

Abstract

The May 18, 2026 edition of the *Navigator News Update* examines accelerating federal enforcement risks, major nonprofit human resources developments, evolving IRS and financial compliance obligations, and significant state-level legal and operational changes affecting nonprofit organizations nationwide. Key themes include operational anti-DEI certification enforcement tied to False Claims Act liability, escalating federal grant oversight, heightened ICE and EEOC enforcement activity, emerging AI compliance requirements, and mounting Medicaid and funding pressures at both federal and state levels. Nonprofit leaders face an increasingly complex operating environment requiring immediate governance, compliance, workforce, and financial planning responses. This update provides curated analysis designed to help nonprofit executives, boards, legal counsel, and operational leaders prioritize immediate actions while preparing for longer-term structural and regulatory changes affecting the nonprofit sector.

May 18, 2026 Navigator News Update: Including Anti-DEI Grant Certification Enforcement Escalation, PSLF July 1 Employer Risks, Financial Resilience Planning, and More!

From Nonprofit Management Navigator, a dba of PMG46, LLC

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Introduction

Federal regulatory pressure on nonprofit organizations continues to intensify as agencies increasingly use funding, employment, immigration, AI governance, and civil rights enforcement mechanisms to reshape operational expectations across the sector. At the same time, nonprofits are confronting growing state-level financial pressures, evolving workforce obligations, expanding transparency requirements, and heightened scrutiny surrounding governance and mission alignment. This week's *Navigator News Update* highlights developments with the greatest immediate operational significance while also identifying emerging risks requiring longer-term planning. Organizations that respond proactively — through legal review, governance modernization, financial resilience planning, workforce compliance audits, and strategic repositioning — will be better positioned to navigate what is rapidly becoming one of the most challenging operating environments the nonprofit sector has faced in decades.

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 News and Federal Regulatory Developments

📄 **Executive Summary:** Federal agencies continue expanding enforcement tools affecting nonprofit organizations through anti-DEI certification requirements, grant cancellation authority, heightened investigative activity, and aggressive oversight tied to federal funding. Simultaneously, nonprofits face growing uncertainty surrounding federal grant continuity, research funding, donor privacy protections, and evolving Department of Education grant priorities. This environment increasingly rewards organizations that combine strong legal compliance, disciplined mission focus, and strategic financial repositioning while penalizing reactive governance and poorly documented operational structures.

⚡ **Key Actions for This Section:** Organizations should take immediate steps to evaluate regulatory exposure, strengthen governance oversight, and prepare for operational disruption:

- Conduct privileged legal reviews of federal grant certifications, DEI-related practices, and funding compliance
 - Review contingency plans for delayed, suspended, or canceled federal funding streams
 - Assess organizational exposure tied to heightened DOJ, EEOC, and federal investigative activity
 - Reevaluate mission alignment and program prioritization to avoid reactive mission creep
 - Begin strategic financial and operational repositioning planning for prolonged federal retrenchment
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● **Anti-DEI Grant Certification Requirements Are Now Operational — False Claims Act Enforcement Is Escalating**

April 25, 2026 marked implementation of Executive Order 14398's anti-DEI certification requirements, with False Claims Act exposure now fully active. The Department of Education on January 21 dropped its appeal of the court ruling permanently voiding the February 2025 "Dear Colleague" letter — but that defeat does not mean enforcement retreat. OCR investigations, the July 2025 DOJ proxy-discrimination guidance, and FCA certification requirements remain fully operational. Nonprofits without completed privileged legal audits of programs, hiring, and certification language face immediate FCA liability.

Source: [Foley Hoag LLP — New DEI Compliance Requirements for Federal Grant Recipients \(April 2026\)](#) | [K-12 Dive — Education Department Halts Effort to Implement Controversial Anti-DEI Letter \(January 2026\)](#) | [Inside Higher Ed — ED Drops Appeal of Order Blocking Anti-DEI Guidance \(January 2026\)](#)

● **Enforcement Is Not Falling Equally — Federal Regulators Are Targeting Specific Nonprofit Sectors**

Federal enforcement is concentrated across identifiable nonprofit categories. Executive orders and DOJ directives specifically target large nonprofits, foundations with assets over \$500 million, and endowments over \$1 billion for DEI-related civil compliance investigations. Beyond DEI, IRS Criminal Investigation's joint FBI probe targets organizations alleged to link to domestic terrorism or political violence, and immigration-serving nonprofits face heightened operational scrutiny. Organizations in any of these categories must conduct privileged legal reviews immediately rather than assuming compliance.

Source: [Pillsbury Law — New Executive Order Makes Anti-DEI Policy Enforceable Through Government Contracts \(March 2026\)](#) | [NC Center for Nonprofits — 2025 Nonprofit Policy Year in Review and Preview of 2026](#) | [Wealth Management — IRS Targets Tax-Exempt Groups in Criminal Probe](#)

Trump Administration Argues Agencies May Cancel Grants Based on Shifting Priorities Without Following Title VI

The Trump administration filed a 160-page First Circuit brief arguing that federal agencies may cancel nonprofit and university grants based on shifting agency priorities — including antisemitism concerns — without following Title VI civil rights enforcement procedures. The case stems from the \$2.7 billion Harvard funding freeze. A government victory could expose all federally funded nonprofits to grant cancellations untethered from formal civil rights violation processes, creating profound compliance risk sector-wide.

