

## Abstract

The June 8, 2026 Navigator News Update delivers critical intelligence for nonprofit leaders navigating an unprecedented convergence of federal regulatory upheaval, escalating DEI enforcement, and state-level legislative change. This issue spotlights OMB's sweeping proposed overhaul of the Uniform Grants Regulation — threatening in-flight awards with no transition period — and the HHS AERO initiative, which is deploying artificial intelligence to retroactively audit five or more years of Single Audit compliance data for every entity spending \$1 million or more in federal funds. Additional coverage includes False Claims Act enforcement milestones, PSLF employer disqualification risks, IRS Form 990 transparency initiatives, Supreme Court rulings on donor disclosure, and urgent state-level deadlines in Florida, Pennsylvania, California, and beyond. Leaders of organizations dependent on federal funding, managing DEI programs, or operating across multiple states will find this issue essential reading.

## June 8, 2026 Navigator News Update: Including OMB's Proposed Uniform Grants Regulation Overhaul, HHS's AI-Powered Audit Enforcement Initiative, and More!

From Nonprofit Management Navigator, a dba of PMG46, LLC

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## Introduction

The week of June 8, 2026 finds the nonprofit sector operating in one of the most volatile regulatory environments in its history. Federal agencies are simultaneously rewriting the foundational rules governing grant awards, deploying artificial intelligence to comb through years of audit data, and advancing enforcement actions that once would have been unthinkable. At the same time, the EEOC is dismantling longstanding DEI safe harbors, DOJ is pursuing False Claims Act settlements with record-breaking frequency, and a Supreme Court term is producing rulings with far-reaching implications for nonprofit rights and obligations.

State legislatures are moving on their own tracks — some enacting protective measures, others creating new compliance deadlines that demand immediate attention. For nonprofit leaders, this week's Navigator arrives as both a warning and a roadmap. Each section below provides actionable intelligence organized by topic, with priority indicators to help you deploy your team's attention where it is needed most.


## Priority Indicators

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

● Immediate Action   ● Requires Organizational Response   ● Monitor and Prepare

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## Nonprofit News and Federal Regulatory Developments

 **Executive Summary:** Federal agencies are simultaneously rewriting the rules governing grant awards, deploying political oversight over merit-based grantmaking, and advancing enforcement actions that create existential risk for nonprofits working in immigration, DEI, civil rights, and education. OMB's proposed Uniform Grants Regulation overhaul would expose all active multi-year awards to mid-stream termination. The DOJ's first False Claims Act settlement under its Civil Rights Fraud Initiative signals that DEI-related certifications carry real legal liability. Meanwhile, SNAP enrollment has dropped by nearly five million participants, food banks are overwhelmed, and \$2 billion in congressionally approved education grants remain withheld. Organizations must simultaneously defend existing funding, diversify revenue, and communicate transparently with all stakeholders.

### Key Actions for This Section:

- Review all active federal grants immediately for compliance with new DEI certification requirements and termination risk under the proposed Uniform Grants Regulation
- Audit all DEI-related policies and federal certification representations in light of the DOJ False Claims Act settlement
- Monitor OMB's proposed rulemaking timeline and submit comments before the comment deadline closes
- If your organization appears on or operates similarly to the 49 nonprofits named in the OMB spending review memo, consult legal counsel immediately
- Develop contingency plans for potential mid-stream grant terminations, including reserve strategies and bridge financing options
- Engage board and leadership on a proactive, multi-audience communications strategy addressing DEI, federal scrutiny, and mission positioning

- If your organization operates food assistance programs, begin advocacy efforts for restored federal nutrition support and document capacity limitations now
  - Invest in storytelling infrastructure — video, social media, donor communications — to accelerate private fundraising as federal funding contracts
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### ● **OMB Proposes Sweeping Uniform Grants Regulation Overhaul — October 1, 2026 Effective Date, No Transition for In-Flight Awards**

On May 29, 2026, OMB published a proposed rule rewriting 2 CFR Part 200 — the largest revision since 2013 — rebranding it the Uniform Grants Regulation. It requires senior political appointee approval before any discretionary grant, embeds DEI prohibitions, bans federal funds for voter registration, requires E-Verify for all recipients, and expands mid-stream termination authority. The proposed effective date is October 1, 2026. Comments are due July 13, 2026 at regulations.gov, Docket OMB-2026-0034.

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

### ● **Anti-DEI Grant Certification Requirements Operational — DOJ's First False Claims Act Settlement Signals Heightened Enforcement**

On April 10, 2026, DOJ announced a \$17 million settlement with IBM — the first resolution under its Civil Rights Fraud Initiative — for alleged DEI-related employment discrimination in violation of federal contract anti-discrimination certifications. The settlement signals that nonprofits and contractors receiving federal funds face real False Claims Act liability if their programs are found to take race, sex, or national origin into account. Organizations should urgently review all DEI-related policies, practices, and federal certification representations.

