

## Abstract

This week's Navigator News Update examines a sweeping transformation of the federal grant and regulatory landscape with potentially far-reaching consequences for nonprofit leaders. The Office of Management and Budget's proposed overhaul of Uniform Grants Regulation, a new IRS excise tax expansion on executive compensation, aggressive EEOC enforcement targeting DEI programs, imminent state-level compliance deadlines in Florida and Pennsylvania, and critical HR developments including PSLF changes and I-9 enforcement shifts demand immediate organizational attention. This issue also highlights the Anthropic Claude Corps fellowship opportunity, NYC's reversal on payment delays, and state budget developments affecting nonprofit funding streams.

# June 22, 2026 Navigator News Update: Including the OMB Uniform Grants Regulation Overhaul, IRS Excise Tax Expansion on Nonprofit Executive Compensation, and More!

From Nonprofit Management Navigator, a DBA of PMG46, LLC

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## Introduction


This week's Navigator News Update arrives at a pivotal moment for nonprofit leaders nationwide. Federal agencies are reshaping the grant and regulatory environment with a speed and scope that demands immediate attention. The OMB's proposed Uniform Grants Regulation overhaul — open for public comment through July 13 — could fundamentally alter how discretionary federal grants are awarded, administered, and terminated. Simultaneously, the IRS has expanded the Section 4960 executive compensation excise tax, the EEOC has formalized enforcement targeting DEI employment practices, and new PSLF employer disqualification rules hang in the balance of an imminent court ruling. At the state level, Florida's comprehensive nonprofit corporation law rewrite takes effect in a matter of days., Pennsylvania's annual report deadline is this week, and New York City narrowly reversed a damaging payment delay. Leaders must also note that today is the deadline to submit comments on the DOL's proposed joint employer rule. This Update is designed to cut through the noise and focus your attention where it is needed most.

## Priority Legend

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

## Nonprofit News and Federal Regulatory Developments

 **Executive Summary:** The federal regulatory landscape for nonprofits is undergoing its most significant restructuring in decades. OMB's proposed Uniform Grants Regulation introduces political appointee review of every discretionary grant, expanded mid-performance termination authority, and embedded DEI restrictions — creating unprecedented funding uncertainty. Simultaneously, White House scrutiny of 49 named nonprofits, the DOJ's criminal case against the SPLC, and converging operational pressures signal a new era of heightened federal oversight and political risk for the sector.

 **Key Actions for This Section:** Organizations should take immediate steps to assess federal funding exposure and engage in the rulemaking process:

- Submit comments on OMB's proposed Uniform Grants Regulation by July 13, 2026, at [regulations.gov](https://www.regulations.gov) (docket OMB-2026-0034)
- Audit all multi-year federal awards for vulnerability to mid-performance termination under the proposed new authority
- Review DEI-related grant conditions and certifications in light of Executive Order 14398 and False Claims Act exposure
- Assess revenue diversification and build reserves to reduce dependence on federal funding streams
- Monitor the DOJ/SPLC case and White House spending review for signals about expanded federal oversight of nonprofits
- Evaluate federal funding concentration risk and develop contingency plans for potential funding interruptions

### ● **OMB Proposes Sweeping Uniform Grants Regulation Overhaul — Comment Deadline July 13**

On May 29, 2026, the Office of Management and Budget published a 400-plus page proposed rule that would replace the current Uniform Guidance (2 CFR Part 200) with a binding "Uniform Grants Regulation," applying to every federal grant and cooperative agreement. The proposal embeds executive order priorities — including DEI restrictions — directly into grant terms, and adds new mandatory compliance conditions. Nonprofits have until July 13, 2026, to submit comments at [regulations.gov](https://www.regulations.gov) under docket OMB-2026-0034; a final rule is targeted for October 1, 2026.

Source: [BDO — OMB Proposes Significant Revisions to the Uniform Guidance](#)

### ● **OMB Proposes Political Appointee Pre-Approval Required for Every Discretionary Grant Award**

A provision within OMB's proposed Uniform Grants Regulation would require senior political appointees — not career scientists or program officers — to conduct a mandatory "pre-issuance review" of every discretionary federal grant before it is awarded. Awards must "demonstrably advance the President's policy priorities." Peer review is formally reduced to a purely advisory role. For nonprofits relying on merit-based discretionary funding, this structural shift represents a significant and unpredictable new obstacle to securing future awards.

