

United States Research Mission 2025

# Development Model of the US Charitable Sector

## Research Report

July 2026

The Japan Association of Charitable Organizations

United States–Japan Foundation

# TABLE OF CONTENTS

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## Introduction

|                               |   |
|-------------------------------|---|
| 1. Background of the Study    | 1 |
| 2. Research Objectives        | 3 |
| 3. Significance of the Study  | 5 |
| 4. Research Team and Schedule | 6 |

## Part 1: Research by Theme

|                                                                                        |           |
|----------------------------------------------------------------------------------------|-----------|
| <b>1. Overview of the U.S. Nonprofit Corporation System</b> (Yoshiharu Shiraishi)      | <b>8</b>  |
| 1.1 Definition and Classification of Nonprofit Organizations (Section 501(c)(3), etc.) | 8         |
| 1.1.1 Foundations of the System (8)                                                    |           |
| 1.1.2 The Quartet of Oversight (12)                                                    |           |
| 1.1.3 Tax-Exempt Classifications under Federal Tax Law (13)                            |           |
| 1.1.4 Public Charity and Private Foundation (14)                                       |           |
| 1.1.5 The Concept of “Negative Rules” (15)                                             |           |
| 1.1.6 Multi-Layered Systems and Options for Choice (17)                                |           |
| 1.2 The U.S. Nonprofit Sector Through Statistics                                       | 20        |
| 1.2.1 Number of Nonprofit Organizations (20)                                           |           |
| 1.2.2 Activity Areas of Nonprofit Organizations (23)                                   |           |
| 1.2.3 Employment Scale (25)                                                            |           |
| 1.2.4 Financial Scale and Revenue Composition (27)                                     |           |
| 1.3 Social Positioning and Roles of Nonprofit Organizations                            | 31        |
| 1.3.1 Providers of Charitable Services (31)                                            |           |
| 1.3.2 Positioning as an “Institutionalized Economic Sector” (32)                       |           |
| 1.3.3 Democracy and the Health of Civil Society (33)                                   |           |
| 1.3.4 Bearers of Specialized Knowledge and the Role of Intermediaries (34)             |           |
| 1.3.5 Giving and Volunteering (35)                                                     |           |
| 1.3.6 Hubs for Promoting Collaboration Among Diverse Entities (36)                     |           |
| <b>2. Legal Framework and Institutional Operations</b> (Yoshiharu Shiraishi)           | <b>38</b> |
| 2.1 Specific Practices, Costs of Incorporation and Tax-Exempt Certification            | 38        |
| 2.2 Legal Requirements for Operations (Governance and Oversight)                       | 41        |
| 2.2.1 The Three Fiduciary Duties of the Board (41)                                     |           |
| 2.2.2 Division of Administrative Oversight and the “Parens Patriae” Principle (42)     |           |



|                                                                                                                               |           |
|-------------------------------------------------------------------------------------------------------------------------------|-----------|
| 2.2.3 Contemporary Challenges in Internal Governance and Risk Management (43)                                                 |           |
| 2.2.4 The Reality of Oversight and the Effectiveness of Governance (44)                                                       |           |
| 2.3 Reporting Obligations and Mechanisms of Transparency                                                                      | 46        |
| 2.3.1 Annual Information Returns at the Federal Level (46)                                                                    |           |
| 2.3.2 A System Based on the Premise of Public Disclosure (47)                                                                 |           |
| 2.3.3 Enforcement Mechanisms for Transparency (49)                                                                            |           |
| 2.3.4 Audit System (49)                                                                                                       |           |
| 2.3.5 Limitations of Oversight and the True Meaning of Reporting Obligations (51)                                             |           |
| 2.4 State-Level Regulatory Variations                                                                                         | 53        |
| 2.4.1 Primary Areas of Variation and Practical Complexity (53)                                                                |           |
| 2.4.2 Case Study 1: New York (NY) (55)                                                                                        |           |
| 2.4.3 Case Study 2: Washington, D.C. (DC) (56)                                                                                |           |
| 2.4.4 Case Study 3: Maryland (MD) (57)                                                                                        |           |
| 2.4.5 Case Study 4: California (CA) (59)                                                                                      |           |
| 2.4.6 Case Study 5: Washington State (WA) (60)                                                                                |           |
| 2.4.7 The True Value of “Decentralized Governance” Spawned by Federalism (62)                                                 |           |
| <b>3 Philanthropic Culture and Tax Incentives (Kuniko Imaizumi, Yoshiharu Shiraishi)</b>                                      | <b>65</b> |
| 3.1 Factors Fostering a Philanthropic Culture and Corporate/Individual Donation<br>Motives and Trends                         | 65        |
| 3.2 Taxation Principles and Tax-Exempt Status for Nonprofit Corporations                                                      | 65        |
| 3.2.1 Historical and Ideological Background of Taxation Principles (67)                                                       |           |
| 3.2.2 Structure and Requirements of Tax-Exempt Status under the Internal Revenue<br>Code (IRC) (68)                           |           |
| 3.2.3 Tax Classifications of Public Charities and Private Foundations (69)                                                    |           |
| 3.2.4 The Philosophy of Negative Rules and the Mechanism of Multi-Layered Ex-Post<br>Monitoring (79)                          |           |
| 3.2.5 Leveling the Playing Field and Fostering Business Flexibility via the Unrelated<br>Business Income Tax (UBIT) (70)      |           |
| 3.2.6 The Principle of Proportionality in Annual Information Returns (Form 990 Series)<br>and Its “Educational Function” (71) |           |
| 3.2.7 Merits and Demerits of Reporting Non-Compliance and the Automatic Revocation<br>System (72)                             |           |
| 3.2.8 The Structure of Donor-Advised Funds (DAFs) and Key Taxation Issues (73)                                                |           |
| 3.2.9 Choice of Legal Form: Charitable Trusts Versus Nonprofit Corporations (75)                                              |           |
| 3.3 Factors Fostering a Philanthropic Culture                                                                                 | 77        |
| 3.3.1 “Small Government” and Its Ideological Foundation (77)                                                                  |           |
| 3.3.2 Religious Traditions and “Stewardship” (78)                                                                             |           |