Source: [The Harvard Crimson, April 16, 2026](#)

OMB Withholds \$2 Billion in Education Grants, Signaling a Potent New Policy Tool Affecting Nonprofits

More than seven months into FY 2026, OMB has yet to release funding for nearly 35 Education Department competitive grant programs — representing roughly \$2 billion — despite congressional appropriations. Apportionment documents show programs listed as unallocated, with binding footnotes prohibiting spending. Nonprofits operating under these grants face severe disruption. The mechanism signals a new budget control tool that could be applied broadly to federally funded nonprofit programs beyond education.

Source: [Education Week, May 6, 2026](#)

Combined Federal Campaign Faces Imminent Closure

Senate and House Democrats formally urged OPM Director Scott Kapor to maintain the Combined Federal Campaign (CFC), warning that its closure would be disastrous for the 4,400+ participating charities. The 2025 cycle raised an estimated \$40 million — down from \$70 million in 2024. OPM already decommissioned the online donation portal while announcing no final decision. Nonprofits relying on CFC contributions should urgently plan for alternative revenue if this historic program is shuttered.

Source: [Federal News Network, May 8, 2026](#)

● SPLC Federal Fraud Case Moves Into Pretrial Phase as DAF Suspensions Continue

The SPLC entered a not guilty plea on May 7, 2026 to all eleven federal counts, including wire fraud and money laundering. Defense counsel called the charges “provably wrong.” A superseding indictment remains possible; trial is tentatively set for October 5, 2026. Both parties have ten days to exchange evidence. Fidelity Charitable and Vanguard Charitable DAF suspensions remain in force. Any nonprofit facing federal charges risks immediate donor platform suspensions regardless of the ultimate legal outcome.

Source: [U.S. Department of Justice — Federal Grand Jury Charges SPLC](#) | [WSFA 12 News — SPLC Pleads Not Guilty \(May 7, 2026\)](#)

● NIH Forward-Funding Policy Dramatically Reduces New Research Grant Awards in FY2026

A NIH policy requiring half of remaining research funds be disbursed upfront as multi-year awards has cut new grants by 74% from prior-year averages. The path to challenge terminations is now significantly harder: the Supreme Court's August 2025 ruling in *NIH v. American Public Health Association* forces nonprofits into a two-track litigation approach — challenging grant terminations in the Court of Federal Claims, which cannot order reinstatement, while separately challenging NIH guidance under the APA. Terminated research funding effectively cannot be restored during litigation.

Source: [Chemical & Engineering News — NIH Research Grants Funding Challenges \(March 2026\)](#) | [Feldesman — Supreme Court Allows Hundreds of NIH Grant Terminations to Stand \(August 2025\)](#) | [ACLU — Supreme Court Issues Partial Stay in NIH Research Grants Case \(August 2025\)](#)

● Federal Court Rules DOGE's NEH Grant Terminations Unconstitutional — Broader Grant Risk Persists

On May 7, 2026, U.S. District Judge Colleen McMahon ruled that DOGE's termination of more than \$100 million in National Endowment for the Humanities grants was unconstitutional — a “textbook example of viewpoint discrimination” violating the First and Fifth Amendments. DOGE lacked statutory authority to cancel the grants. The court permanently blocked enforcement but did not compel immediate repayment, and an administration appeal is anticipated. Nonprofits with other terminated federal grants should consult legal counsel about parallel litigation strategies.

Source: [ABC News — Judge Says DOGE Grant Terminations Are Unlawful \(May 8, 2026\)](#) | [Granted AI — DOGE ChatGPT NEH Grants Lawsuit](#)

● Supreme Court Unanimously Protects Nonprofit Donor Privacy Rights

In a unanimous April 29, 2026 ruling, the Supreme Court held that a government subpoena demanding a nonprofit donor information constitutes an immediate First Amendment injury, allowing federal court challenge before enforcement. The case arose when New Jersey's attorney general demanded donor records from a faith-based pregnancy center. The ruling empowers all nonprofits — including advocacy, healthcare, and educational organizations — to contest government demands for sensitive donor data that could chill charitable giving.

Source: [Ropes & Gray LLP, May 5, 2026](#)

● Department of Education New Grant Priorities on AI and Career Pathways Take Effect May 13

Effective May 13, 2026, new Department of Education supplemental grant priorities on Advancing AI in Education and Career Pathways and Workforce Readiness join earlier priorities on school choice, literacy, and state control. These now govern all federal discretionary grant competitions. Nonprofits and educational organizations competing for these grants must align proposals with this administration framework — emphasizing AI integration, workforce readiness, and school choice — or risk being deprioritized in competitive award processes.

Source: [Federal Register, April 13, 2026](#)

● Staying Mission-Focused Is Now a Survival Strategy — Mission Creep in 2026 Carries Existential Risk

The most dangerous response to 2026's regulatory environment is reactive mission creep — expanding programs, chasing any available funding, or reshaping organizational identity to meet shifting compliance requirements. NonProfit PRO and KLR advisors both warn that now is the moment to reaffirm core mission and values, clearly distinguish mission-critical from mission-adjacent activities, and make disciplined program decisions. Unfocused reactions to each new development consume resources without protecting the organization. Mission clarity is now a management and governance imperative, not an aspiration.