Source: [Faegre Drinker — OMB Proposes Extensive Reformation of Federal Grant Regulations](#)

### ● **Expanded Federal Authority to Cancel Grants Midcourse Embedded in Proposed OMB Rule**

The proposed OMB Uniform Grants Regulation would dramatically expand agencies' authority to terminate grants at any point during the period of performance when they conclude an award "no longer advances agency priorities or the national interest." Unlike current practice, the proposal would remove the right to appeal terminations and allow agencies to add or change grant conditions mid-performance. This new termination authority, if finalized, could expose nonprofits with multi-year federal awards to abrupt funding interruptions with limited recourse.

Source: [Wiley Law — OMB Calls for More Agency Discretion to Terminate Awards](#)

### ● **DEI Executive Orders: New EO 14398 Makes Anti-DEI Policy Directly Enforceable Through Federal Grants and Contracts**

On March 26, 2026, the White House issued Executive Order 14398, "Addressing DEI Discrimination by Federal Contractors," formally embedding anti-DEI compliance as an enforceable contract term — not merely policy guidance. The order adds DEI restrictions as express grant and contract conditions, subjects violations to False Claims Act liability, and requires contractors and grantees to report known DEI-related violations by subcontractors. On February 6, 2026, the Fourth Circuit vacated an earlier nationwide injunction, allowing EOs 14151 and 14173 to proceed. Courts continue to block specific enforcement actions on First Amendment grounds.

Source: [Gibson Dunn — DEI Task Force Update \(June 8, 2026\)](#)

### ● **White House Reviews Federal Funding to Selected Nonprofit Organizations**

In May 2026, the White House directed federal agencies to compile detailed spending reports — covering fiscal years 2024, 2025, and projected 2026 outlays — for approximately 49 specifically named nonprofit organizations, with reports due to OMB by May 29. The purpose of

the data-gathering exercise was described as enabling OMB to "better understand the scope of funding" to these organizations. The administration did not disclose the criteria used to select the 49 organizations or indicate what actions, if any, would follow receipt of the spending data.

*Source:* [Federal News Network — White House Seeks Federal Spending Data on Dozens of Nonprofit Organizations](#)

### ● **A Hard Year: Nonprofits Confronting Multiple Simultaneous Operating Challenges in 2026**

Nonprofits in 2026 face an unprecedented convergence of pressures: federal funding reductions and terminations, DEI compliance uncertainty, litigation risk, shifting donor expectations, and growing demand for services. Organizations managing federal grants now confront mandatory termination clauses, stricter drawdown controls, and new certification requirements. Funders, local governments, and CDFIs are stepping in where federal funding has retreated, but gaps remain wide. Sector leaders warn that the cumulative weight of simultaneous challenges is testing organizational sustainability.

*Source:* [CBIZ — Navigating Federal Funding Changes: What Not-for-Profits Need to Know in 2026](#)

### ● **Federal Grant Vulnerability: Assessing Real Risks and Building Resilience**

Federal funding instability poses an existential challenge for many nonprofits, with agencies canceling or restructuring grants across health, education, housing, and social services. Nonprofits that are heavily dependent on a single federal stream face the sharpest exposure. Building resilience now — through revenue diversification, reserve strategies, and scenario planning — is urgent. The current environment underscores the need to assess mission-critical vulnerabilities and develop contingency plans before further disruptions occur.

*Source:* [Nonprofit Finance Fund — 2026 Nonprofit Trends](#)

### ● **DOJ Criminal Case Against SPLC: Not Guilty Plea Entered; Trial Set for October 5**

The DOJ's criminal case against the Southern Poverty Law Center entered a new phase when SPLC pleaded not guilty on May 8, 2026, before U.S. Magistrate Judge Kelly Pate in Montgomery, Alabama. A tentative trial date of October 5, 2026 was set. A superseding indictment issued in early June added no new charges but corrected a technical legal defect. SPLC's motion to dismiss for vindictive prosecution was filed May 26. Three additional motions remain pending.

*Source:* [Southern Poverty Law Center Pleads Not Guilty to DOJ Charges — Alabama Reflector \(May 8, 2026\)](#) | [SPLC Seeks to Have Criminal Charges Dismissed — Alabama Reflector \(May 27, 2026\)](#)

## ● **344 Organizations Urge Congress to Protect WIC — House Passes \$200M Cut on June 4**

The WIC funding situation has advanced materially. On June 4, 2026, the full House passed the FY2027 Agriculture Appropriations bill 213-210, including the \$200 million WIC reduction and a 10 percent cut to the fruit-and-vegetable cash value benefit. The 344-organization coalition letter, sent June 1, failed to prevent the House vote. The Senate has not yet acted. If enacted, WIC could face its first waitlists in nearly 30 years. Virtual service waivers expire September 30, 2026.