|                                                                                                   |           |
|---------------------------------------------------------------------------------------------------|-----------|
| 3.3.3 A Social Climate Valuing the Return of Wealth and “Legacy” (78)                             |           |
| 3.3.4 A Sense of Belonging to the Community and the Formation of a “Community of Interest” (79)   |           |
| 3.3.5 Synergistic Effects of Volunteering Experiences and Charitable Giving (80)                  |           |
| 3.3.6 Pragmatism and Outcome–Oriented Approaches (80)                                             |           |
| 3.3.7 Technology and Passing Values Down to the Next Generation (81)                              |           |
| <b>4. Charitable Trust System in the United States (Hitoshi Kimura)</b>                           | <b>83</b> |
| 4.1 Overview                                                                                      | 83        |
| 4.2 Trusts Created Exclusively for Charitable Purposes                                            | 84        |
| 4.2.1 Exempt Charitable Trust (84)                                                                |           |
| 4.2.2 Nonexempt Charitable Trust (84)                                                             |           |
| 4.3 Split–Interest Trusts                                                                         | 86        |
| 4.3.1 Charitable Remainder Trusts (CRTs) (86)                                                     |           |
| 4.3.2 Pooled Income Funds (PIFs) (89)                                                             |           |
| 4.3.3 Charitable Lead Trusts (CLTs) (89)                                                          |           |
| 4.3.4 Utilization Trends of Split–Interest Trusts (90)                                            |           |
| 4.3.5 Differences and Combined Utilization with DAFs (91)                                         |           |
| 4.3.6 The Significance of Split–Interest Trusts (92)                                              |           |
| 4.4 Oversight System of Charitable Trusts                                                         | 93        |
| 4.4.1 State Attorneys General (93)                                                                |           |
| 4.4.2 Standing of Private Individuals (94)                                                        |           |
| 4.4.3 Oversight by the Internal Revenue Service (IRS) (95)                                        |           |
| 4.4.4 Information Disclosure and Social Monitoring (97)                                           |           |
| 4.5 Summary                                                                                       | 98        |
| <b>5. Financial Management and Fundraising (Kuniko Imaizumi, Yoshiharu Shiraishi)</b>             | <b>99</b> |
| 5.1 Funding Sources and Ideals                                                                    | 99        |
| 5.2 Use of Funds and Budgeting                                                                    | 101       |
| 5.2.1 Basic Structure and Philosophy of the Use of Funds in Nonprofit Organizations (101)         |           |
| 5.2.2 Functional Expense (101)                                                                    |           |
| 5.2.3 Overcoming the “Overhead Myth” and Budgetary Allocation for Infrastructure Investment (102) |           |
| 5.2.4 Strategic Budgeting and the Fiduciary Duty of the Board (104)                               |           |
| 5.2.5 Management and Accounting Treatment of Restricted Funds (105)                               |           |
| 5.2.6 Use of Funds and the “Payout Requirement” in Private Foundations (105)                      |           |

