

Abstract

Federal enforcement pressure on nonprofits intensified sharply this week as DOJ, IRS, OMB, HHS, DOL, EEOC, and multiple states advanced new oversight, fraud enforcement, employment, governance, and funding initiatives directly affecting nonprofit operations. The June 1, 2026 Navigator News Update examines emerging False Claims Act exposure tied to DEI certifications, escalating Medicaid and SNAP-related service pressures, expanding federal grant oversight, PSLF employer eligibility threats, new IRS disclosure initiatives, AI-driven audit enforcement, and sweeping state governance reforms. Nonprofit leaders are entering a period where compliance, liquidity, governance modernization, workforce resilience, and donor trust are becoming mission-critical operational priorities rather than secondary administrative concerns. The developments covered in this issue reflect a rapidly evolving legal and regulatory environment that requires immediate board-level attention and proactive organizational planning.

June 1, 2026 Navigator News Update: Including DOJ's Expanding Anti-DEI Enforcement Risks and Escalating Federal Oversight of Nonprofit Funding — and More!

From Nonprofit Management Navigator, a DBA of PMG46, LLC

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Introduction




Nonprofit leaders are now operating in one of the most legally and operationally volatile environments the sector has faced in years. Federal agencies are increasingly coordinating enforcement efforts across grants, employment practices, fiscal sponsorships, audits, procurement, and fraud oversight. At the same time, nonprofits face rising demand for services, expanding compliance expectations, workforce burnout, delayed federal reimbursements, and heightened political scrutiny.

This week's Navigator News Update highlights a growing shift from guidance-based oversight toward active enforcement and accountability. Organizations that rely heavily on federal or state funding, maintain complex workforce structures, participate in healthcare or education programs, or engage in advocacy-related activities face particularly elevated risk exposure. The


developments summarized below underscore the need for nonprofits to strengthen governance, legal review processes, internal controls, financial contingency planning, workforce management, and donor communications while preparing for additional regulatory changes expected later in 2026.


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 oversight of nonprofits accelerated materially this week as DOJ, OMB, and multiple federal agencies advanced new compliance and funding enforcement mechanisms affecting grants, DEI certifications, AmeriCorps funding, donor confidence, and operational sustainability. Simultaneously, nonprofits continue facing widening gaps between rising community demand and shrinking federal support. Organizations dependent on federal funding or operating in politically sensitive issue areas face heightened exposure to regulatory scrutiny, funding disruptions, and reputational risk.

 **Key Actions for This Section:** Organizations should immediately reassess federal compliance exposure, funding vulnerability, and governance readiness in light of rapidly expanding federal oversight expectations:

- Conduct privileged legal reviews of DEI-related certifications, grant representations, and employment policies
 - Review organizational exposure to delayed or withheld federal funding streams and develop liquidity contingency plans
 - Strengthen donor communication, transparency, and stewardship practices to protect retention during funding instability
 - Monitor active litigation involving AmeriCorps, federal grant authority, and nonprofit constitutional protections
 - Prepare boards for heightened federal oversight involving grants, fraud enforcement, and politically sensitive programming
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 **Anti-DEI Grant Certification Requirements Are Operational — DOJ Announces First False Claims Act Settlement Under Civil Rights Fraud Initiative**

EO 14398 enforcement has accelerated materially since the April 10 IBM settlement. On April 20, the FAR Council issued implementation guidance introducing a new mandatory contract clause — FAR 52.222-90 — prohibiting racially discriminatory DEI activities. Agencies were required to begin inserting the clause in new contracts by April 25; existing contracts must be modified by July 24, 2026. A coalition of nonprofits and universities has filed suit to block EO 14398 in federal court in Maryland. All nonprofits receiving federal grants or contracts should treat FAR 52.222-90 compliance as an immediate operational priority, conduct privileged legal audits of programs and hiring practices, and review subcontractor arrangements before the July 24 modification deadline.

Source: [Foley Hoag LLP — New DEI Compliance Requirements for Federal Grant Recipients \(April 2026\)](#) | [Foley Hoag LLP — DOJ Announces First FCA Settlement: IBM to Pay \\$17 Million \(April 2026\)](#) | [Subject to Inquiry — FAR Council Issues EO 14398 Implementation Guidance \(April 22, 2026\)](#)

● **OMB Withholds \$2 Billion in Education Grants — New Budget Control Mechanism Poses Broad Threat to Nonprofit Funding**

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 — Trump Holds Back \\$2 Billion for Education Grants \(May 6, 2026\)](#)

● **SNAP Enrollment Falls 4.3 Million; Food Banks Report Surge Beyond Capacity**

New USDA data published May 14, 2026 shows that between January 2025 and February 2026, SNAP enrollment fell by approximately 4.95 million people — a nearly 11% decline driven by eligibility restrictions and expanded work requirements under the One Big Beautiful Bill Act. Food banks nationwide warn they cannot absorb the additional demand, as the charitable food network provides only a fraction of the assistance SNAP does. Nonprofits operating food banks, meal programs, and social services face soaring demand precisely as government support contracts. Boards and executives must urgently reassess operational capacity and pursue emergency bridge funding.