Source: [Akin Gump](#)

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

A May 13, 2026 OMB memo directed all federal agencies to compile and submit detailed spending data — grants, contracts, cooperative agreements, and subawards — covering fiscal years 2024–2026 for 49 named nonprofits, including the ACLU, SPLC, Aspen Institute, Tides Center, and Lutheran Immigration and Refugee Service. Reports were due May 29, with OMB review set for June 5. The effort signals that scrutinized organizations may face future funding restrictions, and that any nonprofit working in immigration, DEI, civil rights, or environmental advocacy could be next.

Source: [Federal News Network](#)

### ● **SPLC Moves to Dismiss Federal Indictment, Alleging Vindictive Prosecution and White House Retaliation**

In a 47-page filing on May 26, 2026, SPLC attorneys moved to dismiss a DOJ indictment for fraud and money laundering as vindictive prosecution driven by White

House retaliation. On June 2, DOJ obtained a superseding indictment alleging \$4.1 million in donor funds paid informants who recruited for hate groups and purchased KKK materials. On June 4, SPLC moved for sanctions after DOJ shared an unsigned copy of the superseding indictment with media. SPLC denies all charges.

**Source:** [CBS News — DOJ Obtains Superseding Indictment Against SPLC](#)

**Source:** [CBS News — SPLC Asks Judge to Weigh Sanctions Against DOJ](#)

### ● **IRS Previously Found SPLC Informant Program Legally Structured; DOJ Revived Case Without Interviewing Current Staff**

Prior to the April 2026 indictment, IRS attorneys had reviewed and effectively cleared the SPLC's confidential informant program. The Trump DOJ revived the case without requesting new documents or interviewing current employees. The June 2 superseding indictment alleges informants used donor funds to recruit new hate-group members and purchase materials for cross burnings and KKK robes — conduct the prior IRS review never addressed. Legal experts warn this illustrates how advocacy organizations can be criminally targeted without contemporaneous evidence.

**Source:** [CBS News — SPLC Seeks Dismissal of Criminal Charges](#)

**Source:** [1819 News — DOJ Obtains Superseding Indictment Against SPLC](#)

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

As of late May 2026, OMB has withheld apportionment of more than \$2 billion in congressionally approved FY2026 education funding, affecting 33 competitive grant programs including afterschool, literacy, and teacher-support initiatives. Without apportionment, agencies cannot legally disburse funds. If unspent by September 30, more than \$1 billion reverts to the Treasury without appropriation. Experts warn this constitutes an illegal impoundment. Nonprofits running federally funded education programs face the risk of losing operational funds despite congressional authorization.

**Source:** [Education Week](#)

### ● **SNAP Enrollment Drops Nearly 5 Million — Food Banks Report Demand Surge Beyond Capacity**

USDA data shows SNAP enrollment fell approximately 4.95 million between January 2025 and February 2026. Food banks report 30–50% demand surges beyond capacity. On June 1, 2026, CMS issued an Interim Final Rule requiring that certain Medicaid recipients meet 80-hour monthly work requirements as a condition of eligibility, effective January 1, 2027. These compounding enrollment losses make absorption by charitable networks structurally impossible, demanding urgent advocacy for restored federal nutrition support and immediate nonprofit contingency planning.

**Source:** [CMS — Medicaid Community Engagement Requirement Interim Final Rule](#)

**Source:** [KFF — Tracking Medicaid Work Requirements Implementation](#)

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

Included in the May 29, 2026 OMB proposed Uniform Grants Regulation is a sweeping new requirement that a senior political appointee must review and approve every discretionary grant before issuance to ensure alignment with presidential priorities. The rule also broadens termination authority, allowing agencies to end active multi-year grants with only a brief written rationale. Scientists, university research administrators, and nonprofit leaders warn the change subordinates expert peer review to political judgment — threatening objective, merit-based grantmaking that nonprofits have relied on for decades.

Source: [Scientific American](#)

### ● **Nonprofits Living in a Fishbowl — Every Action Visible to All Stakeholders in a High-Stakes Environment**

Heightened federal scrutiny, public disclosure mandates, and social media amplification mean that every nonprofit decision — from hiring practices and advocacy positions to grant acceptance and program design — is now visible to donors, regulators, watchdogs, and critics in real time. Organizations that once operated with low public visibility are finding that their reactions to DEI restrictions, funding cuts, and political pressure shape perceptions among all stakeholders simultaneously. Boards and executives must develop coherent, proactive communication strategies capable of speaking to multiple audiences at once — without compromising mission or legal standing.

Source: [BDO USA](#)


### ● **Storytelling Is Now a Core Survival Skill — Nonprofits Race to Win New Donors as Federal Funding Shrinks**

As federal funding contracts sharply, nonprofits are investing in advanced storytelling capabilities — video, podcasts, and social media — to attract and retain private donors who want concrete evidence of impact before they give. Foundations report intensified competition for non-governmental grants, and some donors previously contributing five figures are increasing commitments to organizations making compelling cases for their mission. The shift from transactional to relational fundraising — built on authentic narrative and demonstrated outcomes — is rapidly becoming an organizational survival imperative rather than a nice-to-have.