|                                                                                                                                      |     |
|--------------------------------------------------------------------------------------------------------------------------------------|-----|
| 5.2.7 The Issue of Fund Hoarding in DAFs and Transparency of Use (106)                                                               |     |
| 5.2.8 Realities of Budgeting in Small-Scale Organizations and “Face-to-Face”<br>Resource Management (107)                            |     |
| 5.3 Securing Financial Health                                                                                                        | 110 |
| 5.3.1 Redefining Financial Health in Nonprofit Organizations (110)                                                                   |     |
| 5.3.2 Diversification of Revenue and Risk Dispersion (110)                                                                           |     |
| 5.3.3 Strategic Significance of Operating Reserves and Unrestricted Funds (111)                                                      |     |
| 5.3.4 Cash Flow Management and the Safety Net of Intermediary Organizations (112)                                                    |     |
| 5.3.5 Asset Preservation and Investment (112)                                                                                        |     |
| 5.3.6 Internal Controls and Rigorous Management of Conflicts of Interest (113)                                                       |     |
| 5.3.7 Adaptation to External Environmental Changes and Strategic Planning (114)                                                      |     |
| 5.4 Information Disclosure and Financial Transparency                                                                                | 116 |
| 5.4.1 Historical Background of Transparency and “Institutional Design Premised on<br>Disclosure” (116)                               |     |
| 5.4.2 Evolution of Form 990 and “Substitution of Oversight” Brought by Digital<br>Transparency (116)                                 |     |
| 5.4.3 Disclosure of Executive Compensation and the Privacy Dilemma (117)                                                             |     |
| 5.4.4 Transparency as a “Market Mechanism” and the Role of Third-Party Evaluation<br>Organizations (118)                             |     |
| 5.4.5 The Proportionality Principle for Small-Scale Organizations and the “Educational<br>Function” of the Reporting Framework (119) |     |
| 5.4.6 The Media as a Watchdog and Societal Self-Purification (120)                                                                   |     |
| <b>6. The Role and Challenges of the Information Disclosure System</b><br>–Focusing on Form 990– (Hitoshi Kimura)                    | 122 |
| 6.1 Introduction                                                                                                                     | 122 |
| 6.2 Information Disclosure Obligations Based on Form 990                                                                             | 124 |
| 6.2.1 Evolution of Information Disclosure Rules Under Federal Law (124)                                                              |     |
| 6.2.2 Significance of Information Disclosure Obligations (127)                                                                       |     |
| 6.2.3 Information Disclosure Obligations by Organization Size (127)                                                                  |     |
| 6.3 Evaluation by Charity Navigator (Hitoshi Kimura)                                                                                 | 129 |
| 6.4 Impact of the AFPP Decision on Form 990                                                                                          | 132 |
| 6.4.1 Overview of the AFPP Decision (132)                                                                                            |     |
| 6.4.2 Impact on Information Disclosure Obligations to the IRS (133)                                                                  |     |
| 6.5 Conclusion                                                                                                                       | 135 |
| <b>7. Summary of the Study</b> (Yoshiharu Shiraishi)                                                                                 | 136 |
| 7.1 The Essence of the “Core Philosophy” Supporting the Growth of the U.S. Nonprofit Sector                                          | 136 |

|                                                                                                         |  |
|---------------------------------------------------------------------------------------------------------|--|
| 7.2 Physical Reality as a “Major Economic Sector” in Macroeconomics and the Labor Market (137)          |  |
| 7.3 The Practical Utility of “Negative Rules” and Risk-Based Regulation (138)                           |  |
| 7.4 Social Oversight Ecosystem Driven by Digital Transparency and the “Proportionality Principle” (138) |  |
| 7.5 Practical and Organizational Management Insights Gained from Field Interviews (139)                 |  |
| 7.6 Conclusion: Structural Guidelines for Reform of Japan’s System(140)                                 |  |

## Part 2: Report on the U.S. Field Research Mission

|                                                                                     |     |
|-------------------------------------------------------------------------------------|-----|
| 1. International Institute for Community Solutions Inc. (Yoshiharu Shiraishi)       | 141 |
| 2. Issue One/ W.K. Kellogg Foundation (Yoshiharu Shiraishi)                         | 144 |
| 3. Columbus School of Law, The Catholic University of America (Yoshiharu Shiraishi) | 147 |
| 4. City Wildlife (Kuniko Imaizumi)                                                  | 150 |
| 5. Friends of Georgetown Waterfront Park (Kuniko Imaizumi)                          | 153 |
| 6. Exponent Philanthropy (Yoshiharu Shiraishi)                                      | 156 |
| 7. National Council of Nonprofits (Yoshiharu Shiraishi)                             | 159 |
| 8. International Center for Not-for profit Law (Kuniko Imaizumi)                    | 162 |
| 9. Friends of Michell Park (Yoshiharu Shiraishi)                                    | 164 |
| 10. George Mason University (Hitoshi Kimura)                                        | 167 |
| 11. Urban Institute (Kuniko Imaizumi)                                               | 169 |
| 12. Environmental Protection Network (Kuniko Imaizumi)                              | 172 |
| 13. Candid (Hitoshi Kimura)                                                         | 175 |
| 14. Independent Sector (Yoshiharu Shiraishi)                                        | 178 |
| 15. Nonprofit Association of Washington (Hitoshi Kimura)                            | 181 |
| 16. University of Washington (Hitoshi Kimura)                                       | 183 |
| 17. KPMG (Yoshihar Shiraishi)                                                       | 185 |
| 18. Baker & Hostetler (Hitoshi Kimura)                                              | 188 |
| 19. Seattle Pacific University (Yoshiharu Shiraishi)                                | 191 |
| 20. International Society for Third Sector Research (Hitoshi Kimura)                | 194 |
| 21. Council on Foundations Inc (Yoshiharu Shiraishi)                                | 196 |