Source: [Newsweek — SNAP Numbers Fall Across U.S.: Food Banks Are Sounding the Alarm](#)

● **The Widening Gap: Federal Funding Cuts Leave Nonprofits Unable to Meet Growing Community Need**

Federal funding disruptions are forcing nonprofits into a financial reckoning. One in three organizations experienced grant cancellations, freezes, or delayed renewals in 2025 alone. Hiring plans fell 14 percentage points while organizations facing multiple simultaneous disruptions cut staff at a 51% rate. Meanwhile, nearly 85% of nonprofits anticipate service demand will keep rising. The gap between community need and organizational capacity has widened materially — and shows no signs of closing.

Source: City Shift Finance, *The Economics of Nonprofit in 2026 and Beyond*, May 7, 2026. <https://cityshiftfinance.com/economics-of-nonprofit-report/>

● **AmeriCorps DOGE Grant Litigation Update — Administration Restored FY2025 Funding Under Court Pressure; Structural Litigation and FY2027 Funding Threat Continue**

Under sustained court pressure, the Trump administration reversed course in September 2025 and released approximately \$185 million in remaining FY2025 AmeriCorps funding to grantees, including the National College Attainment Network and 14 other plaintiff nonprofits. Programs in the 24-state coalition

and under the nonprofit coalition injunction have been restored. However, structural litigation over the administration's authority to dismantle AmeriCorps continues, and the FY2026 appropriations bill funds the agency at near-level amounts. The administration's proposed FY2027 budget would zero out AmeriCorps entirely — the single greatest long-term threat to national service programs. All grantees should maintain documentation of restored program activities and prepare for rigorous financial audits, as DOGE scrutiny of program expenditures remains active.

Source: [Voices for National Service — FY26 Spending Bill Includes Near-Level AmeriCorps Funding \(February 2026\)](#) | [LawFold — AmeriCorps Funding Restoration Lawsuit: 2026 Guide](#)

● **OMB Orders Federal Agencies to Report Spending on 49 Targeted Nonprofits — Data Due May 29**

The White House ordered all federal agencies to submit detailed spending data on 49 named nonprofits — organizations engaged in DEI, immigration, civil rights, and humanitarian aid work — with reports due May 29. Covering FY2024 and FY2025 actuals plus FY2026 projections, OMB has not disclosed how the data will be used. Named organizations face potential heightened scrutiny and future funding restrictions, making proactive legal counsel and stakeholder communications urgent priorities.

Source: [Federal News Network, May 23, 2026](#)

● **Presidential “Radical Transparency” Memo Puts All Federal Nonprofit Funding Relationships on Public Record**

The White House's “Radical Transparency About Wasteful Spending” memorandum directs all federal agencies to publicly disclose the complete details of every terminated grant, cancelled contract, and discontinued federal funding obligation. HHS has already implemented a public database of terminated grants under the directive. As a result, nonprofits that have received, lost, or had federal funding reduced now have those relationships fully visible to the public, donors, legislators, and political opponents — creating immediate reputational, fundraising, and political exposure that organizations must proactively address with stakeholders.

Source: [The White House — Radical Transparency About Wasteful Spending \(February 2025\)](#) | [HHS TAGGS — Terminated Grant Disclosures \(2026\)](#)

● **Navigating a Legal Maze: The Litigation Landscape Affecting Nonprofits Is Growing — and Fast**

The legal landscape affecting nonprofits has grown extraordinarily complex, with dozens of active federal lawsuits simultaneously challenging funding freezes, agency terminations, and grant cancellations. Lawyers for Good Government's Fund Protection Clinic offers a real-time litigation tracker specifically covering cases that affect federal grantees. With court rulings shifting weekly, staying current is essential — nonprofits must engage legal counsel and actively monitor how judicial outcomes could directly affect program funding.

Source: Lawyers for Good Government, *Fund Protection Clinic: Litigation Tracker*, updated continuously. <https://www.lawyersforgoodgovernment.org/fpc-litigation-tracker>

● **Bipartisan Appropriators Reject FY2027 Proposals to Eliminate CDBG and HOME Investment Programs**

Both House and Senate appropriators signaled bipartisan opposition to the FY2027 budget proposal to eliminate Community Development Block Grants (\$3.3 billion in FY2026) and HOME

Investment Partnerships (\$1.25 billion). Despite that opposition, final appropriations remain undecided. Nonprofits relying on CDBG or HOME funding for housing and community development should closely monitor negotiations, avoid assuming restoration, and develop contingency budgets anticipating potential deep cuts.