Source: [UST \(ChooseUST.org\)](#)

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## **Nonprofit Human Resources Developments**

 **Executive Summary:** The nonprofit workforce is under assault from multiple directions simultaneously. A July 1 rule threatens to strip PSLF-qualifying status from employers deemed to have an illegal purpose — with no appeal rights for affected employees. The EEOC is actively dismantling the legal framework that has supported voluntary diversity hiring for nearly five decades, while simultaneously pursuing enforcement actions against employers whose DEI programs restrict participation by

protected class. A new DOL joint employer rule could expose nonprofits to wage and leave liability through their staffing and subcontracting relationships. Against this backdrop, burnout has reached crisis levels and succession planning remains dangerously neglected — creating compounding organizational fragility precisely when leadership stability is most needed.

**⚡ Key Actions for This Section:**

- Audit all mentoring, fellowship, internship, and leadership development programs immediately to confirm they are open to all employees regardless of protected characteristics
- Review all federal contracts and subcontracts for DEI-related reporting and certification obligations under Executive Order 14398
- Notify employees who may be affected by the July 1 PSLF employer disqualification rule and consult legal counsel on your organization's exposure
- Submit comments on the DOL proposed joint employer rule by June 22 via regulations.gov (Docket WHD-2026-0067) if your organization uses staffing agencies, subcontracts, or shared-service arrangements
- Monitor the EEOC's proposed rescission of 29 CFR Part 1608 and prepare for a public comment period once it is published in the Federal Register
- Monitor the Supreme Court's *Crowther v. Board of Regents* decision for its potential to expand Title IX employee sex discrimination claims at federally funded nonprofits
- Conduct an immediate organizational assessment of burnout risk factors and implement retention strategies before turnover accelerates further
- Treat succession planning as an immediate board governance priority — establish both emergency protocols and a long-term leadership pipeline now

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**● PSLF July 1 Employer Disqualification Rule — Pending Court Relief May Be Narrower Than Nonprofits Expect**

A Department of Education rule effective July 1, 2026 lets the Secretary strip PSLF-qualifying status from nonprofits with a “substantial illegal purpose.” No court has issued an injunction. A Senate resolution (S.J. Res. 182) to overturn the rule failed despite 31 cosponsors. Past PSLF credit is protected, but future payments at disqualified employers stop immediately with no administrative appeal for employees. Organizations with immigration or civil rights programs should notify affected staff and consult legal counsel now.

Source: [U.S. Department of Education — PSLF Final Rule Fact Sheet](#)

Source: [National Council of Nonprofits — Nonprofit Champion, June 1, 2026](#)

### ● **DOL Proposed Joint Employer Rule Threatens Nonprofit Staffing and Subcontracting Arrangements — Comment Deadline June 22**

On April 22, 2026, DOL proposed a unified joint employer standard under the FLSA, FMLA, and MSPA. If finalized, organizations sharing worker control through staffing agencies, subcontracts, or program partnerships could face joint liability for wages and leave violations. The rule restores reserved control as a factor, expanding exposure versus prior standards. Comments are due June 22, 2026 at 11:59 p.m. ET via regulations.gov, Docket WHD-2026-0067. Nonprofits using contract staffing or shared-service arrangements must act before this deadline.

Source: [U.S. Department of Labor — Joint Employer Status NPRM](#)

### ● **EEOC Proposes Rescinding 47-Year-Old Voluntary Affirmative Action Rule — Diversity Hiring Guidance Nonprofits Have Long Relied On at Risk**

On May 27, 2026, the EEOC submitted a proposal to rescind 29 CFR Part 1608, the 1979 interpretive rule that has long provided the roadmap for employers to voluntarily adopt race- and gender-conscious affirmative action plans without violating Title VII. The rescission, consistent with EEOC Chair Andrea Lucas's anti-DEI agenda, would remove legal safe-harbor guidance many nonprofits have used to justify diversity hiring initiatives. Final rescission requires Federal Register publication; a public comment period is expected before any rule takes effect.

Source: [SHRM](#)

### ● **EEOC Continues Aggressive Enforcement Campaign Targeting Employer DEI Programs as Potentially Discriminatory**

The EEOC has accelerated its DEI enforcement push in 2026, filing suit against Coca-Cola Beverages Northeast over a leadership event limited to female employees and pursuing subpoena enforcement against Nike regarding race-restricted mentoring and development programs. The agency's focus extends to hiring quotas, diverse interview slates, and compensation tied to demographic targets. Nonprofit leaders must recognize that EEOC enforcement is now active — not merely advisory — and that both majority and minority group members may bring actionable Title VII discrimination claims.

Source: [VinciWorks](#)

### ● **Nonprofit Employers Urged to Review Mentoring, Internship, Fellowship, and Leadership Programs Following EEOC DEI Enforcement Guidance**

EEOC guidance and recent enforcement actions make clear that mentoring programs, fellowships, internships, and leadership development opportunities restricted by race, sex, or other protected characteristics violate Title VII — even when framed as diversity initiatives. Nonprofits should immediately audit all such programs to confirm participation is open to all employees regardless of protected status, review employee resource groups for exclusionary membership rules, and eliminate interview slate

requirements tied to demographics. Legal counsel review of DEI-adjacent programs is now an operational necessity.