Source: [NonProfit PRO — Stay Mission-Focused as Federal Funding Landscape Changes](#) | [KLR — Staying Resilient Amid Nonprofit Federal Funding Uncertainties](#)

● Federal Retrenchment Is a Forcing Function for Strategic Repositioning — Not Just Survival Management

The Nonprofit Financial Commons' 2026 Playbook frames federal retrenchment as an opportunity to examine and act on strategic repositioning options that organizations would not otherwise consider.

Leaders should assess their business model, revenue history, and financial runway to identify which new revenue approaches are cost-effective and mission-aligned. Options include earned income development, mergers, shared services, and coalition engagement. BDO finds 40% of nonprofits already pursuing operational efficiencies. Organizations that make purposeful strategic moves now will emerge with structural advantages over those waiting for stability.

Source: [Nonprofit Financial Commons — A Playbook for Nonprofits Facing Revenue Adversity in 2026 \(March 2026\)](#) | [BDO — 7 Nonprofit and Higher Education Trend Predictions for 2026 and Beyond](#)

● **Trump FY2027 Budget Signals Continued Deep Cuts to Programs Serving Nonprofits**

Released April 2, 2026, the FY2027 budget proposes a 10% reduction in non-defense discretionary spending. Key nonprofit-relevant proposals include near-elimination of the CDFI Fund (\$324 million to \$100 million), a \$1.4 billion IRS cut threatening up to 27% staffing reductions, and deep cuts to HUD homelessness programs, SAMHSA, and EPA. OMB Director Vought testified April 15 reiterating hostile anti-nonprofit framing. Congress typically modifies presidential budgets significantly, but the proposal signals sustained FY2027 appropriations pressure affecting virtually every nonprofit-adjacent federal program.

Source: [The Nonprofit Alliance — The President's Fiscal Year 2027 Budget: Continued Cuts Will Impact Nonprofits \(April 2026\)](#) | [NADO — President Trump Releases FY27 Budget Request \(April 2026\)](#)

● **Bipartisan Congressional Philanthropy Caucus Relaunches — A New Advocacy Channel for the Sector**

The bipartisan Congressional Philanthropy Caucus relaunched December 2, 2025, under Representatives Blake Moore (R-UT) and Danny K. Davis (D-IL) of the Ways and Means Committee. The Caucus provides a structured forum for Congress to engage on charitable giving incentives, nonprofit sustainability, and public-private partnerships — restoring a channel dormant since 2022. The National Council of Nonprofits, United Philanthropy Forum, and The Nonprofit Alliance have endorsed the Caucus. Nonprofits should encourage their House members to join and treat sector associations' Caucus advocacy guidance as an organizational priority.

Source: [Congressman Blake Moore — Congressman Blake Moore Launches the Bipartisan Philanthropy Caucus \(December 2025\)](#) | [Council on Foundations — Congressional Philanthropy Caucus](#)

Nonprofit Human Resources Developments

📄 **Executive Summary:** Nonprofit employers are facing escalating workforce compliance risks involving PSLF eligibility, ICE enforcement, DEI-related investigations, wage-and-hour scrutiny, AI-powered hiring systems, and federal contractor compensation rules. Simultaneously, federal agencies are refining enforcement priorities in ways that disproportionately affect nonprofits operating without unions, using immigration-sensitive workforces, or maintaining legacy DEI structures. HR leaders must now treat workforce compliance as a strategic governance issue requiring close coordination between HR, legal counsel, executive leadership, and boards.

⚡ **Key Actions for This Section:** Nonprofit employers should immediately strengthen workforce compliance oversight and legal preparedness:

- Review PSLF-related employee communications and coordinate messaging with legal counsel before July 1
 - Conduct internal I-9 audits and prepare ICE response protocols for inspections and enforcement activity
 - Review DEI-related hiring, promotion, compensation, and employment policies for legal exposure
 - Audit wage-and-hour compliance practices, including overtime calculations and payroll documentation
 - Evaluate all AI-assisted hiring and recruiting systems for discrimination and citizenship-status compliance risks
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● PSLF July 1 Deadline Requires Immediate Employer Action — Six Weeks Remain

The final PSLF rule takes effect July 1, giving the Secretary of Education authority to disqualify employers with a "substantial illegal purpose." Three pending lawsuits are now in the injunction phase, and legal experts widely expect a ruling before July 1 — but no court has blocked the rule yet. The SAVE repayment plan was also vacated March 10, adding complexity for employees in SAVE-related forbearance. Nonprofits in immigration, gender-affirming care, or DEI-adjacent advocacy face the highest employer disqualification risk and must communicate with employees now.

Source: [Independent Sector — What the New Final Rule on Public Service Loan Forgiveness Means for Nonprofits \(November 2025\)](#) | [Student Loan Sherpa — Is PSLF Going Away? What Trump's Executive Order Actually Means \(May 2026\)](#) | [Tate ESQ — PSLF Changes in 2026: What's Changing, What Isn't, and What to Do Before July 1 \(April 2026\)](#)

● ICE Enforcement at Nonprofit Service Sites Remains Elevated — I-9 Fine Exposure Is Immediate

With ICE's sensitive locations policy eliminated and 12,000 new agents operating, unannounced enforcement at health, social service, and refugee-serving nonprofits remains a sustained operational risk. ICE's March 16 reclassification of Form I-9 errors eliminates cure periods for more than ten previously correctable violations, creating immediate fines of \$288 to \$2,861 per form. Nonprofits should complete internal I-9 audits and train designated ICE responders before any Notice of Inspection arrives — there is no longer a correction window once an inspection begins.