Source: [National Low Income Housing Coalition, May 18, 2026](#)

● House Judiciary Convenes "Manufacturing Hate" Hearing on DOJ's Criminal Case Against the SPLC

The House Judiciary Committee held a divided hearing on the Trump DOJ's criminal fraud indictment against the Southern Poverty Law Center, on charges including wire fraud and money laundering. Republicans argued the SPLC manufactured extremism to mislead donors; Democrats called it politically motivated. The case signals that advocacy nonprofits holding views counter to current administration priorities face heightened exposure to federal criminal scrutiny and reputational risk.

Source: [Alabama Reflector, May 21, 2026](#)

● Protecting Donor Confidence: In an Uncertain Funding Environment, Trust Is Everything

Bloomerang's *2026 Giving Signals Report* finds that donors are concentrating their support with organizations they trust rather than spreading smaller gifts broadly. With federal funding in flux, retaining individual donors is now a survival strategy. Every lapse in transparency, stewardship, or communication risks losing supporters who may not return. Nonprofits must prioritize authentic impact reporting, prompt gift acknowledgment, and consistent engagement to protect and strengthen donor loyalty.

Source: Bloomerang, *What Motivates Donors to Give in 2026*, May 19, 2026.


<https://bloomerang.com/blog/2026-giving-report-donor-motivation-and-charitable-giving-trends>


● ICE Redefines "Substantive" I-9 Violations and Dramatically Escalates Worksite Enforcement — Nonprofit Employers Face Immediate Audit Risk

In April 2026, ICE reclassified several previously correctable administrative Form I-9 errors as "substantive" violations subject to immediate monetary penalties — a policy shift dramatically raising audit stakes for all employers. Worksite enforcement has surged to levels not seen in years, with ICE reporting a 120% increase in enforcement personnel and audit volumes rising sharply across all industries, including nonprofits providing social services, healthcare, and immigration assistance. Organizations that have not recently conducted an internal I-9 self-audit should do so immediately, as even technical errors now trigger significant per-form penalty exposure ranging from \$288 to over \$28,000.

Source: [SHRM — ICE Redefines Substantive I-9 Violations \(April 10, 2026\)](#) | [Meltzer Hellrung — Employers Face Heightened Risk of ICE Worksite Enforcement in 2026 \(April 2026\)](#)

Nonprofit Human Resources Developments

 **Executive Summary:** Nonprofit employers face urgent workforce compliance risks as PSLF employer eligibility changes approach, DOL advances major rules affecting joint employment and independent contractors, and federal employment agencies increase scrutiny of DEI-related hiring and promotion practices. At the same time, pension liability exposure and executive burnout are creating additional workforce and financial pressure. Nonprofits should treat HR compliance, employee communications, contractor classification, and leadership sustainability as immediate operational priorities.

 **Key Actions for This Section:** Organizations should review workforce structures, benefits exposure, and employment practices before several major federal developments take effect or advance further:

- Review PSLF eligibility risk and advise affected employees to submit certification forms before July 1
 - Evaluate staffing agency, subcontracting, fiscal sponsorship, and shared-employer arrangements
 - Reassess independent contractor, consultant, and volunteer classifications
 - Document promotion and hiring decisions as merit-based and Title VII compliant
 - Review multiemployer pension exposure before restructuring or withdrawal decisions
 - Address CEO and staff burnout as a board-level organizational risk
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PSLF July 1 Employer Disqualification Rule — Pending Court Relief May Be Narrower in Scope Than Nonprofits Expect

The PSLF final rule takes effect July 1 — now one month away — giving the Secretary of Education authority to disqualify employers with a “substantial illegal purpose.” Three lawsuits challenging the rule filed summary judgment motions the week of February 9, 2026. As of late May, no court has issued an injunction or ruling blocking the rule. The rule is on track to take effect July 1 unless a court acts first. High-risk employers include those in immigration services, gender-affirming care, and DEI-adjacent advocacy. Prior qualifying payments are fully protected and will not be disqualified retroactively. Nonprofits should not assume pending litigation will provide protection without independent legal analysis. Employees should submit PSLF certification forms now to preserve credit for qualifying payments already made. Consult counsel immediately.

Source: [Student Loan Sherpa — Is PSLF Going Away? \(May 2026\)](#) | [Trump v. CASA, 606 U.S. 831 \(2025\)](#)

DOL Proposed Joint Employer Rule Threatens Nonprofit Staffing and Subcontracting Arrangements — Public Comment Deadline Is June 22

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 — four weeks away. The proposed four-factor test creates joint and several liability for wage, overtime, leave, and recordkeeping obligations in staffing agency, fiscal sponsorship, and subcontracting arrangements. Even rarely exercised reserved control in contracts may establish joint employer status. Nonprofits using these workforce models should evaluate exposure and consult counsel before the deadline.