Source: [Gibson Dunn](#)

### ● Executive Order Requires Federal Contractors to Report DEI-Related Violations by Subcontractors — Nonprofits That Subcontract Face New Compliance Risk

Executive Order 14398, signed March 26, 2026, requires all federal contracts to include a clause obligating prime contractors to report "known or reasonably knowable" DEI-related violations by their subcontractors. For nonprofits holding federal contracts or serving as subcontractors, noncompliance risks contract termination, debarment, and False Claims Act liability. The reporting obligation creates new monitoring burdens and demands nonprofits proactively assess DEI practices across all tiers of their subcontracting relationships.

Source: [Wiley Law](#)

### ● Supreme Court Accepts Title IX Employee Sex Discrimination Case — Ruling Could Reshape Claims at Federally Funded Nonprofits

On May 18, 2026, the Supreme Court granted certiorari in *Crowther v. Board of Regents of the University System of Georgia*, agreeing to decide whether employees of federally funded institutions can bring sex discrimination claims under Title IX — not just Title VII. Unlike Title VII, Title IX has no EEOC filing prerequisite, no damages cap, and a different remedies framework. Nonprofits receiving federal education funding must monitor this case, as a ruling in favor of Title IX employee claims would significantly expand their litigation exposure.

Source: [SCOTUSblog](#)

### ● Burnout at the Breaking Point — Nonprofit Leaders Face a Mental Health Crisis Just When They Are Needed Most

New research confirms that nonprofit leader and staff burnout has reached crisis levels precisely when organizations face their most disruptive funding and regulatory environment in decades. According to recent data, 95% of nonprofit leaders are concerned about staff burnout, nearly 7 in 10 nonprofit employees would be looking for a new job, and annual turnover sits near 19% — nearly double other sectors. Organizations are losing institutional knowledge, donor relationships, and mission capacity at an accelerating rate that threatens long-term sustainability.

Source: [Mission Edge](#)

### ● Succession Planning Is More Critical Than Ever — Yet Most Nonprofits Remain Unprepared as Executive Departures Accelerate


With fewer than 30% of nonprofits having a written succession plan and a wave of longtime executive directors expected to retire within five to ten years, the sector faces a compounding leadership crisis. In a period of intense funding uncertainty and regulatory pressure, an unplanned leadership vacancy can destabilize donor relationships, derail strategic plans, and threaten organizational survival. Boards must

treat succession planning as an immediate governance priority — not a future project — identifying both emergency protocols and long-term leadership pipelines now.

Source: [Skillpanel](#)

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## IRS, Accounting and Finance Developments

 **Executive Summary:** The IRS and Treasury are pursuing the most aggressive nonprofit oversight agenda in a generation, deploying artificial intelligence to retroactively audit years of compliance data, expanding whistleblower incentives targeting grant fraud, and signaling that the "fundamental public policy" doctrine once reserved for racial segregation may now be applied to DEI practices. The Harvard 501(c)(3) battle has placed every tax-exempt organization on notice that exemption status is no longer insulated from political pressure. Form 990 transparency requirements are expanding. False Claims Act enforcement has reached record levels. And newly analyzed Urban Institute data confirm that the typical grant-dependent nonprofit could not survive without government funding — making revenue diversification not merely strategic but existential.

### Key Actions for This Section:

- Conduct an immediate internal audit of Single Audit Act compliance history for any organization spending \$1 million or more annually in federal funds — the HHS AERO initiative is already rescoring at least five years of data
- Review your organization's 501(c)(3) compliance posture in light of the Harvard case and the IRS's expanded interpretation of the "fundamental public policy" doctrine
- Assess whether any DEI activities create exemption risk under the IRS's 2025–2026 Priority Guidance Plan and consult legal counsel accordingly
- Strengthen internal controls and document compliance programs proactively — insider whistleblower reports to the IRS are now actively incentivized with awards of up to 30% of amounts collected
- If your organization uses fiscal sponsorship or receives substantial government funding, begin reviewing financial controls and fund-flow governance now in anticipation of expanded Form 990 disclosure requirements
- Monitor the IRS 2025–2026 Priority Guidance Plan for final guidance on executive compensation under §4960, donor-advised fund excise taxes, and the Johnson Amendment

- Begin immediate revenue diversification planning — Urban Institute data confirm that 86% of grant-dependent nonprofits would have operated at a loss in 2023 without government funding
  - Monitor congressional developments regarding nonprofit hospital oversight, as proposed minimum charity care requirements and endowment excise taxes signal broader legislative scrutiny of tax-exempt status
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### ● **IRS 2025–2026 Priority Guidance Plan: Key Nonprofit Issues Due by June 30**

The IRS 2025–2026 Priority Guidance Plan, covering July 1, 2025 through June 30, 2026, includes nine nonprofit-specific guidance projects. Priority items include guidance on the fundamental public policy against racial discrimination for private schools, the Johnson Amendment, executive compensation under §4960, and donor-advised fund excise taxes. With IRS Chief Counsel staff reduced by 13% since early 2025, many projects may slip into next year. Nonprofits should monitor developments closely as this guidance could reshape 501(c)(3) compliance requirements.