*Source:* [344 Organizations Call on Congress to Protect WIC — FRAC \(June 1, 2026\)](#) | [House Bill Rolls Back Food Aid for Pregnant Women, Children — Washington Post \(June 4, 2026\)](#)

## ● **Foundation and Endowment Leaders Report Growing Concerns About Geopolitical Risk and Liquidity**

Morgan Stanley's 2026 Endowments and Foundations Survey of 100 mid-to-large nonprofit investment decision-makers found that only 13 percent are "very confident" they will meet their three-year return targets, down from 19 percent in 2023. Geopolitical uncertainty was cited as a significant concern by 66 percent of respondents, alongside market volatility and liquidity pressure. Alternative investments now represent the largest portfolio allocation at 36 percent, surpassing domestic equities. Nearly a third of organizations anticipate their spending rates will rise over the next three years.

*Source:* [Morgan Stanley — 2026 Endowments and Foundations Survey](#)

## ● **Council on Foundations Launches "Generosity Builds" Campaign to Strengthen Public Trust**

The Council on Foundations launched its "Generosity Builds" storytelling campaign on June 15, 2026, mobilizing its approximately 1,000 member organizations to publicly highlight their contributions to American communities. The campaign — tied to the nation's 250th anniversary — is designed to address what CEO Kathleen Enright calls the sector's "perception gap": research shows fewer than 1 in 20 adults recognize they or a family member received nonprofit services in the past year. The initiative includes an interactive story hub, a social media toolkit, and ongoing digital activations.

*Source:* [The NonProfit Times — Council on Foundations Showcasing the Sector's Generosity](#)

## ● **Donors Call for Greater Transparency, Accuracy, and Nonprofit Consent From Online Giving Platforms**

A new BBB Give.org Special Donor Trust Report, released June 16, 2026, based on a May 2026 survey of 1,500+ U.S. adults, found that 62 percent of giving platform users say a charity's presence on a well-known platform increases their trust in that charity. However, donors

overwhelmingly expect platforms to ensure accuracy of charity information (49%), full fee transparency (53%), and nonprofit consent before being listed (43%). The findings reveal a significant gap between donor expectations and actual platform practices, raising accountability and reputational concerns for nonprofits.

Source: [BBB Give.org — Trust in Giving Platforms Comes With Expectations of Accuracy, Transparency and Charity Consent](#)


### ● **Anthropic Commits \$150 Million to “Claude Corps” AI Fellowship Program for Nonprofits**


Anthropic announced the \$150 million Claude Corps program on June 11, 2026, a national fellowship that will embed 1,000 early-career workers trained in the use of Anthropic's Claude AI at 400+ nonprofit host organizations for one-year placements. Each fellow earns \$85,000 plus benefits, fully covered by Anthropic. Host organizations receive a \$10,000 implementation grant and Claude AI credits. The first cohort of 100 fellows begins October 19, 2026. Fellow applications are open through July 17, 2026. Host organizations must be 501(c)(3) entities and existing Claude for Nonprofits customers.

Source: [Anthropic — Introducing Claude Corps](#)

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## Nonprofit Human Resources Developments

 **Executive Summary:** Nonprofit employers face a trifecta of urgent HR compliance risks. A federal court ruling on PSLF employer disqualification rules is imminent as the July 1 effective date arrives. ICE has reclassified previously correctable I-9 errors as substantive violations with immediate civil penalty exposure. The EEOC has formalized enforcement targeting DEI hiring and compensation practices under its new FY2025–2029 National Enforcement Plan, and the DOL's proposed joint employer rule — whose comment deadline is today — threatens shared liability for organizations using staffing agencies or subcontractors. Burnout and retention continue to mount as a structural threat to mission delivery.

 **Key Actions for This Section:** Nonprofit HR and legal teams should prioritize the following actions:

- Certify PSLF employment status for all eligible employees immediately and document certifications before July 1, 2026
- Conduct an internal Form I-9 audit to identify and remediate newly reclassified substantive violations before an ICE inspection
- Review all DEI-related employment policies, hiring programs, and compensation structures against the EEOC's new National Enforcement Plan
- Submit or review comments on the DOL joint employer proposed rule today (June 22, 2026 deadline); assess staffing agency and subcontractor arrangements

- Implement structured burnout mitigation and retention strategies to address the sector's 19% annual turnover rate
- Update FLSA payroll and overtime policies using guidance from DOL's May 29 opinion letters

## ● **PSLF Employer Disqualification Rule: No Court Has Blocked It — Takes Effect July 1**

The Department of Education's final PSLF rule — allowing the Secretary to disqualify employers with a "substantial illegal purpose" — remains on track to take effect July 1, 2026. As of June 22, no court has issued an injunction across three pending federal lawsuits. Oral argument in the lead Massachusetts case was held June 3; no ruling has followed. Nonprofits must certify employee PSLF status immediately. Most mainstream 501(c)(3) organizations are not expected to be targeted.