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

EEOC Sues The New York Times Over DEI-Related Race and Sex Discrimination in Promotion Decision

On May 5, 2026, the EEOC filed suit against The New York Times, alleging the company passed over a qualified white male editor for a deputy real estate editor role because of his race and sex, in violation of Title VII. The lawsuit cites the Times' publicly documented DEI commitments as evidence of race- and

sex-conscious decision-making in hiring and promotion. Nonprofits with written DEI goals or hiring targets face heightened litigation risk. Employers should review promotion processes to ensure selection decisions are documented as merit-based and are defensible against Title VII challenge.

Source: [U.S. Equal Employment Opportunity Commission — EEOC Sues The New York Times for DEI-Related Race and Sex Discrimination \(May 5, 2026\)](#)

● **Supreme Court to Decide Whether Title IX Covers Employee Sex Discrimination Claims**

On May 18, 2026, the Supreme Court agreed to hear *Crowther v. Board of Regents of the University System of Georgia*, taking up an 8-3 circuit split over whether employees at federally funded educational institutions may sue for sex discrimination under Title IX.

Nonprofits operating such programs should follow the October 2026 Term—a pro-employee ruling would create a parallel claim avenue alongside Title VII with different damages and procedures, significantly expanding litigation exposure for federally funded education nonprofits.

Source: [Supreme Court to Review Whether Title IX Allows Employee Discrimination Claims. Ogletree Deakins \(May 22, 2026\)](#)

● **DOL Independent Contractor Comment Period Closes; Final Rule Advances**

The DOL's 60-day comment period on its proposed independent contractor rule closed April 28, 2026, drawing thousands of submissions. The proposal would replace the Biden-era six-factor test with a two-factor framework emphasizing control and profit-or-loss opportunity.

Nonprofits relying on volunteers, consultants, and contractors must reassess those relationships. A final rule is expected later in 2026, and misclassification could trigger wage and overtime liability across program and administrative staffing arrangements.


Source: [DOL Independent Contractor Rule Comment Window Closes With Final Rule Now in Drafting, Self Employed \(April 28, 2026\)](#)

● **Burnout at the Breaking Point: Nonprofit Leaders Reach Crisis Just When They Are Needed Most**

The Center for Effective Philanthropy's *State of Nonprofits 2026* report reveals a sharp rise in CEO burnout — now a significant concern for 46% of nonprofit leaders, up from 30% in 2025. Staff morale is falling, fear is growing, and 25% of CEOs say burnout is meaningfully impacting their teams. This collision of exhausted workforces with surging service demand creates serious organizational risk at exactly the wrong moment.

Source: Center for Effective Philanthropy, *State of Nonprofits 2026*, May 14, 2026.
<https://cep.org/report-backpacks/state-of-nonprofits-2026/>

IRS, Accounting and Finance Developments

 **Executive Summary:** Federal regulators significantly escalated financial oversight expectations for nonprofits this week as Treasury, IRS, HHS, and multiple federal agencies advanced new disclosure initiatives, whistleblower enforcement tools, AI-driven audit oversight,

and tighter Uniform Guidance compliance expectations. At the same time, nonprofits continue facing reimbursement delays, fraud scrutiny, and growing pressure to strengthen internal controls and grant management systems. Organizations receiving federal funding should assume that audit, fraud, procurement, and transparency enforcement risks will continue expanding through the remainder of 2026.

⚡ Key Actions for This Section: Nonprofits should immediately strengthen financial oversight, grant management, and compliance infrastructure in anticipation of significantly more aggressive federal enforcement activity:

- Review grant management, procurement, and subrecipient monitoring practices for Uniform Guidance compliance
- Assess Single Audit status and immediately resolve outstanding findings or late filings
- Strengthen fraud reporting procedures, conflict-of-interest policies, and whistleblower protections
- Review fiscal sponsorship agreements and government funding documentation in preparation for expanded Form 990 disclosures
- Build detailed cash-flow contingency models addressing delayed federal reimbursements and payment disruptions
- Educate boards and finance committees regarding increased federal audit and enforcement exposure

● **Treasury and IRS Announce Form 990 Revision to Require Expanded Disclosure of Government Grants, Contracts, and Fiscal Sponsorship Arrangements**

On April 23, 2026, the Treasury Department announced that the IRS will revise Form 990 to require 501(c)(3) organizations to provide expanded disclosures about government grants, government contracts, and fiscal sponsorship arrangements. Treasury cited concerns that some fiscal sponsorship structures obscure who controls funds and how they are used. Proposed regulations and a public comment period will precede any final changes. Nonprofits receiving government funding or serving as fiscal sponsors should begin reviewing fund documentation and governance now — before proposed rules are issued — as enhanced scrutiny signals significantly higher compliance expectations and potential liability.