## Part 3: Appendix

|                                                              |     |
|--------------------------------------------------------------|-----|
| 1. Content of Tax-Exempt Certification Documents by Category | 199 |
| 1.1 Form 1023                                                | 199 |
| 1.2 Form 1023-EZ                                             | 226 |

|                                                            |            |
|------------------------------------------------------------|------------|
| 1.3 Form 1023 Supplementary Schedules                      | 229        |
| <b>2. Content of Periodic Filing Documents by Category</b> | <b>230</b> |
| 2.1 Form 990                                               | 232        |
| 2.2 Form 990-EZ                                            | 241        |
| 2.3 Form 990-N                                             | 245        |
| 2.4 Form 990-PF                                            | 246        |
| 2.5 CHAR500 (New York)                                     | 259        |
| 2.6 Form COF-85 (Maryland)                                 | 263        |

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# Introduction

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## 1. Background of the Study

Modern Japanese society is facing extremely complex and diverse social challenges as a result of the rapidly advancing birthrate decline, aging population, and demographic contraction. The scope of these challenges is extensive—ranging from elderly support and community-based integrated care to child poverty, natural disaster response, and environmental conservation. It has become increasingly evident that public services provided through traditional “government-led” initiatives alone are struggling to provide the meticulous support required.

In this context, the role of the “third sector”—comprising public interest corporations and other non-profit organizations that can operate flexibly and proactively based on the voluntary will of citizens—is becoming more critical than ever.

However, an overview of the environment surrounding Japan’s non-profit sector reveals that its operational foundations remain fragile. According to statistical data, the number of Public Interest Corporations eligible for tax-deductible donations stands at only approximately 9,800. Even when including approved Specified Nonprofit Corporations, the total is just about 40,000 (Table 1). This indicates that institutional and cultural challenges persist in terms of the maturity of civil society and the cultivation of a culture of philanthropy.

Many organizations struggle with fundraising and organizational management. For smaller entities in particular, the administrative burden of establishment and operation has become a significant barrier to continuing their activities. Expanding the foundation of charitable activities and creating an environment where diverse actors can participate in solving social issues is an urgent priority for ensuring the sustainability of Japanese society.

In stark contrast, the United States has over 1.62 million tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC), with the public sector functioning as an indispensable pillar of civil society. This development is supported not merely by a long history, but by a flexible institutional design tailored to the purpose and scale of each organization.

For example, small organizations with annual gross receipts of \$50,000 or less are permitted to file the “Form 990-N (e-Postcard)”, a simplified electronic notice. While maintaining low barriers to entry, high transparency and social trust are ensured through a “quartet of oversight” consisting of: (1) the Board of Directors (internal oversight), (2) civil society and the market, (3) the Internal Revenue Service (IRS), and (4) State Attorneys General. Furthermore, a mechanism based on the “concept of negative rules”—which respects organizational autonomy while enforcing rigorous ex-post checks—enables free and vibrant activities.

The overwhelming disparity between Japan and the U.S. is thought to stem from differences in the multi-layered nature of legal systems, the structure of supervisory frameworks, and the social infrastructure that supports philanthropy. Systematically elucidating how the U.S. public sector achieved

its current scale and trust, and how it enables a sustainable response to diverse social issues, provides extremely important insights for considering institutional reforms in Japan.

Through field research in Washington, D.C. and Seattle, this study aims to build a foundation of data for making specific policy recommendations toward improving Japan's charitable and non-profit organization systems and charitable tax laws, based on insights gained from dialogues with policymakers, practitioners, and intermediary organizations. It is our hope that the results of this study will contribute to the revitalization of charitable activities, the cultivation of a culture of philanthropy, and ultimately, the construction of an autonomous civil society in Japan.

Table 1: Number of Organizations Eligible for Tax-Deductible Donations by Country

| Country<br>Population       | Legal Status / Category                             |                      | Number<br>of<br>Entities | Charitable<br>Purpose<br>Tax-Exempt<br>Status<br>for<br>Activities | Total     | Entities<br>per 10,000<br>People |
|-----------------------------|-----------------------------------------------------|----------------------|--------------------------|--------------------------------------------------------------------|-----------|----------------------------------|
| UK<br>67,330,000            | England<br>& Wales                                  | Charity <sup>1</sup> | 152,635                  | ○                                                                  | 202,680   | 30.1                             |
|                             |                                                     | CIO <sup>1</sup>     | 17,000                   | ○                                                                  |           |                                  |
|                             | Scotland                                            | Charity <sup>2</sup> | 18,701                   | ○                                                                  |           |                                  |
|                             |                                                     | SCIO <sup>2</sup>    | 6,420                    | ○                                                                  |           |                                  |
|                             | N. Ireland                                          | Charity <sup>3</sup> | 7,924                    | ○                                                                  |           |                                  |
| USA<br>342,383,000          | Public Charity <sup>4</sup>                         |                      | 1,507,677                | ○                                                                  | 1,900,180 | 55.50                            |
|                             | Private Foundation <sup>5</sup>                     |                      | 110,503                  | ○                                                                  |           |                                  |
|                             | Other 501(c) Organizations <sup>6</sup>             |                      | 282,000                  | ○                                                                  |           |                                  |
| Canada<br>38,250,000        | Registered Charity <sup>7</sup>                     |                      | 85,585                   | ○                                                                  | 85,585    | 22.4                             |
| Australia<br>25,690,000     | Registered Charity <sup>8</sup>                     |                      | 60,145                   | ○                                                                  | 60,145    | 23.4                             |
| New<br>Zealand<br>5,120,000 | Registered Charity <sup>9</sup>                     |                      | 28,000                   | ○                                                                  | 28,000    | 54.7                             |
| Japan<br>125,700,000        | Public Interest Corporation <sup>10</sup>           |                      | 9,799                    | ○                                                                  | 40,405    | 3.2                              |
|                             | Social Welfare Corporation <sup>10</sup>            |                      | 21,219                   | ×                                                                  |           |                                  |
|                             | Educational Corporation <sup>10</sup>               |                      | 7,909                    | ×                                                                  |           |                                  |
|                             | Rehabilitation Support<br>Corporation <sup>10</sup> |                      | 164                      | ×                                                                  |           |                                  |
|                             | Approved SNPC <sup>11</sup>                         |                      | 1,314                    | ×                                                                  |           |                                  |

