA, FMLA, and MSPA, with comments due June 22. Nonprofits using staffing agencies, shared service models, fiscal sponsors, subcontractors, or program partners should review who controls hiring, supervision, schedules, pay, and employment records. The rule could affect wage, overtime, leave, and recordkeeping liability.

Source: U.S. Department of Labor — <https://www.dol.gov/agencies/whd/nprm-joint-employer-status-under-flsa-fmla-mspa>

DOL Wage and Hour Division Intensifies Audit Activity — Nonprofits Are Not Exempt

The DOL's Wage and Hour Division is intensifying audit activity across all employer types, including nonprofits. Investigators may arrive unannounced to review payroll records, timekeeping, and employee classifications. Nonprofits face particular risk around exempt status errors, unpaid overtime, and minimum wage compliance. Once initiated, WHD investigations can expand into broader FLSA reviews. Proactive internal payroll audits and regular policy reviews are essential before a federal investigator arrives.

Source: Bean, Kinney & Korman, January 2026 <https://www.beankinney.com/so-you-received-a-dol-wage-hour-audit-notice-whats-next/>

DOL Proposes New Independent Contractor Classification Rule with Direct Implications for Nonprofits

On February 26, 2026, the DOL's Wage and Hour Division proposed replacing the 2024 six-factor independent contractor rule with a streamlined "economic reality" test emphasizing control of work and opportunity for profit or loss. The public comment period closed April 28, 2026. Nonprofits relying on consultants, gig workers, or freelancers must assess existing contractor arrangements for compliance under the proposed standard to avoid costly misclassification liability.

Source: U.S. Department of Labor, Wage and Hour Division, February 26, 2026 <https://www.dol.gov/newsroom/releases/whd/whd20260226>

_ IRS, Accounting & Finance Developments

Executive Summary:

IRS, Treasury, GAO, OMB, and FASB developments are increasing financial, reporting, and audit exposure for nonprofits. ERC claims remain under scrutiny, Form 990 disclosure risk is expanding, and the IRS is encouraging whistleblower reports involving federal-fund misuse. At the same time, improper payment findings, cybersecurity expectations, Single Audit changes, and possible tax-exempt status guidance all point toward a more demanding compliance environment. Nonprofits should strengthen documentation, controls, audit readiness, and board oversight now.

Key Actions for This Section:

- Review any disallowed ERC claims and preserve refund or judicial review rights before deadlines expire
- Begin preparing for expanded Form 990 disclosure involving grants, contracts, and fiscal sponsorships

- Strengthen internal controls over federal funds, conflicts, documentation, and whistleblower reporting channels
 - Conduct privileged review of race-conscious scholarships, programs, admissions, hiring, or grantmaking practices
 - Prepare for recovery audits tied to federal improper-payment enforcement • Update cybersecurity controls and Single Audit readiness under the revised Uniform Guidance
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IRS Issues New Deadline Extension Process for Nonprofits with Disallowed ERC Claims as Scrutiny Continues

On April 27, 2026, the IRS announced a new process allowing taxpayers with disallowed Employee Retention Credit claims to request deadline extensions before losing their refund or judicial review rights. Tax-exempt organizations that claimed ERC must act promptly — the two-year statute of limitations for disallowed claims is unforgiving. The OBBBA's six-year extended audit statute means ERC scrutiny continues through at least 2029, raising sustained compliance risk for all prior claimants.

Source: CPA Practice Advisor, April 27, 2026

<https://www.cpapracticeadvisor.com/2026/04/27/irs-introduces-new-process-to-allow-taxpayers-more-time-following-disallowed-erc-claim/182312/>

Form 990 Transparency Initiative Moves Disclosure Risk Forward

Treasury announced on April 23 that the IRS will revise Form 990 to increase reporting on government grants, contracts, and fiscal sponsorship arrangements. This turns Form 990 into a more significant enforcement and governance document. Nonprofits should begin identifying where government funds flow, who controls sponsored projects, and whether public disclosures will align with internal records and board oversight.

Source: U.S. Department of the Treasury — <https://home.treasury.gov/news/press/releases/sb0470>

IRS Whistleblower Alert Targets Federal-Fund Misuse

The IRS's April 17 Whistleblower Alert asks the public to report misuse, diversion, or fraudulent use of federal funds by tax-exempt organizations, individuals, and businesses. This increases internal reporting risk for federally funded nonprofits. Boards should review grant controls, segregation of duties, conflict policies, documentation, and internal reporting channels before a staff member, vendor, or former employee goes directly to the IRS.

Source: Internal Revenue Service — <https://www.irs.gov/newsroom/irs-issues-whistleblower-alert-expands-efforts-to-uncover-fraud>

IRS Race and Tax-Exempt Status Guidance Remains Pending

Bloomberg Tax reports that forthcoming IRS guidance will address racial discrimination

policy, recent case law, and eligibility for tax-exempt status, initially involving private schools but with broader nonprofit implications. Nonprofits with race-conscious scholarships, admissions, grantmaking, hiring, or program eligibility should use the waiting period to conduct privileged legal reviews rather than waiting for final IRS language.