Source: [U.S. Department of the Treasury — Treasury Announces Form 990 Transparency Initiative to Expose Hidden Funding and Strengthen Oversight \(April 23, 2026\)](#)

● **IRS Issues First-Ever Whistleblower Alert Targeting Federal Grant Fraud by Tax-Exempt Organizations**

On April 17, 2026, the IRS issued its first Whistleblower Alert specifically targeting tax-exempt organizations, focusing on misuse of federal funds and grants, false grant applications, self-dealing, and insider payments. Informants may receive awards of up to 30% of collected proceeds.

For nonprofits receiving federal funding, the alert signals a sharp increase in enforcement risk. Strong internal controls, conflict-of-interest policies, and transparent grant reporting are now more critical — and urgent — than ever before.

Source: [IRS Issues Whistleblower Alert, Expands Efforts to Uncover Fraud, IRS \(IR-2026-54, April 17, 2026\)](#)

● **HHS Launches AI-Powered AERO Initiative Targeting Nonprofit Grantees with Single Audit Noncompliance**

HHS launched AERO — the Audit Enforcement and Risk Oversight initiative — deploying AI to rescore five years of Single Audit data for entities spending \$1 million or more in federal funds annually. Nonprofits with persistent noncompliance risk payment withholding, cost disallowances, award suspension, and debarment. With hundreds of grantees already flagged as delinquent by two or more years, organizations must urgently assess audit status and resolve outstanding findings.

Source: [Feldesman LLP, May 21, 2026](#)

● **Federal Agencies Tighten Oversight Expectations for Subrecipient Monitoring, Procurement, and Allowable Cost Compliance**

Federal agencies are intensifying oversight expectations for subrecipient monitoring, procurement documentation, and allowable cost compliance under 2 CFR Part 200, the Uniform Guidance. Nonprofits must maintain audit trails, implement written procurement policies, and ensure that costs charged to grants are allowable, allocable, and properly documented. Organizations failing to align with tightened requirements risk audit findings, delayed reimbursements, cost disallowances, or grant termination.

Source: [GrantMetric, April 2, 2026](#)

● **Ongoing Federal Grant Payment Delays Continue Straining Nonprofit Cash Flow and Staffing**

Despite broad appropriations being in place, federally funded nonprofits continue reporting payment delays, restrictions, and holds across multiple agencies. The disruptions — not a single freeze but a mix of reimbursement backlogs and compliance-driven suspensions — are straining cash flow and forcing staffing cutbacks. Organizations should build daily cash-flow models, establish credit lines, and communicate proactively with program officers to reduce financial risk.

Source: [Fluxx, April 6, 2026](#)

● **DAF Grant Restrictions Draw Attention After Major Sponsors Suspend SPLC Grants**

Following the DOJ's indictment of the Southern Poverty Law Center in April 2026, the three largest DAF sponsors — Fidelity Charitable, Vanguard Charitable, and DAFgiving360 — suspended grants to the organization, exposing a rarely discussed limitation: DAF sponsors retain final authority over all distributions regardless of donor intent. For nonprofits depending on DAF contributions, the episode is a warning. Sponsors can block grants based solely on indictment — before any conviction. Diversifying funding sources and understanding sponsor policies has become an essential risk management step.

Source: [Fidelity, Vanguard Reportedly Pause SPLC Grants After Federal Fraud Charges, Fox Business \(May 2026\)](#)

● **OBBBA Charitable Deduction Overhaul Takes Effect in 2026 — New Rules Simultaneously Expand Small-Donor Incentives and Reduce High-Net-Worth Giving Benefits**

The One Big Beautiful Bill Act's charitable deduction changes are now in effect for tax year 2026. Non-itemizers — more than 85% of all taxpayers — may now deduct up to \$1,000 (single) or \$2,000 (joint) in cash donations directly to charities. Simultaneously, itemizing donors face a

new 0.5% AGI floor on deductions, and top-bracket donors face a 35% cap on deduction value. The National Council of Nonprofits estimates the net effect will reduce charitable giving by \$81 billion over the next decade. Finance teams and development staff must immediately update donor communications and major gift strategies to reflect the new tax landscape.

Source: [Brady Ware — 2026 Charitable Tax Rule Changes \(April 2026\)](#) | [Granted AI — One Big Beautiful Bill Act and Charitable Giving for Nonprofits \(2026\)](#)

● **Treasury and IRS Announce Forthcoming Johnson Amendment Guidance for Houses of Worship**

After a federal court dismissed *National Religious Broadcasters v. Bessent* for lack of jurisdiction on March 31, 2026, Treasury and the IRS announced on April 3 that new guidance is forthcoming on how the Johnson Amendment applies to political speech during religious services. The Amendment remains in effect, but anticipated guidance could narrow enforcement boundaries. All 501(c)(3) organizations — not just houses of worship — should monitor developments carefully, as any shift in scope could alter the legal landscape for political activity across the nonprofit sector.