Source: [Kutak Rock — ICE Enforcement Rapid Response Preparedness \(February 2026\)](#) | [Holland & Knight — Quiet Change. Serious Consequences: ICE Expands Form I-9 Violations \(April 2026\)](#)

● EEOC Enforcement Report Documents Anti-DEI Priorities and \$21 Million Columbia University Antisemitism Settlement

The EEOC released a sweeping enforcement report this week detailing its priorities under the Trump administration, including a crackdown on DEI-motivated discrimination and religious liberty protections. Highlights include the \$21 million Columbia University settlement for antisemitism — the largest EEOC

public settlement in nearly two decades. Nonprofits with diversity programs, faith-based employment policies, or lingering DEI structures face heightened scrutiny and should conduct immediate compliance reviews.

Source: [U.S. EEOC, May 7, 2026 — “EEOC Delivers on Administration Priorities and President Trump’s Executive Orders”](#)

● **EEOC Sues New York Times for DEI-Related Race and Sex Discrimination in Promotion Decision**

The EEOC has filed suit against The New York Times, alleging the company violated Title VII when it denied a promotion to a qualified white male employee, citing the firm’s well-documented DEI commitments. The case signals that federal anti-discrimination enforcement applies equally to all employers — including nonprofits — when promotion decisions are influenced by diversity-based criteria. Organizations with formal DEI programs should review promotion processes for legal compliance.

Source: [U.S. EEOC Press Release, May 5, 2026 — “EEOC Sues The New York Times for DEI-Related Race and Sex Discrimination”](#)

● **DOL Solicitor Issues Internal Enforcement Memo Directing Wage and Hour Investigators to Focus on Non-Union Workplaces**

An internal memorandum from DOL Solicitor of Labor Jonathan Berry directed Wage and Hour Division investigators to focus enforcement on non-unionized workplaces, citing unions’ greater capacity to self-police. Because most nonprofits operate without union representation, they fall squarely within the enforcement target. Nonprofit HR leaders should conduct immediate audits of wage and hour practices — including overtime calculations, pay records, and minimum wage compliance — to mitigate investigation risk.

Source: [Epstein Becker Green / Employment Law This Week, March 2026 — “NLRB Shifts Enforcement, DOL’s Non-Union Focus, and EEOC’s DEI Crackdown”](#)

● **DOL Joint Employer Comment Deadline Is June 22 — Five Weeks to Respond**

DOL’s April 22 proposed rule establishing a unified joint-employer framework under the FLSA, FMLA, and MSPA has a public comment deadline of June 22, 2026 — five weeks away. Nonprofits using staffing agencies, fiscal sponsors, subcontractors, or shared-service models should evaluate which arrangements create wage, overtime, leave, and recordkeeping liability exposure under the proposed standard. Organizations that do not submit comments or consult counsel before the deadline will face the final rule without adequate organizational preparation.

Source: [U.S. Department of Labor — NPRM Joint Employer Status Under FLSA, FMLA, MSPA](#)

● Federal Contractor Minimum Wage Rises to \$13.65 Per Hour — Effective May 11, 2026

Effective May 11, 2026, workers on legacy federal contracts under Executive Order 13658 must be paid at least \$13.65 per hour — up from \$13.30 — with tipped employees receiving a minimum of \$9.55. The increase applies only to contracts entered into between January 1, 2015, and January 29, 2022, not subsequently renewed. Nonprofits holding qualifying contracts must verify payroll compliance immediately to avoid enforcement actions and back-wage liability.

Source: [Jackson Lewis, February 2026 — “DOL: Some Federal Contract Workers Set to Receive \\$13.65 Minimum Wage”](#)

● DOJ Settlement Over AI-Generated Job Ads Signals Hiring Technology Compliance Risk for All Employers

The DOJ's Civil Rights Division settled with Elegant Enterprise-Wide Solutions, an IT firm whose AI-generated job advertisements restricted applicants to certain visa holders, effectively excluding U.S. workers in violation of the Immigration and Nationality Act. Federal officials emphasized that employers remain fully responsible for AI-produced hiring content. Nonprofits using AI-powered recruitment or job-posting tools must proactively review all machine-generated content for unauthorized citizenship-status restrictions before publication.

Source: [U.S. Department of Justice, February 25, 2026 — “Civil Rights Division Obtains Settlement with a Company that Used AI-Generated Advertisements that Excluded U.S. Workers from Jobs”](#)

● DOL Drops Appeal — Federal Overtime Salary Threshold Stays at \$684 Per Week

The Department of Labor has abandoned its appeal of a federal court ruling that struck down the Biden administration's expanded overtime salary rule. The longstanding 2019 threshold of \$35,568 per year (\$684/week) for white-collar exemptions remains the applicable federal standard with no increase on the horizon. Nonprofits that preemptively raised salaries need not roll back those decisions, but state-level variation in thresholds still requires ongoing attention.