*Source:* [Federal Court Hears Challenge to PSLF Overhaul — National Council of Nonprofits \(June 2, 2026\)](#) | [PSLF Eligibility for Nonprofit Employees in 2026 — Finnita.com \(May 2026\)](#)

## ● **ICE Reclassification of Form I-9 Errors as Substantive Violations Eliminates Cure Period and Raises Immediate Penalty Exposure**

On March 16, 2026, ICE updated its Form I-9 Inspection Fact Sheet, reclassifying more than 10 categories of previously correctable errors — including missing hire dates, incomplete document information, and improper use of the Spanish-language form — as substantive violations subject to immediate civil penalties of \$288 to \$2,861 per form. The traditional 10-business-day cure period no longer applies to these errors. ICE issued no Federal Register notice or proposed rulemaking. Nonprofits with remote or decentralized hiring processes face the highest exposure and should conduct internal I-9 audits immediately.

*Source:* [Morgan Lewis — ICE Rewrites the Rules on Form I-9 Violations](#)

## ● **EEOC Approves New National Enforcement Plan for FY2025–2029 — DEI Programs Formally Targeted**

On June 4, 2026, EEOC Chair Andrea Lucas signed the agency's new National Enforcement Plan for FY2025–2029, formally rescinding the Biden-era Strategic Enforcement Plan. The NEP identifies DEI-related employment practices — including race- and sex-based hiring quotas, diversity statements, and compensation tied to demographic goals — as explicit enforcement targets. Disparate impact claims are deprioritized "to the maximum degree possible." Nonprofit employers with DEI hiring, promotion, internship, or volunteer diversity programs now face direct federal enforcement risk and should review all related employment policies.

*Source:* [Ogletree Deakins — EEOC Issues New National Enforcement Plan for FY2025–FY2029](#)

● **DOJ Office of Legal Counsel Declares EEOC's Disparate Impact Guidelines Under Title VII Unconstitutional**

On June 9, 2026, DOJ's Office of Legal Counsel issued a formal opinion concluding that EEOC's longstanding disparate impact guidelines under Title VII are unconstitutional because they allow liability based on unequal employment outcomes alone, without regard to employer intent, and may pressure employers into race-based decision-making. While the opinion does not amend Title VII or eliminate private disparate impact claims, it guides EEOC's enforcement posture going forward. Nonprofits should not interpret this opinion as eliminating intentional discrimination liability, but should expect the EEOC to decline pursuing outcome-based claims.

*Source:* [Jackson Lewis — DOJ Opinion Finds EEOC Title VII Disparate Impact Guidelines Unconstitutional](#)

● **DOL Proposed Joint Employer Rule — Public Comment Period Closes June 22, 2026**

On April 22, 2026, the Department of Labor published a proposed rule establishing a uniform joint employer standard across the FLSA, FMLA, and MSPA — the first such unified framework since 2021. The proposal creates distinct standards for "vertical" joint employment (e.g., staffing agency/client relationships) and "horizontal" arrangements. Under the rule, when a joint employment relationship exists, both employers share joint and several liability. The public comment period closes June 22, 2026. Nonprofits using staffing agencies, subcontractors, or program service affiliates must evaluate whether these arrangements may trigger shared employer liability.

*Source:* [Littler — DOL Releases Proposed Rule on Joint Employment Status Under FLSA, FMLA, and MSPA](#)

● **EEOC Proposal to Rescind EEO-1 and Related Workforce Demographic Reporting Requirements Advances Through OIRA Review**

On May 14, 2026, the EEOC submitted to OIRA a proposed rule titled "Rescission of EEO-1, EEO-2, EEO-3, EEO-4, EEO-5, and Reporting Requirements under Title VII, the ADA, GINA, and the PWFA." If finalized, the 60-year-old annual workforce demographic filing — required of employers with 100 or more employees — would be eliminated. The proposal is under White House review. No proposed rule text has been published, no Federal Register notice has been issued, and no existing EEO-1 obligation has been rescinded. Nonprofits should continue preparing for the 2025 reporting cycle, with filings due September 30, 2026.