<sup>1</sup> Charity Commission Database

<sup>2</sup> The Scottish Charity Regulator Database

<sup>3</sup> The Charity Commission for Northern Ireland Database

<sup>4</sup> IRS DATA BOOK 2024 (Internal Revenue Service, 2024)

<sup>5</sup> IRS Domestic Private Foundation and charitable trust statistics

<sup>6</sup> IRS DATA BOOK 2024 (Internal Revenue Service, 2024)

<sup>7</sup> Canada Revenue Agency Database

<sup>8</sup> Australian Charities and Not-for-profits Commission Database

<sup>9</sup> Department of Internal Affairs, Overview of the Charitable Sector and the Charities Act

<sup>10</sup> National Tax Agency Corporate Number Publication Site

<sup>11</sup> Cabinet Office NPO Website

## Acknowledgements

We would like to express our deepest gratitude to the United States–Japan Foundation for their generous grant support in the implementation of this research project. Their significant contribution made it possible to conduct extensive field research and comprehensive study. We are profoundly grateful for their support.

## 2. Research Objectives

The primary objective of this study is to systematically investigate the various factors that have supported the sustained growth of the non-profit sector in the United States, where development has been remarkable. By examining the sector through diverse lenses—legal systems, philanthropic culture, financial management, and supervisory frameworks—and integrating prior statistical analysis with field research conducted in Washington, D.C. and Seattle, this study seeks to grasp the essence of the U.S. model. In doing so, we aim to build a foundational database that will serve as a cornerstone for highly effective policy recommendations geared towards improving the institutional environment and fostering a culture of philanthropy in Japan. Specifically, this study sets out to achieve the following five goals:

First, to examine the overall structure of the U.S. non-profit corporation system and clarify how it ensures the “autonomy of civil society” essential for the sector’s development. This includes analyzing the mechanism of tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC), the distinction between “Public Charities” and “Private Foundations”, and the practical application of the “negative rule concept”, which strictly enforces ex-post monitoring while respecting organizational autonomy. We will explore how these elements facilitate vibrant charitable activities.

Second, to elucidate the tax incentives that support the culture of philanthropy and the factors behind its cultivation. Along with organizing the legal structure of taxation principles and tax-exempt measures for non-profit corporations, we will analyze the motivations and trends of corporate and individual giving in American society. This will allow us to verify the mechanisms by which both institutional and cultural factors powerfully promote donations and build a robust financial base for the sector.

Third, to conduct a fact-finding survey on the functions and governance of Charitable Trusts, which play a crucial role in promoting donations. We will outline the legal framework of charitable trusts and investigate the specific effects of their tax treatment on incentivizing donations. Additionally, we aim to clarify the governance structures for stable and sound operation—such as the role of trustees and mechanisms for ensuring transparency—thereby gathering insights that will contribute to discussions on the charitable trust system in Japan.

Fourth, to investigate the diversity of financial management in non-profit organizations and the fundraising mechanisms that support their sustainability. We aim to understand the structure of diverse funding sources—including individual and corporate donations, Donor-Advised Funds (DAF), foundation grants, and public funding—and verify how these are reflected in financial health and flexible budgeting. We will also analyze specific methods for ensuring financial transparency through information disclosure.

Fifth, to clarify the role of information disclosure systems and supervisory agencies, which are indispensable for building social trust. We will investigate the effectiveness of oversight by public institutions such as the Internal Revenue Service (IRS) and State Attorneys General (or Secretaries of State). Furthermore, we will examine how advanced information disclosure by private platforms like “Candid” guarantees trust from donors and contributes to the development of the sector as a whole.



Ultimately, this study aims to integrate these comprehensive findings on “U.S. development factors” to build foundational data for deriving implications and specific policy recommendations for Japan. By reconstructing advanced U.S. cases within the Japanese institutional and cultural context, we aim to provide a reliable guide for presenting effective improvement plans that will contribute to the growth of charitable and non-profit organizations, as well as the further activation of private-sector charitable activities and the culture of philanthropy.