Source: [PwC](#)

### ● **Harvard's 501(c)(3) Battle: A Warning Sign for All Nonprofits**

The Trump administration's effort to revoke Harvard's 501(c)(3) status — invoking the "fundamental public policy" doctrine from *Bob Jones University v. United States* (1983) — remains unresolved. A federal court restored over \$2.6 billion in frozen research grants; the government is appealing. The IRS revocation process is active but no determination has issued. Settlement talks collapsed, with Trump demanding over \$1 billion in cash. All nonprofits should review their 501(c)(3) compliance posture, as tax-exempt status is no longer politically insulated.

Source: [Harvard Magazine — Harvard Weathers a Year of Turmoil](#)

Source: [The Harvard Crimson — Trump Calls for \\$1 Billion Settlement from Harvard](#)

### ● **IRS Signals Broader DEI Scrutiny Under "Fundamental Public Policy" Doctrine**

The IRS's 2025–2026 Priority Guidance Plan explicitly flags guidance on "the application of the fundamental public policy against racial discrimination, including consideration of recent caselaw," targeting private schools under §501(c)(3). Legal analysts warn this could extend beyond private schools to any 501(c)(3) whose diversity, equity, and inclusion practices are deemed contrary to evolving public policy. With the Harvard revocation attempt as backdrop, all nonprofits — not just schools — must urgently assess whether their DEI activities create exemption risk.

Source: [Harmon Curran](#)

### ● **HHS Launches AI-Powered AERO Initiative Targeting Nonprofit Grantees**

On May 21, 2026, HHS launched AERO — the Audit Enforcement and Risk Oversight initiative — using artificial intelligence to rescore at least five years of Single Audit Act

compliance data for every entity spending \$1 million or more annually in federal funds. Nonprofits, including behavioral health providers, FQHCs, and academic research centers, are squarely within scope. HHS has already warned all 50 governors of impending enforcement. Potential consequences include payment withholding, cost disallowances, and debarment — demanding immediate nonprofit compliance review.

Source: [HHS.gov](https://www.hhs.gov)

### ● Treasury and IRS Announce Form 990 Transparency Initiative

On April 23, 2026, Treasury announced plans to revise the Form 990 to improve transparency around government contracts, government grants, and fiscal sponsorship arrangements. Treasury Secretary Scott Bessent framed it as ending the hiding of "fraud, abuse, and extremist activity behind complicated nonprofit arrangements." Proposed regulations and a public comment period will precede final changes. Nonprofits using fiscal sponsorship or receiving substantial government funding should immediately document financial controls and fund-flow governance, as enhanced public and IRS scrutiny is forthcoming.

Source: [U.S. Department of the Treasury](https://www.treasury.gov)

### ● IRS Issues First-Ever Whistleblower Alert Targeting Nonprofit Grant Fraud

On April 17, 2026, the IRS issued its first-ever Whistleblower Alert specifically targeting federal grant fraud by tax-exempt organizations. The alert invites the public to report false grant applications, diversion of federal funds, self-dealing, improper insider payments, and misclassification of activities to preserve tax-exempt status. The IRS Whistleblower Program can pay tipsters up to 30% of amounts collected. This unprecedented alert signals intensified federal scrutiny of nonprofit grantees and exposes organizations to insider reporting risks they may not have anticipated.

Source: [IRS.gov](https://www.irs.gov)

### ● Federal Fraud Enforcement Against Nonprofits Reaches Record Levels

Government investigators are pursuing nonprofit fraud at an unprecedented pace, with DOJ reporting over \$6.8 billion in False Claims Act settlements and judgments in 2025 — a record. The April 2026 indictment of the Southern Poverty Law Center intensified sector-wide concern that enforcement is becoming politically targeted. Reputational damage from investigations — even those that do not result in convictions — can devastate donor trust, grant eligibility, and community standing. Nonprofits should proactively strengthen internal controls and document compliance programs.

Source: [Fortune](https://www.fortune.com)

### ● IRS Plans Form 990 Overhaul — Expanded Disclosures on Government Grants and Fiscal Sponsorships

On April 23, 2026, Treasury Secretary Scott Bessent announced that the IRS will revise Form 990 to require significantly more detailed reporting on government grants, government contracts, and fiscal sponsorship arrangements — areas Treasury characterized as high-risk for concealed funding flows and "extremist activity." Proposed regulations and a public comment period will precede any final changes. Nonprofits with

complex structures, significant public funding, or fiscal sponsorship relationships should begin reviewing documentation, governance practices, and fund-tracking systems now, well before formal requirements take effect.

Source: [Grant Thornton](#)

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

On April 3, 2026, Treasury and the IRS announced forthcoming guidance on the Johnson Amendment's application to religious organizations, following a federal court's dismissal of *National Religious Broadcasters v. Bessent*. The planned guidance will provide "clear, administrable standards for houses of worship," particularly around communications made during religious services on matters of faith. While the Johnson Amendment remains in effect, this development signals possible expansion of permissible political speech by churches — with potentially significant implications for all 501(c)(3) organizations.