*Source:* [Cooley — EEOC Proposes to Eliminate EEO-1 Reporting](#)

● **DOL Issues FLSA Opinion Letters on Overtime Exemptions, Bonuses, and Compensable Time**

On May 29, 2026, DOL's Wage and Hour Division issued four FLSA opinion letters addressing recurring compliance questions. Key findings: an exempt employee performing a second hourly-paid role does not lose exempt status if primary duties remain exempt (FLSA2026-5); a non-discretionary bonus calculated on total straight-time and overtime earnings can satisfy overtime requirements simultaneously (FLSA2026-6); voluntary meal-break travel through a controlled access point is not compensable (FLSA2026-7); and pre-shift activities by hospital employees are compensable if compensated by contract or practice (FLSA2026-8). These letters provide practical guidance for nonprofit payroll and HR functions.

Source: [U.S. Department of Labor — DOL Issues 4 Opinion Letters Addressing Overtime Exemptions, Bonuses, Compensable Time](#)


### ● **Nonprofit Employee Burnout Reaches Crisis Level — Threatening Mission Delivery and Staff Retention**


New data from the Urban Institute (April 2026) found that 72% of staffed nonprofits reported in 2025 that employee vacancies negatively affected their ability to pursue their missions. In 2026, 60% of nonprofit leaders identify attracting and retaining skilled staff as their toughest challenge. The nonprofit sector's annual turnover rate sits at approximately 19% — compared to 12% in other sectors. Compounding pressures from federal funding uncertainty, surging service demand, and compliance burdens are driving burnout across all program areas. Nonprofit leaders report that without structural remedies, burnout represents a direct threat to program continuity and mission success.

Source: [Mission Edge — Talent, Burnout, and Retention: The Defining Challenge of the Nonprofit Workforce](#)

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## IRS, Accounting & Finance Developments

 **Executive Summary:** The IRS is actively reshaping its oversight and enforcement posture toward tax-exempt organizations. The Section 4960 excise tax now applies to any nonprofit employee ever compensated over \$1 million — with comments due August 4. A new Form 990 transparency initiative targets government grants and fiscal sponsorships. The IRS whistleblower program has been expanded to solicit public tips about nonprofit fund misuse. Group exemption rules for chapter-based organizations have been overhauled, and the SECURE 2.0 Roth catch-up mandate is now in effect. Against this backdrop, financial sustainability challenges and revenue diversification gaps demand urgent strategic attention.

 **Key Actions for This Section:** Finance, accounting, and compliance teams should act on the following priorities:

- Immediately audit all compensation arrangements to identify employees who now fall within the expanded Section 4960 excise tax definition; submit comments by August 4, 2026

- Inventory all government grants, contracts, and fiscal sponsorship arrangements in anticipation of enhanced Form 990 disclosure requirements
- Strengthen internal controls and documentation of fund sources and uses to reduce whistleblower alert and enforcement exposure
- Bring all group exemption arrangements into compliance with Revenue Procedure 2026-8 before the January 22, 2027 deadline
- Coordinate with payroll providers, recordkeepers, and counsel to implement SECURE 2.0 Roth catch-up contribution requirements for 2026
- Develop scenario planning, cash flow forecasting, and reserve strategies targeting a minimum of three to six months of operating reserves
- Review eligibility for Scholarship Granting Organization status under the new Federal Scholarship Tax Credit program if operating in a participating state

**● IRS Notice 2026-36: Excise Tax on Nonprofit Executive Compensation Expanded to All Employees Over \$1 Million — Comment Deadline August 4, 2026**

On June 5, 2026, the IRS released Notice 2026-36 announcing forthcoming regulations under Section 4960 implementing the One Big Beautiful Bill Act's expansion of the 21% excise tax on nonprofit executive compensation. The prior "top five" covered employee cap is eliminated — for tax years beginning after December 31, 2025, the tax applies to any employee earning over \$1 million. The Notice provides interim relief preserving "limited hours" and "nonexempt funds" exceptions. Comments are due August 4, 2026. Nonprofits should audit all compensation arrangements immediately.