Source: Bloomberg Tax — <https://news.bloombergtax.com/daily-tax-report/colleges-await-looming-irs-guidance-on-race-and-admissions>

IRS Priority Guidance Plan Signals Potential New Rules on Political Activity for 501(c)(3) Organizations

The IRS-Treasury 2025-2026 Priority Guidance Plan (released September 30, 2025) includes two significant items for 501(c)(3) organizations: new guidance on the Johnson Amendment's prohibition on political campaign intervention, and guidance on racial nondiscrimination standards for private schools. Both items are unprecedented in recent guidance cycles. Any changes to the Johnson Amendment — or expanded nondiscrimination enforcement — could fundamentally reshape compliance requirements for charitable organizations before June 2026.

Source: ArentFox Schiff, October 2025 <https://www.afslaw.com/perspectives/alerts/irs-and-treasury-release-2025-2026-guidance-plan-what-tax-exempt-organizations>

GAO Reports \$186 Billion in Federal Improper Payments in FY2025, Increasing Recovery Audit Pressure on Nonprofits

A GAO report released April 27, 2026 found 15 federal agencies reported \$186 billion in improper payments in FY2025 — a \$24 billion increase over the prior year. The Administration's intensified fraud recovery focus is translating into increased recovery audits of grantees, including nonprofits. Organizations administering federal programs or receiving pass-through funding face growing exposure to retroactive payment reviews and repayment demands.

Source: U.S. Government Accountability Office, April 27, 2026 <https://www.gao.gov/products/gao-26-108694>

Single Audit Threshold Rises to \$1 Million — But Compliance Expectations Have Increased Alongside the Relief

The revised OMB Uniform Guidance raised the federal Single Audit threshold from \$750,000 to \$1 million, effective for fiscal years ending September 30, 2025 and later. While smaller nonprofits gain relief from audit obligations, the 2024 Uniform Guidance also added cybersecurity and data safeguard requirements to internal controls for all grantees. Nonprofits subject to single audits must strengthen internal controls, subrecipient monitoring, and documentation to meet heightened compliance expectations.

Source: Granted AI, April 2026 <https://grantedai.com/blog/single-audit-threshold-1-million-nonprofit-compliance-uniform-guidance-strategy-2026>

Federal Cybersecurity Compliance Expectations Are Expanding — Nonprofits With Federal Grants Must Act Now

The 2024 OMB Uniform Guidance and the Trump Administration's March 2026 national cybersecurity strategy are expanding cybersecurity expectations for federal grantees. New OMB requirements mandate cybersecurity measures as part of internal controls for Single Audit purposes, and CISA continues to develop mandatory incident reporting rules under CIRCIA. Nonprofits must assess cybersecurity programs, incident response procedures, and data protection protocols against these growing federal compliance expectations.

Source: Morgan Lewis, March 2026 <https://www.morganlewis.com/pubs/2026/03/cybersecurity-privacy-2026-enforcement-regulatory-trends>

FASB Proposes CECL Simplification That Could Reduce Financial Reporting Burden for Qualifying Nonprofits

The Financial Accounting Standards Board has proposed an update to streamline the Current Expected Credit Loss (CECL) model for eligible nonprofits that have not issued publicly traded debt. The proposal would allow qualifying organizations to assume current economic conditions persist throughout the forecast period, removing complex macroeconomic forecasting requirements. While FASB has not yet set an effective date, nonprofits should monitor developments, as the change could meaningfully reduce credit loss compliance costs.

Source: Anchin, Block & Anchin LLP, January 2026 <https://www.anchin.com/articles/fasb-updates-key-provisions-that-can-impact-your-non-profit-organization/>

_ State Nonprofit News Developments

Executive Summary:

State-level developments are creating immediate governance, compliance, funding, and technology risks for nonprofits. Medicaid and SNAP cost shifts may reduce state contract payments while increasing demand for services. Florida nonprofits face a July 1 governance law effective date, while the implementation of Colorado's AI law has been paused by the Courts. California and New Jersey developments also reinforce the need for current charitable registration, filing compliance, and fraud-prevention controls.

Key Actions for This Section:

- Review state-funded Medicaid, SNAP, healthcare, and human-services contracts for possible payment pressure
- Prepare Florida governance documents for HB 797 before July 1
- Inventory AI systems

- Verify California charity registration status and use extended filing relief before August 31
 - Confirm New Jersey charities portal compliance before the next renewal deadline
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Florida Leads State-Level DEI Funding Restrictions That Create New Grant Compliance Conflicts for Nonprofits

Governor DeSantis signed SB 1134 on April 22, 2026, prohibiting Florida counties and municipalities from funding DEI initiatives and requiring grant recipients to certify public funds will not support DEI — effective January 1, 2027. Texas and Florida Attorneys General issued aligned opinions in January 2026 restricting DEI in public contracting. Nonprofits receiving local government grants now face potentially opposite compliance requirements from public and private funders simultaneously. Legal review of all grant agreements and certification language is essential before the effective date.