Source: [SHRM, May 7, 2026 — “Expanded Overtime Rule Dies in Court”](#)


● NLRB General Counsel Carey Directs Regional Offices to Prioritize Backlog Resolution Over New Enforcement Initiatives


Newly confirmed NLRB General Counsel Crystal Carey has signaled a significant shift away from aggressive new enforcement initiatives. In a February 2026 memorandum, she directed regional offices to

prioritize resolving a substantial case backlog, pull back from enhanced remedies, and improve settlement opportunities across the agency. Nonprofits facing unfair labor practice charges now have better prospects for efficient resolution — but core protections such as wage discussion rights remain actively enforced.

Source: [National Law Review, March 2026 — “The NLRB Resets Its Enforcement Priorities: What Every Employer Needs to Know Now”](#)

IRS, Accounting & Finance Developments

 **Executive Summary:** Nonprofits face immediate IRS, accounting, and finance risks involving Form 990 filing deadlines, whistleblower exposure, expanded grant and fiscal sponsorship disclosures, executive compensation excise tax uncertainty, and updated federal audit standards. At the same time, financial resilience has become inseparable from mission delivery as organizations confront funding volatility, donor shifts, and evolving reporting rules. Boards and finance leaders should treat compliance, transparency, reserves, and revenue diversification as core governance priorities.

 **Key Actions for This Section:** Nonprofit finance leaders should move quickly to strengthen compliance and financial oversight:

- Confirm Form 990-series filings or extensions and assess late-filing exposure
 - Map federal fund flows, fiscal sponsorships, grant controls, and public disclosure readiness
 - Review executive compensation exposure under expanded Section 4960 rules
 - Update reserve, liquidity, and scenario-planning practices for 2026 volatility
 - Confirm audit planning reflects mandatory 2024 Yellow Book standards where applicable
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IRS Form 990-Series Filing Deadline Arrives — Late-Filing Penalties and Automatic Revocation Risk

Calendar-year tax-exempt organizations faced a May 15, 2026 deadline to file Form 990, 990-EZ, or 990-PF. Late filers face daily penalties reaching \$65,000 or more for larger nonprofits. Most critically, failing to file for three consecutive years triggers automatic revocation of tax-exempt status — visible to donors and grantmakers. Reinstatement is possible but requires a formal IRS application, user fees, and exposes the organization to income tax during the revocation period.

Source: [Wiss CPAs, March 12, 2026 — “Nonprofit Tax Filing Requirements and Deadlines for 2026”](#)

IRS Whistleblower Alert and Form 990 Transparency Revision Require Immediate Internal Action

The IRS's April 17 whistleblower alert inviting public reports of federal fund misuse by tax-exempt organizations, combined with Treasury's April 23 announcement of expanded Form 990 disclosure for grants and fiscal sponsorships, significantly elevates internal compliance risk. Boards should treat these developments together: stronger grant controls, segregation of duties, and conflict-of-interest policies reduce both whistleblower exposure and Form 990 audit risk. Organizations must immediately map how government funds flow and ensure public disclosures will align with internal records and board oversight.

Source: [IRS — Whistleblower Alert: Expands Efforts to Uncover Fraud | U.S. Department of the Treasury — Form 990 Transparency Initiative \(April 23, 2026\)](#)

● **AICPA Urges IRS Guidance on Expanded Section 4960 Excise Tax Rules for Tax-Exempt Organizations**

The OBBBA dramatically expanded Section 4960's executive compensation excise tax — now applying the 21% tax to any current or former nonprofit employee earning over \$1 million, not just the top five earners. The AICPA has submitted a comment letter requesting transition relief for fiscal-year filers and guidance on which exemptions survive under the new "covered employee" definition. Without prompt IRS guidance, nonprofits face significant compliance uncertainty.

Source: [AICPA & CIMA, 2026 — "AICPA Comment Letter on Section 4960 Transition Relief"](#)

● **Competing Congressional Pressures on IRS Enforcement Create a Heightened Compliance Environment for Advocacy Nonprofits**

Congressional Democrats launched a formal inquiry into reports that the Trump administration is directing the IRS to compile lists of "left-leaning" nonprofits and Democratic donors for investigation — a practice prohibited under Section 7217 of the Internal Revenue Code. IRS CEO Bisignano has committed to no politically motivated enforcement. Simultaneously, Ways and Means Republicans are pressing the IRS to investigate nonprofits with alleged ties to terrorism, the Chinese Communist Party, and DEI violations. Advocacy nonprofits should document all tax-exempt activities meticulously and engage legal counsel.

Source: [Representative Lloyd Doggett — Democrats Launch Inquiry into Weaponization of IRS \(April 2026\) | Ways and Means Committee — Chairmen Smith, Moolenaar Call on IRS to Examine CCP-Linked Organizations \(April 2026\)](#)

● **Executive Order 14332 Threatens the 15% Indirect Cost Rate Nonprofits Won in 2024 — OMB Revision Underway**

Executive Order 14332 directs OMB to "appropriately limit" discretionary grant funds for facilities and administration, threatening the 15% de minimis indirect cost rate nonprofits won in 2024's Uniform Guidance revision. Although NIH's earlier blanket cap attempt was struck down by the First Circuit in January 2026, agencies are now directed to prefer institutions with lower indirect cost rates — a structural competitive disadvantage for higher-rate organizations. Nonprofits should monitor developments through sector associations and model scenarios for reduced indirect cost reimbursement immediately.