Source: [U.S. Department of the Treasury](#)

### ● Congressional Research Service Report Signals Heightened Scrutiny of Nonprofit Hospitals

A March 30, 2026 Congressional Research Service report, "Nonprofit Hospitals, Tax Benefits, and Charity Care," examines whether nonprofit hospitals provide community benefits commensurate with their tax exemptions. The report outlines potential legislative changes: minimum charity care requirements, enhanced IRS oversight, and even endowment excise taxes similar to those imposed on universities. Drawing on a 2025 Senate Finance Committee investigation and a 2025 House Ways and Means hearing, this report signals serious legislative intent that all nonprofit healthcare organizations must monitor and prepare for.

Source: [Congress.gov](#)


### ● Urban Institute: No Congressional District Where Grant-Dependent Nonprofits Could Survive Without Government Funding

Newly analyzed Urban Institute data confirm that in 2023, there was not a single congressional district in the United States where the typical grant-receiving nonprofit could have covered its expenses without government funding. In 2023, 86% of such nonprofits nationwide would have operated at a loss without government grants — up from earlier years. With current federal funding cuts and grant terminations accelerating, this data underscores an existential financial threat facing nonprofit organizations across every community, demanding urgent diversification of revenue strategies.

Source: [Urban Institute](#)

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# State Nonprofit News

 **Executive Summary:** State-level developments this week range from landmark protective legislation to urgent compliance deadlines demanding immediate organizational action. Colorado has enacted a meaningful shield against federal tax-exempt status revocation. The Supreme Court has unanimously strengthened nonprofit rights to challenge donor disclosure subpoenas in federal court. Florida's comprehensive rewrite of its nonprofit corporation law takes effect July 1 — leaving little time for governance review. Pennsylvania nonprofits face a June 30 annual report deadline that carries dissolution risk starting next year. California, Oregon, Minnesota, New Jersey, and Hawaii are all moving on fronts that directly affect nonprofit operations, funding, and compliance obligations. State budgets in Oregon and California are tightening precisely as federal cuts drive rising client demand.

## **Key Actions for This Section:**

- If incorporated in Florida, immediately review bylaws, governance documents, and operating policies for compliance with the July 1 rewrite of Chapter 617
- If incorporated in Pennsylvania, file your Act 122 annual report at [file.dos.pa.gov](http://file.dos.pa.gov) before June 30 — this is the final grace-period year before dissolution risk begins
- If registered in California, review the Attorney General's proposed mandatory online filing regulations before the June 16 public comment deadline and assess any operational impact
- If your organization solicits donations online from Hawaii donors, confirm platform registration and compliance with Act 205 before July 1
- Document your IRS determination letter and maintain it in an accessible location to invoke Colorado's new state-level tax exemption shield if needed
- If your organization receives Minnesota state funding, begin strengthening internal controls and compliance programs in advance of the new Office of Inspector General becoming operational in September 2027
- Review cash reserves and state-funded contracts now if operating in Pennsylvania, in preparation for a possible budget impasse after June 30
- If your organization serves low-income Californians, begin contingency planning for rising client demand against tightening state resources

- Monitor the New Jersey OFSA funding opportunities page regularly if your organization works in food security — grant cycles opened June 1
- If operating in Oregon, assess government funding exposure and prepare for payment delays as the state implements federal program changes under its rebalanced budget

### ● **U.S. SUPREME COURT: 9-0 Ruling Gives Nonprofits Federal Court Access to Fight Donor Disclosure Subpoenas**

On April 29, 2026, the Supreme Court unanimously ruled in *First Choice Women's Resource Centers v. Davenport* (No. 24-781) that a New Jersey attorney general's subpoena demanding nonprofit donor identities caused immediate First Amendment harm — even before enforcement. Justice Gorsuch wrote that such demands inevitably chill donors' willingness to associate. Nonprofits nationwide can now challenge state AG donor disclosure demands in federal court without waiting for prosecution, strengthening their ability to resist politically motivated subpoenas.

Source: [Jenner & Block](#)

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

Florida's comprehensive rewrite of its nonprofit corporation law (HB 797) takes effect July 1, 2026. The sweeping overhaul aligns Chapter 617 with the American Bar Association's Model Nonprofit Corporation Act, introducing updated director fiduciary duties, expanded virtual meeting rights, revised conflict-of-interest standards, and new merger procedures. Every Florida nonprofit must urgently review bylaws, governance documents, and operating policies for compliance. Organizations planning mergers or restructurings face particularly pressing new procedural requirements before the deadline.

Source: [National Law Review](#)

### ● **HAWAII: Charitable Fundraising Platform Law Takes Effect July 1 — Registration Required Before Operating**

Hawaii's Charitable Fundraising Platform law (Act 205, as amended) takes effect July 1, 2026, requiring online platforms that facilitate charitable donations from Hawaii donors to register annually with the state Attorney General, obtain written consent from participating charities, and file detailed donation reports. Nonprofits must ensure they are in good standing before platforms may solicit on their behalf. Failure to comply risks disruption of online fundraising activity — a significant operational and revenue threat for organizations relying on digital giving.