### 3. Significance of the Study

The primary significance of this study lies in its ability to go beyond a mere introduction of U.S. cases or a superficial comparison of systems. It aims to provide both theoretical and practical guidelines for a paradigm shift in Japan's non-profit sector—moving from a “government-led framework” to an “autonomous institutional design rooted in civil society”.

First, in terms of academic and policy significance, this study highlights the structural challenges inherent in Japan's non-profit corporation system by contrasting them with the advanced U.S. model. It is undeniable that the Japanese system still tends to emphasize “prior regulation” and “uniform management”, which consequently stifles the free ideas and vitality of the private sector.

In contrast, the U.S. “negative rule concept”—the philosophy of clearly defining prohibited actions while respecting the autonomous judgment of corporations in all other matters—provides a crucial paradigm for revitalizing Japan's rigid system and lowering the barriers for diverse actors to participate in charitable activities. The insights gained through this study will serve as indispensable foundational data for evolving Japan's legal system from a “tool of regulation” into an “infrastructure for facilitation”.

Second, regarding significance for practical organizational management, many Japanese non-profit organizations, especially small-scale entities, face the dual constraints of heavy administrative burdens and difficulties in fundraising. By elucidating the reality of simplified reporting systems for small organizations (such as Form 990-N) and the role played by private-sector information platforms (like Candid) in the U.S., this study offers a practical prescription for Japanese organizations to build a sustainable operational foundation. Demonstrating empirically that ensuring transparency is not merely an obligation but a means to earn social trust—which directly leads to resource mobilization through donations—will provide a powerful incentive for Japanese non-profits to grow as independent management entities. This creates what we call a “virtuous cycle of trust”.

Third, from a social perspective, this study outlines a path toward reconstructing a society based on mutual aid in Japan. In an era where the role of the public sector must inevitably shrink due to a declining birthrate, aging population, and demographic contraction, the non-profit sector is indispensable as the “third pillar” supporting social resilience. The goals of this study—to dramatically increase the number of public interest corporations and foster a culture of philanthropy—benefit more than just specific organizations; they contribute to the realization of a mature civil society where diverse actors collaborate to solve social issues. Clarifying how altruistic values are integrated into the institutional framework in the U.S. will provide vital insights for nurturing Japan's own unique culture of giving.

In conclusion, the widespread sharing of this study's results and their role in initiating specific discussions on institutional reform will lead to a dramatic expansion of the foundation for public interest activities in Japan. This represents a vital step toward building a vibrant future where new solutions to the difficult challenges facing Japanese society are continuously generated from the private sector.

## 4. Research Team and Schedule

### (1) Research Team Members

The research mission was composed of the following experts and practitioners:

- Kuniko Imaizumi; Professor, Nanzan University Law School
- Hitoshi Kimura; Professor, School of Law and Politics, Kwansei Gakuin University
- Yoshiharu Shiraishi; Director, Department of Research, The Japan Association of Charitable Organizations (JACO)

### (2) Research Schedule

The study was conducted from October 25 to November 6, 2025. Field research was carried out in Washington, D.C. and Seattle as follows:

- Oct 25 (Sat) [Departure & Transit] Tokyo → Washington, D.C
- Oct 26 (Sun) Time Zone Adjustment
- Oct 27 (Mon)
  - 10:00–11:30 ◇International Institute for Community Solutions (Online)
    - Aldrin Bonilla (Executive Vice President)
    - Jill Borrero (Chief Operating Officer)
  - 13:00–14:30 ◇Issue One / W.K. Kellogg Foundation
    - Diana Aviv (President, Issue One)
    - Sterling Speirn (President, W.K. Kellogg Foundation)
  - 15:30–17:30 ◇「The Catholic University of America
    - Dr. Roger Paul Colinvaux (Law Professor, Former IRS Officer)
- Oct 28 (Tue)
  - 10:00–12:00 ◇City Wildlife
    - Lorraine Docherty (Executive Director)
    - Jim Monsma (Administrative Director)
  - 13:30–15:00 ◇Friends of Georgetown Waterfront Park
    - Meg Hardon (President)
    - Mary Lee Warren (Vice President)
    - Tom Birch (Board of Director)
  - 15:30–17:00 ◇Exponent Philanthropy
    - Andy Carroll (Senior Advisor)
    - Brian Bates (Member Relations Specialist)
- Oct 29 (Wed)
  - 10:00–11:30 ◇National Council of Nonprofits
    - Rick Cohen (Chief Operating Officer)
    - Kara Young Ponder (Vice President of Knowledge, Impact, and Strategy)
  - 13:00–15:00 ◇International Center for Not-for profit Law
    - Matt Moore (Legal Advisor)
  - 15:30–17:00 ◇Friends of Michell Park
    - Conor Wolchesky (President)
    - Robert Nevitt (Board Member)