Source: [Granted AI — Executive Order 14332 Is Rewriting the Rules of Federal Grantmaking \(March 2026\)](#)

● Building Financial Resilience Is Now an Organizational Objective Equal to Mission Delivery

BDO's 2026 Nonprofit Sector Outlook and CLA both frame financial resilience not as a support function but as a core organizational objective alongside mission delivery. Organizations with adequate reserves, diversified funding, and multi-scenario budgets are absorbing 2026's volatility without disrupting programs. Boards should build scenarios testing best-case, base, and stress conditions; revisit liquidity policies; and treat reserve management as a quarterly governance discipline. In this environment, financial resilience and mission integrity are inseparable.

Source: [BDO — 2026 Nonprofit Sector Outlook: Predictions and Priorities for Boards, CEOs, CFOs, and Controllers](#) | [CLA — Operating Reserve Policies: Finding the Right Balance \(February 2026\)](#)

● New Financial Support Sources Exist — But Reaching Them Requires a Community Communication Strategy

Private philanthropy is actively stepping forward as federal funding retreats. Foundation Source reports that private foundations and donor-advised funds distributed more than \$1.6 billion to over 27,000 recipients in 2025 alone. In 2026, the most accessible new financial pathways include individual major gifts, planned giving, DAFs, stock gifts, and community-based collective giving. Equally essential is the communication strategy: nonprofits must clearly and urgently articulate to donors and their communities the irreplaceable role their local organizations play as federal safety nets disappear.

Source: [Foundation Source — 2026 Giving Outlook: Resilient Donors Drive Growth Amid Shifts in Philanthropy](#) | [Julep CRM — Nonprofit & Giving Trends to Watch in 2026](#)

● IRS Rev. Proc. 2026-8 Sets January 22, 2027 Compliance Deadline for Group Exemption Holders

IRS Revenue Procedure 2026-8 comprehensively overhauls the group exemption letter program — ending a nearly six-year moratorium on new applications. Existing holders have until January 22, 2027, to achieve compliance with updated governance, oversight, and documentation standards. Nonprofits with chapter or affiliate structures must begin reviews immediately. Required steps — confirming subordinate affiliations, updating governing documents, and establishing annual supervision protocols — are far more complex than the deadline may suggest.

Source: [Charity Lawyer Blog, April 27, 2026 — “The Return of the IRS Group Exemption: What Nonprofits Need to Know”](#)

● OBBBA Restructures Charitable Giving Tax Incentives in 2026 — Development Offices Must Act Now

OBBBA's charitable giving provisions — effective for all 2026 tax-year contributions — introduce four critical changes development officers must understand immediately. The positive: approximately 86% of taxpayers using the standard deduction can now deduct up to \$1,000 (single) or \$2,000 (joint) in cash charitable contributions. The complications: itemizers face a new 0.5% AGI floor before any deduction applies; top-bracket donors face a 35% cap on deduction value; and corporations face a 1% taxable income floor. Development strategy, donor communications, and major gift conversations all require immediate updating.

Source: [Journal of Accountancy — How OBBBA Alters Charitable Deduction Strategies for 2025 and 2026](#) | [BOK Financial — OBBBA Tax Reform Reshapes Charitable Giving](#)

● OBBBA Permanently Increases Estate and Gift Tax Exemption to \$15 Million — Planned Giving Window Expands for Nonprofits

The One Big Beautiful Bill Act permanently sets the federal estate and gift tax exemption at \$15 million per individual (\$30 million for married couples), effective January 1, 2026 — up from \$13.99 million in 2025. The exemption is indexed for inflation with no sunset date. For nonprofit development officers, this creates a significantly expanded window for major planned giving conversations, as fewer donors face estate tax exposure and charitable bequest planning becomes more strategically attractive.

Source: [BNY Wealth, March 30, 2026 — “How the One Big Beautiful Bill’s \\$15M Estate Exemption Reshapes Multigenerational Giving”](#)

● OBBBA Raises Form 1099-NEC and 1099-MISC Reporting Threshold from \$600 to \$2,000 for 2026

The One Big Beautiful Bill Act raises the federal 1099-NEC and 1099-MISC reporting threshold from \$600 to \$2,000 for 2026 payments — the first such increase in decades. Starting in 2027, the threshold adjusts annually for inflation. Nonprofits must continue collecting W-9 forms from all vendors regardless, since totals may cross the threshold later in the year. Some states retain lower thresholds, creating dual compliance obligations that require careful monitoring.


Source: [OnPay, April 30, 2026 — “1099 Threshold Changes Under the One Big Beautiful Bill Act”](#)


● GAO 2024 Yellow Book Standards Now Mandatory for 2026 Nonprofit Federal-Award Audit Planning

The GAO's 2024 Government Auditing Standards (Yellow Book) are now mandatory for financial audits covering periods beginning December 15, 2025. For calendar-year nonprofits, 2025 audits conducted in 2026 must follow the updated standards, which introduce a new risk-based quality management framework and enhanced independence requirements. Nonprofits with federal awards should confirm their auditors have fully implemented the 2024 Yellow Book — including completing required quality management evaluations by December 15, 2026.