Source: [Treasury and IRS to Provide Guidance to Religious Organizations, U.S. Department of the Treasury \(April 3, 2026\)](#)

● **Administration's Move to Revoke Harvard's 501(c)(3) Status Signals Weaponization of Tax-Exempt Revocation Across the Sector**

The Trump administration's request that the IRS revoke Harvard University's 501(c)(3) tax-exempt status — based on the administration's policy disagreements rather than a settled legal violation — represents an unprecedented use of tax-exempt revocation as a political enforcement tool. While Harvard has the legal resources to defend its status, the precedent threatens nonprofits of all sizes whose programs, hiring, or advocacy are perceived as contrary to current administration priorities. Every nonprofit board should review its DEI-related programming, hiring documentation, and grant representations, and ensure governance practices are fully defensible under the Bob Jones public policy standard.

Source: [Winston & Strawn — Harvard University's Tax-Exempt Status Challenged: What Nonprofits Need to Know \(April 2026\)](#) | [FIRE — Revoking Harvard's Tax-Exempt Status Will Threaten All Nonprofits \(April 2026\)](#)

State Nonprofit Developments

 **Executive Summary:** State-level nonprofit developments this week reflect rising governance, compliance, funding, healthcare, donor privacy, and payment-timing pressures. Florida nonprofits face an immediate July 1 governance overhaul, Pennsylvania nonprofits must meet annual reporting requirements by June 30, and California charities may soon face mandatory online filing. Meanwhile, Medicaid cuts, state fraud enforcement, DAF grant freezes, state tax-exemption protections, payment reforms, and emergency grant programs are reshaping nonprofit operations across multiple states.

⚡ Key Actions for This Section: Nonprofits should review state-specific governance, filing, funding, and compliance obligations before several near-term deadlines and statutory changes take effect:

- Florida nonprofits should immediately review bylaws and governance documents before July 1
- Pennsylvania nonprofits should file annual reports by June 30
- California-registered charities and fundraisers should prepare for mandatory online filing changes
- Health-serving nonprofits should quantify Medicaid revenue exposure and prepare contingency plans
- State-funded nonprofits should strengthen fraud controls, billing documentation, and payment tracking
- Nonprofits with sensitive donor records should review donor privacy protections after the Supreme Court ruling

● **OBBBA Medicaid Cuts Are Forcing Nonprofit Health Service Closures Nationwide — New Data Confirms 446 Hospitals in 44 States at Risk**

OBBBA Medicaid cuts are forcing nonprofit hospitals and health centers to eliminate services far beyond the rural settings initially documented. A new Public Citizen report identifies 446 hospitals in 44 states and Washington, D.C., at risk of closure or major service reductions, serving 6.6 million patients and employing 275,458 workers. Five states — California, Connecticut, Massachusetts, New York, and Washington — have more than one quarter of their hospitals at risk. In Oklahoma, INTEGRIS Health has announced closures across dermatology, pediatric, and mental health services, citing a projected \$130 million funding loss. The October 1 eligibility cutoffs are less than five months away. Health-serving nonprofits of all sizes and geographies — not only rural providers — must immediately quantify Medicaid revenue exposure 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 \(May 2026\)](#) | [Public Citizen — The Big Ugly Threat to Safety Net Hospitals \(March 31, 2026\)](#)

● **FLORIDA: Florida Nonprofit Corporation Act Comprehensively Rewritten — July 1 Effective Date Requires Immediate Governance Review**

HB 797 — which unanimously passed both Florida legislative chambers — comprehensively rewrites the Florida Nonprofit Corporation Act, effective July 1, now six weeks away. The law updates governance structures, officer fiduciary duties, member rights, voting procedures, merger rules, and remote participation standards, aligning Florida law with the ABA's Model Nonprofit Corporation Act adopted in 37 states. Florida nonprofits must immediately audit bylaws and governance documents against new statutory defaults and identify any amendments needed before the effective date. Operating under conflicting provisions after July 1 creates significant legal exposure that cannot be corrected retroactively.

Source: [National Law Review — Florida Passes Sweeping Modernization of State Nonprofit Law, Effective July 1 \(March 2026\)](#) | [Florida Senate — HB 797 \(2026\)](#)

● **U.S. SUPREME COURT: 9-0 Ruling in First Choice Women's Resource Centers v. Davenport Shields Nonprofits from State Donor Disclosure Demands**

On April 29, 2026, a unanimous Supreme Court held that a state attorney general's subpoena demanding a nonprofit's donor identities constitutes a present injury to First Amendment associational rights — allowing the organization to immediately challenge it in federal court without waiting for state enforcement proceedings.

