

A Nonprofit Checklist

Conducting a Risk Assessment for Federal Funding

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Below are some initial steps that nonprofits can engage in to conduct a risk assessment as the Administration targets federal grants and contracts for termination. While the full steps that should be taken - and the rules that apply - will be specific to your grant, contract, organization, and the specific federal agency that provided the funding, the below checklist will provide initial steps your organization can take and decisions you should consider.

Inventory the federal funding that your organization receives.

Think about this broadly. These should include direct federal grants and contracts to the organization as a whole, federal grants and contracts that individual employees or contractors receive, and pass-through grants and funding sources that your organization benefits from, whether from a state, locality, or larger for-profit or nonprofit entity.

Understand the circumstances under which grants or contracts can be terminated or cancelled.

Review the terms and conditions of your grants and contracts, including when termination is allowable and what is required to get funding for future budget years. The termination provisions should be referenced or included in your grant or contract provisions, specifically in the terms and conditions section, and may have also been laid out in the Notices Inviting Applications (NIA) or Notices of Funding Opportunities (NOFO). If you have more than one year of funding awarded, make sure you understand how much has already been obligated and what is required for future year funding. Also, make sure you know what drawdowns are allowable and the timetable for drawing down funds, so that you are accessing funds in a legal and timely manner.

Review the Executive Orders and executive branch memos that focus on the issue areas covered by your nonprofit organization.

There are several executive orders that have restricted grants and contracts for entities that engage in diversity, equity, and inclusion (DEI) initiatives. There are numerous other executive orders covering a range of topics, including immigration, environmental policies, LGBTQ+ issues, and civic engagement, that may also impact what federal funds can be used for and what activities recipients of federal funds may engage in. Other Executive Orders attempt to stop funding for specific agencies, specific programs, and grants stemming from specific legislation, such as the Inflation Reduction Act and the Infrastructure Investment and Jobs Act. Some limitations are targeted specifically at the activities conducted with the federal funds and others more broadly restrict the activities of the organizations that receive the funds. Conduct and document a review of your organization's activities in those issue areas and document which activities are using federal funds and which ones are not. Check NCN's [Chart of Executive Orders](#) for regular updates.

Review your organization's mission statement and 990s.

Form 990 is the IRS's primary tool for collecting information about tax-exempt organizations and can be used to determine whether to revoke an organization's tax-exempt status. Review your organization's mission statement for potential conflicts with the President's Executive Orders.

Audit your organization's public-facing profiles.

Review your website and social media posts for key words and issues that are in potential conflict with the President's Executive Orders. The Executive Orders state that words alone will not be determinative and you may determine not to change many statements critical to your mission and values. The key is to make sure you are being intentional about the word choices you are using. Be sure to also take note of the social media accounts of key staff, especially if they regularly post about the organization from their personal social media accounts.

Conduct stakeholder outreach on any changes made.

As you make changes to reduce risk, make sure you are communicating with key stakeholders to explain what changes you are making and what work is still continuing that aligns with your mission. Think about stakeholders broadly – including staff, board members, donors, volunteers, and other constituencies.

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