*Source:* [IRS.gov — Treasury, IRS Announce Intent to Issue Proposed Regulations for Excise Tax on Excess Tax-Exempt Organization Executive Compensation](#)

**● IRS Announces Form 990 Transparency Initiative Targeting Government Grants, Contracts, and Fiscal Sponsorship Disclosures**

On April 23, 2026, Treasury announced the IRS will revise Form 990 to require enhanced reporting on government grants, government contracts, and fiscal sponsorship arrangements. Treasury Secretary Scott Bessent framed the initiative as ending the concealment of "fraud, abuse, and extremist activity behind complicated nonprofit arrangements." Proposed regulations with a public comment period are expected before any changes are finalized. Nonprofits with government funding or fiscal sponsorship structures should immediately inventory arrangements and strengthen documentation of fund sources, controls, and uses.

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

**● IRS Issues Updated Group Exemption Rules Affecting National Nonprofits with Chapters**

On January 20, 2026, the IRS released Revenue Procedure 2026-8, the first comprehensive overhaul of group exemption letter rules in over four decades, reopening the program after a moratorium that began in June 2020. National and regional nonprofits with affiliated chapters must now meet updated standards for supervision, control, and annual reporting. Existing central organizations have until January 22, 2027, to bring themselves and all subordinate organizations into compliance. Failure to comply could result in loss of group exemption coverage for all affiliated entities.

*Source:* [Outside General Counsel — New IRS Rules for Group Exemptions: What Nonprofits Need to Know About Revenue Procedure 2026-8](#)

### ● **IRS Launches Whistleblower Alert Program Targeting Misuse of Federal Funds by Tax-Exempt Organizations**

On April 17, 2026, the IRS issued its first Whistleblower Alert, soliciting public tips about misuse, diversion, or fraudulent use of federal funds by tax-exempt organizations. Flagged activities include false grant applications, self-dealing, improper payments to insiders, falsified reporting, and misclassification of activities to maintain tax-exempt status. The IRS Whistleblower Program offers awards of up to 30% of proceeds collected. The Alert signals a more aggressive enforcement posture toward nonprofits receiving federal funds and underscores the need for strong internal controls and documentation.

*Source:* [IRS.gov — IRS Issues Whistleblower Alert, Expands Efforts to Uncover Fraud](#)

### ● **Benefit Plan Compliance Requirements Affecting Nonprofit Plan Sponsors: SECURE 2.0 Roth Catch-Up Mandate Now in Effect**

Beginning January 1, 2026, SECURE 2.0's Roth catch-up contribution mandate requires employees age 50 or older who earned more than \$150,000 in FICA wages from the plan sponsor in 2025 to make all catch-up contributions to 401(k), 403(b), and governmental 457(b) plans on a Roth (after-tax) basis. The 2026 plan amendment deadline is December 31, 2026. The IRS is treating 2026 as a good-faith compliance year. Nonprofit plan sponsors must coordinate immediately with payroll providers, recordkeepers, and legal counsel to update systems and plan documents.

*Source:* [Grassi Advisors — Important Updates to Employee Benefit Plans Effective in 2026](#)

### ● **27 States Elect to Participate in New Federal Scholarship Tax Credit Program Affecting Scholarship Granting Organizations**

On June 8, 2026, the IRS announced that 27 states have elected to participate in the Federal Scholarship Tax Credit (FSTC) program created under the One Big Beautiful Bill Act. Beginning January 1, 2027, individual taxpayers may claim a dollar-for-dollar federal tax credit of up to \$1,700 for cash contributions to approved Scholarship Granting Organizations (SGOs) — 501(c)(3) organizations required to spend at least 90% of income on K-12 scholarships. State

participation is voluntary. Nonprofits interested in SGO status must be located in a participating state and meet IRS eligibility criteria.

Source: [IRS.gov — More Than Half the U.S. States Signed Up to Participate in the Federal Scholarship Tax Credit Program](#)


## ● **Growing Financial Sustainability and Revenue Diversification Challenges Require Urgent Strategic Response**


Federal funding uncertainty, rising operating costs, and restricted reserves are forcing nonprofits to restructure their financial strategies in 2026. A recent analysis by Brymar CPA identified scenario planning, cash flow forecasting, and reserve building as the most critical immediate actions. Nonprofits relying primarily on reimbursement-based government grants face the most acute risk from funding delays and terminations. Best practice guidance calls for maintaining at least three to six months of operating expenses in reserve and pursuing diversified revenue to reduce dependence on any single funding source.