The ruling, written by Justice Gorsuch, removes a significant procedural barrier previously used to force nonprofits into less favorable state forums. All nonprofits maintaining sensitive donor or membership records should treat this ruling as a critical privacy protection tool against politically charged state investigations.

Source: [Supreme Court Decides First Choice Women's Resource Centers, Inc. v. Davenport, Faegre Drinker \(April 29, 2026\)](#)

● **PENNSYLVANIA: Act 122 Annual Report Deadline Is June 30, 2026 — Final Grace-Period Year Before Administrative Dissolution Penalties Begin in 2027**

Pennsylvania nonprofit corporations must file their 2026 annual report with the Department of State by June 30, 2026, at no cost. Under Act 122 of 2022, 2026 is the last transition year before full enforcement begins: starting with 2027 reports, failure to file within six months of the due date triggers administrative dissolution and loss of the organization's registered name — potentially permanently for foreign registrants. Nonprofits that have not yet established a compliance routine face real dissolution risk in 2027. Filing now at file.dos.pa.gov is free, takes minutes, and preserves legal standing and name protection.

Source: [Pennsylvania Department of State — Annual Reports: Requirements, Deadlines, and Dissolution Rules](#)

● **CALIFORNIA: Attorney General Proposes Mandatory Online Filing for All Registered Charities and Fundraisers**

The California AG has proposed regulations requiring all registered charities, commercial fundraisers, fundraising counsel, and commercial coventurers to file through a new statewide online system. The 45-day public comment period closes at 5:00 PM on June 16, 2026. California-registered nonprofits and their fundraising partners must review the proposed rules now and submit written comments or prepare for mandatory electronic-only filings. Organizations that fail to transition smoothly risk losing "good standing" status — which can block online fundraising and trigger platform payment holds.

Source: [Registry of Charities and Fundraisers Online Filing Service, California Office of the Attorney General \(2026\)](#)

● **MINNESOTA: Legislature Approves Anti-Fraud Legislation Creating Independent Office of Inspector General — Raises Compliance Stakes for State-Funded Nonprofits**

On May 11, 2026, the Minnesota Senate passed legislation creating an independent Office of Inspector General to investigate fraud in state programs and agencies, heading to Governor Walz's desk. The legislation follows major fraud scandals in state-funded human services programs and FBI raids on Medicaid providers. The new inspector general will have broad authority to investigate and refer cases involving nonprofits receiving state grants and contracts. The Minnesota House also unanimously passed companion legislation expanding the state's authority to withhold payments to program participants suspected of fraud — including nonprofits administering state-funded services — adding reporting requirements and codifying anti-kickback criminal provisions for Medicaid and childcare assistance programs. Nonprofits contracting with Minnesota state agencies must strengthen internal fraud controls, billing documentation, and compliance training. False billing or service misrepresentation now carries increased risk of payment suspension and criminal referral.

Source: [The Spokesman-Review — Minnesota Lawmakers Approve Anti-Fraud Legislation Establishing Independent Inspector General \(May 11, 2026\)](#) | [Minnesota House of Representatives Session Daily — House Unanimously Passes Bill Expanding State Powers to Withhold Payments Over Suspected Fraud \(May 2026\)](#)

● **MULTI-STATE: 16 State Attorneys General Urge Major DAF Sponsors to Reverse SPLC Grant Freezes**

Led by Minnesota AG Keith Ellison, 16 attorneys general — from California, New York, Maryland, Colorado, Connecticut, and a dozen other states — sent a certified letter dated May 21, 2026, urging Fidelity Charitable, Vanguard Charitable, and DAFgiving360 to reevaluate their decisions to freeze grants to the Southern Poverty Law Center following its DOJ indictment. The coalition warned that allowing politically driven prosecutions to govern DAF distributions undermines donor intent and sets a dangerous precedent for any nonprofit that faces government targeting — a direct concern for all federally funded charitable organizations.

Source: [Attorney General Ellison Urges Funds to Reevaluate Decision to Cut Off SPLC, Minnesota Attorney General \(May 21, 2026\)](#)

● **MULTI-STATE: 20-State Attorney General Coalition Takes Action Against GoFundMe for Creating 1.4 Million Unauthorized Charity Fundraising Pages**

On March 3, 2026, New York Attorney General Letitia James led a bipartisan coalition of 20 state attorneys general and charitable regulators in formally challenging GoFundMe's creation of more than 1.4 million charity donation pages without organizational consent. The pages contained incorrect charity information, obscured that donations were routed through donor-advised funds rather than charities directly, and used SEO tactics to divert donors from official charity websites. GoFundMe applied a default 16.5% platform "tip" diverted away from charities. Nonprofits nationwide should immediately verify whether unauthorized GoFundMe pages exist in their name and proactively communicate correct donation channels to donors.

