

Nonprofit Notes

Key Considerations for Not-for-Profits During the Shutdown

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The federal government shutdown began on October 1, 2025, due to a congressional impasse over federal budgetary spending. After a series of negotiations, Congress was unable to agree on an appropriations spending bill or a continuing resolution to fund government operations for the 2026 fiscal year. While not all federal spending is affected, such as military and defense department spending, the U.S. postal service, Medicare, Medicaid and social security payments, certain grants, contracts and other multi-year agreements already in place, the shutdown can have serious impacts on not-for-profit (NFP) organizations that rely on federal funding for their operations.

Key Considerations and Actions You Can Take Now

Uncertainty surrounding the duration of the shutdown and ultimate approval of the size of the spending budget make it difficult for NFPs to plan strategically for how to react to undetermined potential funding losses. There are, however, actions NFPs can take to better prepare themselves for an extended government shutdown, as well as questions to consider individually or with an advisor:

- **Contact your federal contract liaisons to determine if any of your federal grant funding is affected by the shutdown.**
 - Is the federal funding for specific types of grants being eliminated? Is it being diminished?
 - Is the timing of payments being delayed or suspended?
- **Review your revenue streams and spending budgets to determine the extent of your reliance on federal funding.**
 - Which programs will be most affected by the loss of federal funding?
 - What alternate sources of funding are available to you?
 - Will program activities and expenses need to be reduced or even eliminated?
 - Will employees need to be furloughed or terminated because of a lack of funding for those programs?
 - Have you discussed the impacts of the shutdown on your NFP with your employees?
- **Make scenario planning a priority if your NFP is significantly impacted by the shutdown.**
 - How long can your operations continue at current levels?
 - Do you have contingency plans for a one-month or longer shutdown or funding curtailment?
 - Are your contingency plans flexible enough for rapid implementation?
- **Consider the size of your available cash resources and reserves.**
 - Do you have enough liquid assets to sustain operations without additional federal funding? For how long?
 - If not, are there alternative sources of cash available to you, such as loans or credit facilities?
- **Review your weekly, monthly or longer obligations to vendors, landlords, creditors and others.**

- How much do you need for those cash outlays? Consider contacting those parties to extend or delay your payments to reduce cash burdens during the shutdown.
- **Ensure your board is aware of the financial stresses placed on your NFP by the government shutdown.**
 - Have you discussed with them the potential operational effects of reductions or curtailments of funding?
 - Did you present to them clear potential programmatic and financial impacts for their consideration?
 - Do they understand the potential ramifications?
 - Are there any formal board actions required?
- **Ensure your donors and constituents understand the impacts of the government shutdown on your NFP.**
 - Will existing services be reduced or eliminated?
 - Do you have contingency plans available?
 - Did you address any concerns donors or constituents may have about the continuity of your organization?
 - Did you consider asking donors for increased funding to make up for the decrease in government funding?

Positioning for Uncertainty

It is difficult to predict how long the current government shutdown will last or what, if any, lasting effects it will have on continuing federal resources. Planning for worst-case scenarios may be a way to alleviate any potential negative outcomes or surprises.

Contact Us

The PKF O'Connor Davies [Not-for-Profit Services](#) team is available to provide guidance and answer any questions you may have about the shutdown or other concerns. Please reach out to your client service team or:

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