Source: [Brymar CPA — Nonprofit Financial Resilience in 2026: A CPA's Playbook for Federal Funding Uncertainty](#)

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## State Nonprofit Developments

 **Executive Summary:** State-level developments this week include several immediate compliance deadlines. Florida's landmark nonprofit corporation law rewrite takes effect July 1 requiring urgent governance review. Pennsylvania's annual report deadline falls this week and 89% of registered nonprofits have not yet filed. New York City reversed a damaging plan to delay payments to contracted nonprofits. States are responding to federal funding cuts in varying ways: Connecticut has deployed backfill funds while Minnesota enacted historic budget reductions affecting nonprofit service providers. Colorado's new geolocation privacy consent requirement takes effect August 12.

 **Key Actions for This Section:** State compliance and program planning require the following immediate steps:

- Florida nonprofits: immediately review bylaws, governing documents, and board policies for compliance with HB 797 before July 1, 2026
- Pennsylvania nonprofits: file the free annual report at [hub.business.pa.gov](http://hub.business.pa.gov) before June 30, 2026
- Colorado nonprofits using geolocation data: implement opt-in consent procedures before August 12, 2026
- Minnesota nonprofits: assess program and funding impacts from the \$5 billion two-year budget reduction and restructuring of direct appropriations to competitive grants

- Connecticut nonprofits: identify which new state backfill funds and Medicaid rate increases apply to your programs
- Florida nonprofits: complete the Florida Nonprofit Alliance Compensation and Benefits Survey by July 14, 2026
- Tennessee nonprofits designated as IRA beneficiaries: familiarize staff with the new RIFT Act statutory framework to facilitate retirement asset releases
- New York City contracted nonprofits: verify July 1 payment status under the new 50% advance requirement

### ● **Pennsylvania Nonprofit Annual Report: June 30 Deadline— 89% Still Not Filed as Transition Period Ends**

Pennsylvania's June 30, 2026, annual report deadline for nonprofit corporations occurs shortly. As of May 2026, only 11% of registered domestic Pennsylvania nonprofits had filed — leaving 89% out of compliance. The free filing is submitted online at [hub.business.pa.gov](http://hub.business.pa.gov). Pennsylvania's transition period covering the 2025 and 2026 filing years ends after June 30, 2026: beginning with 2027 reports, entities that fail to file within six months of the June 30, 2027, deadline face administrative dissolution, loss of legal standing, and loss of name protection. Filing now also establishes compliance habits before full enforcement begins.

*Source:* [Pennsylvania Association of Nonprofit Organizations \(PANO\) — PA's New Annual Filing Requirement — As of June 30, 2025](#)

### ● **Florida HB 797: Nonprofit Corporation Act Rewrite Takes Effect July 1**

Florida's HB 797 — the most comprehensive rewrite of the Florida Not For Profit Corporation Act (Chapter 617, F.S.) in over 15 years — takes effect July 1, 2026. . The law aligns Florida with the ABA Model Nonprofit Corporation Act adopted in 37 states, and revises director and officer duties, member rights, electronic meeting and notice rules, merger mechanics, and corporate powers. All Florida nonprofits must immediately review bylaws, governing documents, and board policies against new statutory defaults and determine whether amendments are required before the effective date. Waiting until after July 1 to begin review creates compliance exposure.

*Source:* [Polsinelli / National Law Review — Florida Passes Sweeping Modernization of State Nonprofit Law, Effective July 1](#)

### ● **New York City Reverses Plan to Delay July 1 Payments to Contracted Nonprofits Amid Cash Flow Crisis**

The Mamdani administration reversed course on June 16, 2026, abandoning a plan to delay billions of dollars owed July 1 to hundreds of social service nonprofits under city contracts. City Council Speaker Menin's June 15 letter to Mayor Mamdani demanded answers after the city's

budget director failed to disclose a worsening cash crisis during June 9 testimony. A new law taking effect July 1 requires the city to front 50% of annual contract values at the start of the fiscal year to nonprofits serving domestic violence, homeless, mental health, and foster care clients — twice the prior requirement.

*Source:* [NBC New York — Mamdani Administration Scraps Plan to Delay Billions to Nonprofits Amid Cash Flow Problem](#)

### ● **Colorado Expands Privacy Act to Classify Geolocation Data as Sensitive — Opt-In Consent Required Effective August 12, 2026**

Colorado SB 25-276, signed by Governor Polis on May 23, 2025, expands the Colorado Privacy Act to classify precise geolocation data as sensitive data requiring opt-in consumer consent before processing, effective August 12, 2026. Nonprofits that use location-based applications, mapping tools, mobile check-ins, or delivery tracking must obtain affirmative consent before collecting or processing precise location information from Colorado residents. The law aligns Colorado more closely with GDPR's explicit consent standard for sensitive data categories. Colorado's Attorney General actively enforces the CPA with no mandatory cure period since January 1, 2025.