Source: [New York Attorney General — AG James Demands Transparency from GoFundMe on Unauthorized Fundraising Campaigns \(March 3, 2026\)](#)

● **COLORADO: Governor Polis Signs SB 9 Decoupling State Nonprofit Tax Exemptions from Federal IRS Status**

Governor Polis signed Senate Bill 9 on April 20, 2026, preserving Colorado state tax exemptions for nonprofits that lose their federal 501(c)(3) status, so long as they hold a current or former IRS determination letter. The state may not automatically disqualify organizations based solely on a federal status change. The measure, passed in direct response to federal threats to strip nonprofits of exempt status for political reasons, gives Colorado nonprofits a meaningful state-level safety net — but organizations should understand the law does not prevent the state Revenue Department from conducting its own exemption reviews.

Source: [Bill to Protect Colorado Nonprofits from Federal Threats Passes, Colorado House Democrats \(April 2026\)](#)

● **CONNECTICUT: SB 468 Targeting Reporting Burdens on Nonprofit Human Services Providers Passes Legislature**

Connecticut's SB 468, passed unanimously by the Senate (36-0) and signed into law in May 2026, requires the Office of Policy and Management to review service levels and reporting requirements imposed on nonprofit human services providers contracting with state agencies and to ensure prompt payment. The legislation addresses persistent nonprofit concerns about excessive administrative compliance burdens and delayed state contract payments. Connecticut nonprofits providing state-funded human services should engage with OPM's forthcoming review process to shape reporting reforms and advocate for payment timeline improvements.

Source: [SB 468 — An Act Concerning Reporting Requirements and Payment of Nonprofit Human Services Providers, Connecticut General Assembly \(2026\)](#)

● **ALASKA: House Passes HB 133 Requiring 30-Day State Payments to Nonprofits with Interest Penalties for Delays**

The Alaska House passed HB 133 on April 23, 2026, mandating that state agencies pay grants, contracts, and reimbursement agreements to nonprofits within 30 days of receiving a compliant payment request, with a 10.5% annualized interest penalty for late payments. The bill now advances to the Senate. Addressing years of chronic three-month-plus delays documented by the Foraker Group, the legislation would take effect July 1, 2026, if signed. Alaska nonprofits dependent on state contracts for health and social services should monitor Senate action and document current payment delay patterns to support implementation.

Source: [HB 133 — Payment of Contracts, Alaska State Legislature Bill Detail \(2026\)](#)

● **OREGON: HB 4121 Signed into Law, Establishing Oregon Public Assistance Grant Program for Nonprofits**

Oregon's HB 4121, enacted in the 2026 legislative session, establishes the Oregon Public Assistance Grant Program under the Oregon Department of Emergency Management, creating a new state-funded mechanism to issue infrastructure emergency recovery grants to nonprofits, faith-based organizations, and community groups providing critical services. The law also creates the Oregon Disaster Recovery Authority and related preparedness infrastructure. Oregon nonprofits operating in disaster-prone regions or providing essential community services now have access to a new state emergency funding pathway that may offset the growing gap left by reduced federal emergency assistance.

Source: [Enrolled House Bill 4121, 83rd Oregon Legislative Assembly \(2026\)](#)

● **WYOMING: 2026 Amendments to Decentralized Unincorporated Nonprofit Association Law Take Effect July 1**

Wyoming's SF0022, effective July 1, 2026, amends the state's Decentralized Unincorporated Nonprofit Association (DUNA) Act, adding a definition for 'distributed ledger protocol,' clarifying that members are not automatically liable for the association's actions, updating asset distribution rules on winding up, and streamlining governance and merger procedures. The amendments strengthen Wyoming's pioneering legal framework for blockchain-based nonprofit associations. Organizations currently structured as DUNAs should review their governing principles for alignment with the revised statute before the July 1 effective date to ensure continued legal compliance.

Source: [WY SF0022 — Unincorporated Nonprofit Associations-Amendments. BillTrack50 \(2026\)](#)

Summary

The nonprofit operating environment continues moving rapidly toward a far more aggressive era of federal and state oversight, enforcement, and operational accountability. Across nearly every area of nonprofit management — grants, DEI compliance, fraud prevention, fiscal sponsorships, workforce management, procurement, donor privacy, Medicaid funding, governance, and audit compliance — regulators are increasing expectations while simultaneously reducing tolerance for operational weaknesses. Organizations dependent on federal or state funding face growing pressure to strengthen internal controls, document decision-making, modernize governance practices, improve financial contingency planning, and proactively manage legal exposure. At

the same time, rising community need, delayed government reimbursements, workforce burnout, and donor concentration risks are placing extraordinary strain on nonprofit leadership teams. The developments covered in this week's Navigator News Update make clear that nonprofit boards and executives must now treat compliance, governance, workforce sustainability, transparency, and organizational resilience as interconnected strategic priorities essential to long-term survival.

About Nonprofit Management Navigator

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