Source: [Labyrinth Inc.](#)

### ● **PENNSYLVANIA: Act 122 Annual Report Deadline June 30 — Final Grace-Period Year Before Dissolution Risk Begins in 2027**

Pennsylvania nonprofit corporations face a June 30, 2026 deadline to file their Act 122 annual report — the final grace-period year before enforcement begins. Starting after June 30, 2027, failure to file within six months triggers administrative dissolution and loss of the organization's name. Filing is free at [file.dos.pa.gov](http://file.dos.pa.gov). Despite no current financial penalty, future dissolution carries severe reputational and operational consequences. Pennsylvania nonprofits should confirm their filing is submitted before June 30 to avoid preventable risk.

**Source:** [Pennsylvania Department of State — Business Filing Services Portal](#)

### ● **CALIFORNIA: Attorney General Proposes Mandatory Online Filing for All Registered Charities — Public Comment Deadline June 16**

California's Attorney General has proposed regulations requiring all registered charities and professional fundraisers to file through a new online portal. The comment period closes June 16, 2026 at 5:00 p.m. PT — less than two weeks away. Extended deadline relief through August 31, 2026 applies to charities with renewals due since January 2025. Organizations should review proposed rules and submit comments if the transition creates operational challenges, as final regulations will govern all future compliance filings.

**Source:** [California Department of Justice — Registry of Charities and Fundraisers](#)

### ● **PENNSYLVANIA: Nonprofits Warned to Prepare for State Budget Impasse and Possible Funding Gap**

With Pennsylvania's June 30 budget deadline approaching and the Senate yet to act on legislation passed by the House, nonprofits are bracing for another possible prolonged impasse. Last year's 135-day standoff cost surveyed nonprofits a cumulative \$588.8 million in budget impact, forced service cuts, and caused permanent staff losses. Legislation offering bridge loans to nonprofits during impasses is pending. Organizations should review cash reserves, identify state-funded contracts, and develop contingency plans now to withstand a potential gap in payments.

**Source:** [WESA / Pennsylvania Capital-Star](#)

### ● **CALIFORNIA: Governor's May Budget Revision Raises Funding Concerns Even as Deficit Eliminated**

Governor Newsom's May 14, 2026 revised budget eliminates the projected deficit but proposes \$1.8 billion less in General Fund spending than the January proposal. Nonprofit advocates warn that federal cuts to Medicaid and other programs — not fully backfilled in the revision — will increase demand on the nonprofit safety net at the same time state resources tighten. Organizations serving low-income Californians face growing pressure from both sides: rising client need and constrained state funding amid ongoing economic uncertainty and federal funding reductions.

**Source:** [California Budget & Policy Center](#)

### ● **CALIFORNIA: Governor Newsom Awards \$80 Million in Security Grants to Nonprofits and Faith-Based Organizations**

On May 28, 2026, Governor Newsom announced \$80 million in California State Nonprofit Security Grant Program awards to 343 organizations — 228 of them faith-based — in the wake of a deadly shooting at the Islamic Center of San Diego. Funds cover security cameras, alarm systems, reinforced doors, lighting, and emergency preparedness upgrades. Reproductive health clinics are also eligible. California nonprofits and houses of worship that face elevated hate-crime risk should monitor future grant cycles, as program funding has grown significantly in recent years.

**Source:** [Office of the Governor of California](#)

### ● **OREGON: Governor Signs HB 4121 Establishing State Emergency Grant Programs — Effective January 1, 2027**

Oregon's HB 4121, signed into law April 13, 2026 (Chapter 114, 2026 Laws), establishes the Oregon Public Assistance Grant Program and Oregon Individual Assistance Grant Program within the Department of Emergency Management, operational January 1, 2027. Programs are activated only by gubernatorial emergency declaration. Oregon nonprofits providing critical community services — health, food, housing, disaster response — should familiarize themselves with eligibility frameworks now, as state-funded emergency grants could be a vital bridge when federal disaster funding falls short.

**Source:** [FastDemocracy](#)

### ● **NEW JERSEY: Food Security Initiative Opens Grant Cycles for Nonprofits Starting June 1, 2026**

The New Jersey Office of the Food Security Advocate has opened two new grant programs with project periods beginning June 1, 2026. The Food System Enhancements Program offers up to \$150,000 per award from a \$625,000 pool, while the ROOTED program provides up to \$20,000 for community-based food security projects. Eligible applicants include 501(c)(3) nonprofits and New Jersey local governments registered in the state. Organizations should monitor the OFSA funding opportunities page regularly, as additional grant streams are added periodically and competition for these funds is significant.