Source: WUSF/Associated Press — [DeSantis Signs Florida Law Banning Local DEI Funding \(April 22, 2026\)](#)

State AI Regulation Has Become a Multi-Jurisdiction Compliance Reality — Not a Single-State Issue

California's AI Transparency Act and Texas's Responsible AI Governance Act took effect January 1, 2026; Washington passed five AI bills in March 2026, with active legislation advancing in Virginia, Utah, Florida, and 30+ additional states. The Trump Administration is pursuing federal preemption, but state laws remain operative during litigation. Nonprofits using AI in hiring, intake, or healthcare decisions may already face multiple overlapping state obligations and should inventory systems now.

Source: Vorys, Sater, Seymour and Pease LLP — [Battle for AI Governance: White House's Plan to Centralize AI Regulation and States' Continuous Opposition \(April 28, 2026\)](#)

Ten State Legislatures Scrambling to Fill Medicaid and SNAP Funding Gaps That Will Squeeze Nonprofit Service Contracts

Georgetown's Center for Children and Families confirmed in April 2026 that at least ten state legislatures — including Virginia, Oregon, West Virginia, and New Mexico — are enacting measures to offset OBBBA-driven Medicaid and SNAP cost shifts. States face enormous pressure to balance budgets while preserving coverage. Nonprofits delivering Medicaid-funded healthcare and human services should prepare for potential reductions in state contract payments and increased client demand as federal cost-shifting accelerates beginning in late 2026.

Source: Georgetown Center for Children and Families, April 2026
<https://ccf.georgetown.edu/2026/03/16/how-are-h-r-1-cuts-and-changes-to-medicaid-and-snap-playing-out-in-2026-state-legislative-sessions-so-far/>

Florida Nonprofit Corporation Act Rewrite Moves Toward July 1

Florida HB 797 has an effective date of July 1, 2026 and substantially revises nonprofit corporation governance provisions. Florida nonprofits should use May and June to review bylaws, member rights, officer and director duties, voting procedures, remote participation rules, and merger provisions. Waiting until after July 1 risks governance documents that conflict with new statutory defaults.

Source: Florida Senate — <https://www.flsenate.gov/Session/Bill/2026/797>

Colorado AI Act Enforcement Paused by Federal Court; Attorney General Will Not Issue Rules as Legislature Races Toward May 13 Adjournment

A federal court paused enforcement of Colorado's AI Act on April 27, 2026, effectively freezing the June 30 effective date. The DOJ intervened, marking the Administration's first litigation against state AI regulation. The Colorado Attorney General will not issue implementing rules. No replacement bill has been introduced with the legislature adjourning May 13. Nonprofits should continue compliance preparations — enforcement could resume on short notice and other state AI laws remain fully operative.

Source: Baker McKenzie / The Employer Report — [AI Regulation on Hold in Colorado — But Employer Risk Isn't](#) (May 5, 2026) **Source:** Rocky Mountain Employers Blog — [Colorado's AI Law: From Imminent Compliance to Continued Uncertainty](#) (May 7, 2026)

California AG Sues Sham Charities for Diverting \$3.8 Million While Online Filing Deadline Relief Extended Through August 2026

On March 26, 2026, California AG Rob Bonta filed suit against six individuals and three sham organizations that allegedly diverted \$3.8 million from concession fundraising programs at Petco Park and Snapdragon Stadium. Simultaneously, the Registry of Charities extended filing deadline relief for all charities through August 31, 2026 to ease the transition to the new Online Filing Service. California nonprofits must verify their current registration standing and use the extended deadline to come fully into compliance.

Source: Regulatory Oversight (Troutman Pepper Locke), April 6, 2026
<https://www.regulatoryoversight.com/2026/04/california-ag-files-lawsuit-against-individuals-and-charities-for-allegedly-operating-and-profiting-from-fraudulent-fundraising-opportunities/>

New Jersey Charities Portal Compliance Now Mandatory — Delinquent Nonprofits Face Escalating Enforcement Consequences

New Jersey's Division of Consumer Affairs continues intensifying enforcement of charities registration renewal and financial disclosure requirements through the NJ Charities Portal. Nonprofits whose annual renewals are filed late — due six months after fiscal year-end — risk public delinquency listings, loss of good standing, and potential disqualification from grants and donation platforms. Professional fundraisers operating in New Jersey must also maintain current portal-based registrations. New Jersey

nonprofits that have not completed full portal compliance should act before their next renewal deadline.

Source: New Jersey Division of Consumer Affairs, 2026
<https://www.njconsumeraffairs.gov/charities/Pages/FAQ.aspx>

Summary

The nonprofit operating environment in 2026 is defined by convergence—regulatory expansion, enforcement intensity, funding disruption, and rising operational risk are all occurring simultaneously. Federal DEI-related certification requirements and enforcement actions are introducing significant False Claims Act exposure, while IRS oversight, whistleblower activity, and Form 990 transparency changes are increasing financial and governance risk. At the same time, workforce compliance pressures, cybersecurity threats, and state-level funding and regulatory changes are compounding organizational challenges. Nonprofits that respond effectively will be those that act quickly—strengthening compliance, diversifying revenue, reinforcing internal controls, and elevating board-level oversight to address a far more complex and unpredictable environment.

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