*Source:* [Recording Law — What Is the Colorado Privacy Act \(CPA\)?](#)

### ● **Minnesota Legislature Passes \$66 Billion Budget in Special Session — Historic Spending Cuts Raise Nonprofit Concerns**

In a special legislative session concluding May 2026, Minnesota lawmakers passed a \$66 billion two-year budget — approximately \$5 billion lower than the prior biennium. The agreement, described as the largest spending reduction in state history, reflects a \$6 billion projected future deficit. Cuts include charter school funding, transit, and county payments. The budget shifts some direct nonprofit appropriations toward competitive grants, creating uncertainty for organizations that received legislatively directed funds. Nonprofit service providers in health, human services, and workforce development face reduced or restructured funding streams requiring immediate program planning.

*Source:* [Minnesota House of Representatives Session Daily — Walz, Legislative Leaders Strike Budget Deal](#)

### ● **Connecticut Legislature Adopts \$28.1 Billion FY27 Budget — Nonprofit Safety-Net Funding Increased Amid Federal Cut Concerns**

Connecticut's General Assembly adopted a \$28.1 billion biennial budget on May 2, 2026, adding funds for nonprofit social service agencies, increasing Medicaid provider rates, and establishing a universal free school breakfast program. Governor Lamont has separately deployed the state's \$500 million Federal Cuts Response Fund to backfill federal funding losses to nonprofits. Connecticut community nonprofits, which are currently funded approximately 32% below 2007 levels, had requested \$155 million in additional FY27 appropriations. Nonprofits relying on

Medicaid reimbursements and human services contracts should review which new state funds apply to their programs.

Source: [CT Mirror — Lawmakers to Adopt \\$28.1B Budget with Big Aid for Towns, Childcare](#)

### ● **Florida Nonprofit Alliance Launches Statewide 2026 Compensation and Benefits Survey — Deadline July 14**

Florida Nonprofit Alliance opened its 2026 Compensation and Benefits Survey on June 2, 2026, with a submission deadline of July 14, 2026. The survey, the only statewide recurring compensation research for Florida's nonprofit sector, collects salary and benefits benchmarking data across organizations of all types and sizes. Results will inform the forthcoming Florida Nonprofit Salary Survey Dashboard. Florida nonprofits that participate in the survey receive discounted access to the resulting compensation report, which supports workforce planning, staff recruitment, retention strategy, and board compensation discussions in a challenging labor market.

Source: [Florida Nonprofit Alliance — 2026 Compensation & Benefits Survey](#)

### ● **Tennessee Nonprofit Network Champions RIFT Act Through Both Chambers — New Law Addresses IRA Beneficiary Release Delays**

The Tennessee Nonprofit Network successfully championed HB 2112 / SB 2642 — the RIFT Act — through both chambers of the Tennessee General Assembly and into law in 2026. The RIFT Act creates a formal legislative process to address the persistent challenge that Tennessee nonprofit beneficiaries face when attempting to collect donor-designated retirement assets, including IRAs, from financial institutions that apply inconsistent or burdensome release procedures. Nonprofits designated as IRA beneficiaries in Tennessee can now point to a statutory framework when working with financial institutions to facilitate timely release of inherited retirement assets.

Source: [National Council of Nonprofits — Tennessee Nonprofit Network Passes the RIFT Act](#)

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## Summary

The June 22, 2026 Navigator News Update reflects a nonprofit operating environment of extraordinary complexity and urgency. The OMB's proposed Uniform Grants Regulation overhaul — with its political appointee pre-approval requirements, expanded termination authority, and embedded DEI restrictions — poses a structural threat to how nonprofits secure and maintain federal funding, and the July 13 comment deadline demands sector-wide engagement. The IRS's expansion of the Section 4960 excise tax, new whistleblower alert program, Form 990 transparency initiative, and group exemption rule overhaul collectively signal a more aggressive enforcement posture. HR leaders face a trifecta of immediate risks: the imminent PSLF ruling, reclassified I-9 violations, and the EEOC's formalized DEI enforcement

targeting. State compliance deadlines in Florida (July 1) and Pennsylvania (June 30) require action this week. On a positive note, New York City reversed a damaging payment delay, Connecticut increased nonprofit safety-net funding, and Anthropic's \$150 million Claude Corps fellowship creates a concrete opportunity for eligible organizations to expand AI capacity at no cost. Across all of these developments, the imperative is the same: assess your exposure, act quickly, and build organizational resilience for what remains a highly unpredictable environment.

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