**Source:** [New Jersey Office of the Food Security Advocate](#)

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

On April 20, 2026, Colorado Governor Jared Polis signed Senate Bill 9, allowing Colorado nonprofits to retain state tax exemptions even if the IRS revokes their federal 501(c)(3) status, so long as the organization holds a current or prior IRS determination letter. Sponsored bipartisanly, the law was enacted in direct response to federal threats to weaponize tax-exempt revocation for political purposes. Colorado nonprofits now have a meaningful state-level shield — but must maintain good documentation of their IRS determination letters to invoke the protection.

**Source:** [Aspen Times](#)

## ● MINNESOTA: Legislature Approves Landmark Anti-Fraud Legislation Creating Independent Office of Inspector General

Minnesota's legislature passed SF 856 on May 11, 2026, creating an independent, bipartisan Office of Inspector General authorized to investigate any public or private entity receiving state dollars. The measure — triggered in part by the massive Feeding Our Future nonprofit fraud scandal — passed 127-5 in the House and unanimously in the Senate. The OIG will be fully operational by September 1, 2027. Minnesota nonprofits receiving government contracts or grants should strengthen internal controls and compliance programs now, as oversight intensity is set to increase significantly.

Source: [Minnesota Star Tribune](#)

## ● OREGON: Legislature Rebalances State Budget as Nonprofits Brace for SNAP and Medicaid Administrative Changes

Oregon's legislature completed a budget rebalance in spring 2026 to address a \$650–900 million hole driven largely by federal Medicaid and SNAP cuts under H.R. 1. All state agencies were directed to propose 5% budget reductions. Nonprofits providing health, food, and social services face a dual threat: reduced state payments and rising client demand as federal eligibility restrictions take effect. Oregon nonprofits should assess their government funding exposure, prepare for payment delays, and engage with state agencies on the implementation of federal program changes.

Source: [Oregon Legislature Joint Committee on Ways and Means](#)

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## Summary

The June 8, 2026 Navigator News Update documents a nonprofit sector operating under extraordinary and compounding pressure from every direction simultaneously. At the federal level, OMB's proposed Uniform Grants Regulation overhaul threatens to expose all active multi-year federal awards to mid-stream termination with no transition relief, while a new requirement for senior political appointee pre-approval of every discretionary grant subordinates decades of merit-based grantmaking to political judgment. DOJ's first False Claims Act settlement under its Civil Rights Fraud Initiative has made DEI-related federal certifications a source of real legal liability, and OMB's targeted spending review of 49 named nonprofits signals that organizations working in immigration, civil rights, environmental advocacy, and DEI face heightened funding risk regardless of their current compliance posture. The HHS AERO initiative is deploying artificial intelligence to retroactively rescore five or more years of Single Audit compliance data, demanding immediate internal audit review by any organization spending \$1 million or more annually in federal funds. On the workforce front, a July 1 PSLF employer disqualification rule takes effect with no administrative appeal rights for affected employees, EEOC enforcement against DEI programs has moved from advisory to active, and the proposed rescission of the 47-year-old voluntary affirmative action safe harbor removes guidance nonprofits have long relied upon — all while burnout drives turnover to nearly double the rate of other sectors and fewer than 30% of

organizations have a written succession plan. The IRS and Treasury are simultaneously advancing Form 990 transparency requirements, issuing the first-ever whistleblower alert targeting nonprofit grant fraud, and signaling that the fundamental public policy doctrine invoked in the Harvard 501(c)(3) battle may be extended to DEI practices across the entire sector. Urban Institute data confirm that 86% of grant-dependent nonprofits would have operated at a loss in 2023 without government funding — underscoring that revenue diversification is now an existential imperative. At the state level, Florida's comprehensive nonprofit corporation law rewrite and Hawaii's charitable fundraising platform registration requirement both take effect July 1, Pennsylvania's Act 122 annual report deadline falls June 30, and California's mandatory online filing comment period closes June 16 — all demanding immediate attention. Colorado has enacted meaningful protection against federal tax-exempt status revocation, the Supreme Court has unanimously strengthened nonprofit rights to challenge donor disclosure subpoenas, and Minnesota has created an independent Office of Inspector General that will increase oversight intensity for all state-funded organizations. Taken together, this week's Navigator makes clear that nonprofit leaders must simultaneously defend existing funding, restructure revenue strategies, protect their workforce, audit compliance programs, and communicate proactively with all stakeholders — while meeting a series of near-term deadlines that admit no delay.

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## About Nonprofit Management Navigator

[Nonprofit Management Navigator](#) is a trade name of PMG46, LLC doing business as Nonprofit Management Navigator. Nonprofit Management Navigator provides this complimentary weekly subscription service designed for nonprofit leaders. This essential resource provides curated news updates on the legal, regulatory, and operational developments impacting organizations, saving executives time while keeping them informed about the important changes directly impacting their organizations. In addition to timely news, Nonprofit Management Navigator also offers in-depth reports and practical management guidance to help leaders navigate an increasingly unpredictable operating environment. What makes Nonprofit Management Navigator particularly valuable is its commitment to accessibility—the entire service is available as a complimentary subscription, ensuring critical operational intelligence reaches nonprofit leaders regardless of budget limitations during these chaotic regulatory times.

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