Source: [U.S. Government Accountability Office — “Government Auditing Standards 2024 Revision” \(GAO-24-106786\)](#)

State Nonprofit Developments

 **Executive Summary:** State-level developments are creating significant operational pressure for nonprofits through Medicaid and SNAP cost shifts, nonprofit corporation law modernization, AI employment regulation, donor privacy threats, budget negotiations, and healthcare funding changes. Multi-state nonprofits face especially complex compliance obligations as state AI, Medicaid, disclosure, and charitable giving rules evolve unevenly. Organizations should monitor state legislative activity closely and update governance, HR, financial, and advocacy strategies before deadlines arrive.

 **Key Actions for This Section:** Nonprofits should prepare for fast-moving state compliance and funding changes:

- Scenario-plan for reduced Medicaid/SNAP-related state payments and increased service demand
 - Review bylaws and governance documents in states modernizing nonprofit corporation laws
 - Inventory AI tools used in employment, intake, service delivery, and healthcare decisions
 - Monitor donor disclosure, charitable deduction, and advocacy-related legislation
 - Engage state associations and policymakers before budget and compliance deadlines close
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State Medicaid and SNAP Budget Pressures Are Squeezing Nonprofit Service Contracts

At least ten state legislatures are enacting measures to offset OBBBA-driven Medicaid and SNAP cost shifts. Nebraska became the first state to implement federal work requirements on May 1; CMS issued April 8 guidance on immigration Medicaid restrictions taking effect October 1. A May 2026 Georgetown Center for Children and Families report documents that rural nonprofit hospitals and health centers are already closing services — not merely projecting losses — as OBBBA cuts materialize. Nonprofits should scenario-plan immediately for reduced state payments and sharply higher service volumes.

Source: [Georgetown Center for Children and Families — H.R. 1 Cuts and Changes to Medicaid and SNAP in 2026 State Legislative Sessions \(March 2026\)](#) | [LeadingAge — HR 1 Implementation: State Medicaid Programs \(updated May 2026\)](#) | [Georgetown Center for Children and Families — Rural Hospitals and Communities Feeling Impact of H.R. 1 Medicaid Cuts \(May 2026\)](#)

● Florida Nonprofit Corporation Act Rewrite Awaits Governor's Signature — July 1 Is Seven Weeks Away

HB 797, which unanimously passed both chambers of the Florida Legislature and is enrolled for the Governor's signature, comprehensively rewrites the Florida Nonprofit Corporation Act to align with the ABA's Model Nonprofit Corporation Act. The law updates governance structures, officer fiduciary duties, member rights, voting procedures, merger rules, and remote participation standards effective July 1, 2026. Florida nonprofits must immediately audit bylaws, officer standards, and governance documents — operating under provisions that conflict with new statutory defaults after July 1 creates significant legal exposure.

Source: [National Law Review — Florida Passes Sweeping Modernization of State Nonprofit Law \(March 2026\)](#) | [Florida Senate — HB 797 \(2026\)](#)

● Connecticut AI Law (SB 5) Heads to Governor's Desk — Nonprofit Employers Must Comply with New AI Employment Disclosure Requirements by October 1, 2026

Connecticut's General Assembly passed SB 5 — the Connecticut Artificial Intelligence Responsibility and Transparency Act — on May 1, 2026, with Governor Lamont confirming he will sign it. The law's employment provisions take effect October 1, 2026, covering any employer using automated tools that substantially influence hiring, promotion, discipline, or termination decisions. Nonprofit employers must disclose AI tool use to applicants and employees, cannot use AI as a defense against discrimination claims, and must report AI-related workforce reductions to the state Labor Department. With only months until the first effective date, nonprofits should audit all talent-management technology and update vendor contracts and HR protocols immediately.

Source: [CT Employment Law Blog, May 2, 2026](#)

● North Carolina Enacts \$319 Million Medicaid Package — New Immigration Status Reporting Mandates and Work Requirements Challenge Nonprofit Health Providers

Governor Josh Stein signed House Bill 696 on April 30, 2026, releasing \$319 million to prevent a Medicaid shortfall threatening coverage for more than three million North Carolinians. The law also implements federal HR 1 mandates including work requirements for enrollees ages 19–64 and requires DHHS workers to refer Medicaid applicants with unverifiable immigration status to the Department of Homeland Security. Nonprofit health and social service providers face both compliance burdens and potential client loss — DHHS officials warn up to 27,000 legally present immigrants may be affected. Organizations must immediately assess which clients are impacted, evaluate reporting obligations, and prepare for increased uncompensated care demand starting with the October 1, 2026 implementation date.

Source: [WUNC Public Radio, April 28, 2026](#)

● **Rural Nonprofit Hospitals Are Already Closing Services Under OBBBA Medicaid Cuts — The Crisis Is No Longer Prospective**

A May 2026 Georgetown Center for Children and Families report documents that OBBBA Medicaid cuts are already forcing rural nonprofit hospitals and health centers to close services — not merely projecting losses. A Nebraska nonprofit hospital dialysis unit closed in April 2026; rural hospital executives report multi-year operating income declines and threatened closures. The \$50 billion Rural Health Transformation Fund covers only roughly one-third of estimated cuts. Health-serving nonprofits must immediately quantify Medicaid revenue exposure, identify which patient populations face October 2026 eligibility cutoffs, and prepare board-level contingency plans.