- Oct 30 (Thu)
- 10:00–12:00 ◇George Mason University
- Dr. Stefan Toepler (Professor of Nonprofit Studies)
  - Dr. Mirae Kim (Associate Professor of Nonprofit Studies)
- 15:00–17:00 ◇Urban Institute
- Dr. Benjamin Soskis (Senior Research Associate in the Center for Nonprofits and Philanthropy)
  - Hannah Martin (Policy Associate)
- Oct 31 (Fri)
- 15:00–17:00 ◇Environmental Protection Network
- June Taylor (Network Management)
  - Robert Wolcott (Board of Director)
- Nov 1 (Sat)
- 10:00–12:00 ◇Candid
- Arif Ekram (Global Partnerships Manager)
- [Departure & Transit] Washington, D.C. → Seattle
- Nov 2 (Sun) Time Zone Adjustment
- Nov 3 (Mon)
- 10:00–11:30 ◇Independent Sector (Online)
- Kevin Miller (Director of Research and Policy Analysis)
  - Chelsea Taylor (Government Relations Intern)
- 13:00–15:00 ◇Nonprofit Association of Washington
- Neal Mizushima (Executive Director)
  - Tiffany Brace (Policy Director)
- 15:30–17:30 ◇University of Washington
- Mary Kay Gugerty (Professor)
  - Robert J. Pekkanen (Professor)
  - David F Suarez (Associate Professor)
- Nov 4 (Tue)
- 08:00–09:30 ◇KPMG (Online)
- Madrigal, Ruth M (Principal)
- 10:00–11:30 ◇Baker & Hostetler (Online)
- Alex Reid (Parter)
- 13:00–15:00 ◇Seattle Pacific University
- JoAnn Flett (Executive Director, Center for Faithful Business)
- 15:30–17:30 ◇International Society for Third Sector Research
- Megan A. Haddock (Executive Director)
- Nov 5 (Wed) [Departure & Transit] Seattle → Tokyo(Arriving on Nov 6)
- Nov 8 (Sat)
- 01:00–03:00 ◇Council on Foundations (Online)
- Natalie Ross (Vice President, Membership, Development And Finance)
  - Remy Barnwell (Senior Staff Counsel)

## Part 1: Research by Theme

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### 1. Overview of the U.S. Nonprofit Corporation System

#### 1.1 Definition and Classification of Nonprofit Organizations (Section 501(c)(3), etc.)

Yoshiharu Shiraishi

##### 1.1.1 Foundations of the System

An indispensable perspective for understanding the U.S. nonprofit system is that it is not based on a government certification or licensing model, but rather on the “voluntary rights” of citizens. This philosophy is rooted in the “freedom of association” guaranteed by the First Amendment to the U.S. Constitution. The U.S. nonprofit sector is not defined by a single legal concept; rather, it is established through a “Dual Structure”—the joining of two distinct legal layers: the “granting of corporate status under state law” and the “recognition of tax-exempt status under federal tax law” (George Mason University / Baker & Hostetler).

##### (1) The First Layer: Formation of the “Vessel” under State Law

The first layer is the stage where an organization’s legal entity—the “vessel”, so to speak—is formed based on the laws of each state. In the U.S., nonprofit organizations are primarily established as “Nonprofit Corporations”. According to our hearing (Baker & Hostetler), as the demand for the legal doctrine of limited liability and operational flexibility grew in the 20th century, the corporate form became predominant as it allowed for more robust governance.

Obtaining corporate status at the state level is based on the “Principle of Standardized Incorporation (Normative Principle)”<sup>1</sup>, where the Articles of Incorporation are submitted to the Secretary of State. In contrast to the Japanese certification/authorization model, where the government strictly examines public interest in advance, this is a simplified procedure that respects the voluntary freedom of association of citizens.

##### (2) The Second Layer: Recognition of “Status” under Federal Tax Law

The second layer involves obtaining tax-exempt status based on Section 501(c) of the Federal Internal Revenue Code (IRC) (Table 2). The frequently used designation “501(c)(3) organization” in the United States does not refer to the corporate form itself, but rather to the “status” under tax law recognized by the Internal Revenue Service (IRS) as being exempt from income tax and eligible for tax-deductible contributions.

This dual structure provides a flexible design where not only corporations under state law, but also charitable trusts, unincorporated associations, and even public entities—such as state universities and

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<sup>1</sup> Principle of Standardized Incorporation (Normative Principle): A principle stating that if documents meeting certain formal requirements prescribed by law (name, purpose, address, etc.) are submitted, corporate status is granted automatically without discretionary review (such as a judgment of public interest) by administrative authorities. This is an approach in stark contrast to Japan’s former “permission system by the competent ministry”.

public hospitals—can enjoy 501(c)(3) tax-exempt status, provided they meet certain requirements (The Catholic University of America) (Hopkins, 2023).

### **(3) Hybrid Nature of Public/Private Spheres and Reflection of Federalism**

This unique dual structure symbolizes the hybrid nature of “public” and “private” in American democracy. While nonprofit corporations are formally “private entities”, they receive “public benefits (tax-exempt status)” by serving the public interest. Authority is decentralized precisely to maintain this delicate balance.