Source: [Georgetown Center for Children and Families — Rural Hospitals and Communities Feeling Impact of H.R. 1 Medicaid Cuts, Rural Health Fund Falls Short \(May 2026\)](#) | [LeadingAge — HR 1 Implementation: State Medicaid Programs \(updated May 2026\)](#)

● **2026 Mid-Session Report: Bills in 38 States Threaten Nonprofit Donor Privacy and Advocacy Rights — Republican Legislators Now Among Primary Sponsors**

A February 2026 report from People United for Privacy Foundation documents legislative threats to nonprofit donor privacy and advocacy in 38 states — up from 34 in 2025. A striking development: Republican-controlled legislatures, historically opponents of donor disclosure mandates, are increasingly introducing PAC-style reporting requirements for nonprofits, driven by retributive political motivations rather than ideology. At least 30 bills across 11 states would require expanded donor disclosure beyond existing law, raising chilling effects on charitable giving and compliance costs. Nonprofits engaging in any public advocacy should monitor this trend, audit their disclosure obligations, and consider coalition advocacy through state associations to protect donor confidentiality.

Source: [People United for Privacy Foundation, March 4, 2026](#)

● **Massachusetts Ballot Question Could Eliminate State Charitable Deduction, Threatening \$480 Million in Annual Giving by 2031**

A proposed November 2026 ballot question to reduce Massachusetts' income tax rate from 5% to 4% would inadvertently eliminate the state's charitable giving deduction — a benefit voters approved by 72% in 2000. Under existing law, the deduction is legally tied to a 5% income tax rate and would automatically disappear if the rate changes. The Healey administration estimates the loss would cost nonprofit-bound donors approximately \$480 million annually by 2031. The Massachusetts Council of Nonprofits warns this comes as federal funding cuts are already straining nonprofits, and losing this incentive would further suppress individual giving on which 90% of nonprofits rely.

Source: [GBH News, May 4, 2026](#)

● **Connecticut \$28.1 Billion Budget Boosts Nonprofit and Hospital Funding — But Federal Medicaid Cuts Threaten Newly Secured Gains**

Connecticut's General Assembly adopted a \$28.1 billion FY2027 budget on May 2, 2026, including a new five-year hospital tax agreement, a \$138 million increase in nonprofit social service provider funding, \$60 million for Medicaid provider rate increases, and creation of a new Nonprofit Provider Advisory Board under the Office of Policy and Management. Despite these gains, hospital leaders warn that \$1.4 billion in Medicaid underfunding remains unresolved, and anticipated federal Medicaid cuts could quickly erode state increases. Nonprofits should engage the new advisory board, document service needs, and begin contingency planning for the federal cuts expected to take effect in 2027–2028.

Source: [Connecticut Public, May 4, 2026](#)

● State AI Regulation Is Now a Multi-Jurisdiction Compliance Reality — Nonprofit Action Is Required

California's AI Transparency Act and Texas's Responsible AI Governance Act are operational. Washington passed five AI bills in March 2026, with active legislation advancing in Virginia, Utah, Florida, and 30+ additional states. The Trump Administration's federal preemption effort — including DOJ intervention in the Colorado AI Act litigation — does not pause laws already in effect in other states. Nonprofits using AI in hiring, client intake, or healthcare decisions may already face overlapping state-level obligations and must begin compliance inventories now.

Source: [Vorys, Sater, Seymour and Pease — Battle for AI Governance: White House's Plan vs. States \(April 28, 2026\)](#)

● Colorado AI Act Resolution Is Now Known — Nonprofit AI Users Must Remain on Alert

The Colorado legislature adjourned May 13, resolving the immediate legislative future of the state's AI Act (SB 24-205). Senate Bill 26-189, which would narrow the law to a transparency and disclosure framework, was advancing through committee in the session's final days. Enforcement remains stayed by federal court order, and the Attorney General will not promulgate implementing rules until legislative and litigation outcomes are resolved. Nonprofits using AI in employment or service decisions should continue compliance preparations — the enforcement stay can be lifted on short notice.

Source: [Colorado Newsline — New Bill Would Narrow Scope of Colorado's AI Law \(May 4, 2026\)](#) | [Baker McKenzie / The Employer Report — AI Regulation on Hold in Colorado \(May 5, 2026\)](#)

● White House National AI Framework Proposes Preempting State AI Laws, Creating Compliance Uncertainty for Nonprofits

The White House March 20, 2026 National AI Policy Framework urges Congress to preempt state AI laws and establish a single federal standard. Nonprofits using AI in hiring, client intake, or service delivery still face a patchwork of state AI and algorithmic accountability laws until Congress acts, creating potentially

conflicting compliance obligations. Nonprofit leaders should monitor legislative progress and ensure AI governance frameworks can adapt to evolving federal and state requirements.

Source: [Roll Call, March 20, 2026](#)

Summary

The nonprofit operating environment continues to evolve rapidly as federal and state governments increasingly use funding mechanisms, regulatory enforcement, workforce oversight, AI governance, immigration compliance, and financial transparency requirements to shape organizational behavior. This week's developments demonstrate that nonprofit leaders must now approach governance, legal compliance, workforce management, financial resilience, and strategic planning as deeply interconnected responsibilities rather than separate operational silos. Organizations that proactively strengthen compliance systems, reassess mission alignment, diversify revenue, modernize governance structures, and prepare for prolonged volatility will be better positioned to preserve both operational stability and mission integrity. Nonprofits that delay strategic adaptation or underestimate the speed of regulatory change face growing financial, legal, workforce, and reputational exposure throughout 2026 and beyond.

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