The “granting of corporate status” is an inherent power of each state, while the “recognition of tax-exempt status” falls under the authority of the federal government (IRS). This division of power (federalism) is a logical consequence intended to restrain excessive central government intervention in civil society and to protect the autonomy and diversity of the sector.

According to our hearing (Baker & Hostetler), it was clarified that tax exemption in the U.S. is not merely a privilege, but is based on the principle of non-intervention (Non-taxation)—the idea that the government must not suppress the free activities or beliefs of citizens through the exercise of taxing power. As symbolized by the legal maxim, “The power to tax involves the power to destroy”<sup>2</sup>, the tax-exempt system functions as a “seawall” to protect democracy.

In this way, the U.S. model keeps the hurdles for “entry (incorporation)” extremely low and minimizes government discretion, while imposing thorough information disclosure (such as Form 990) as a condition for maintaining tax-exempt status. This mechanism—which ensures public interest not through “prior screening” by the administration, but through “ex-post monitoring” by donors and citizens—is the very core of the dynamism that supports more than 1.62 million diverse organizations (501(c)(3)) (Salamon, 2012).

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<sup>2</sup> This statement was made by Chief Justice John Marshall of the U.S. Supreme Court in the landmark ruling of *McCulloch v. Maryland* (1819). The decision, which denied the right of a state government to tax a federal bank, warned that the government’s power to tax could threaten the very existence of the entity being taxed. It is frequently cited as the legal foundation for the principle of non-taxation in the United States.

Table 2 List of Organizations Under Section 501 of the Internal Revenue Code

**Organization Reference Chart**

| Section of 1986 Code | Description of organization                                                                                                                                                                                        | General nature of activities                                                                                                   | Application Form <sup>1</sup>                                 | Annual return required to be filed                  | Contributions allowable                      |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------|
| 501(c)(1)            | Corporations Organized under Act of Congress (including Federal Credit Unions)                                                                                                                                     | Instrumentalities of the United States                                                                                         | No Form                                                       | None                                                | Yes, if made for exclusively public purposes |
| 501(c)(2)            | Title Holding Corporation For Exempt Organization                                                                                                                                                                  | Holding title to property of an exempt organization and distributing net income to it                                          | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(3)            | Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals Organizations | Activities of nature implied by description of class of organization                                                           | 1023, 1023-EZ                                                 | 990 <sup>2</sup> or 990-EZ <sup>3</sup> , or 990-PF | Yes, generally                               |
| 501(c)(4)            | Civic Leagues, Social Welfare Organizations; and Local Associations of Employees                                                                                                                                   | Promotion of community welfare; charitable, educational, or recreational                                                       | Must provide notice on Form 8976; may also submit Form 1024-A | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No, generally <sup>3,4</sup>                 |
| 501(c)(5)            | Labor, Agricultural, and Horticultural Organizations                                                                                                                                                               | Educational or instructive, the purpose being to improve conditions of work, and to improve products and/or efficiency         | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(6)            | Business Leagues, Chambers of Commerce, etc.                                                                                                                                                                       | Improvement of business                                                                                                        | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(7)            | Social and Recreational Clubs                                                                                                                                                                                      | Pleasure, recreation, social activities                                                                                        | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(8)            | Fraternal Beneficiary Societies and Associations                                                                                                                                                                   | Providing for payment of life, sickness, accident or other benefits to members within a lodge system                           | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | Yes, if for certain Sec. 501(c)(3) purposes  |
| 501(c)(9)            | Voluntary Employees Beneficiary Associations                                                                                                                                                                       | Employee association providing for payment of life, sickness, accident, or other benefits to members                           | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(10)           | Domestic Fraternal Societies and Associations                                                                                                                                                                      | Earnings devoted to charitable, fraternal, and other specified purposes within a domestic lodge system. No benefits to members | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | Yes, if for certain Sec. 501(c)(3) purposes  |
| 501(c)(11)           | Teachers' Retirement Fund Associations                                                                                                                                                                             | Teachers' association for payment of retirement benefits                                                                       | 1024 <sup>7</sup>                                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(12)           | Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, and Like Organizations                                                                    | Activities of a mutual or cooperative nature                                                                                   | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(13)           | Cemetery Companies                                                                                                                                                                                                 | Burials and incidental activities                                                                                              | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | Yes, generally                               |
| 501(c)(14)           | State-Chartered Credit Unions, Mutual Reserve Funds                                                                                                                                                                | Loans to members                                                                                                               | 1024 <sup>7</sup>                                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(15)           | Mutual Insurance Companies or Associations                                                                                                                                                                         | Providing insurance to members substantially at cost                                                                           | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(16)           | Cooperative Organizations to Finance Crop Operations                                                                                                                                                               | Financing crop operations in conjunction with activities of a marketing or purchasing association                              | Form 1120-C, 1024 <sup>7</sup>                                | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(17)           | Supplemental Unemployment Benefit Trusts                                                                                                                                                                           | Provides for payment of supplemental unemployment compensation benefits                                                        | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(18)           | Employee Funded Pension Trust (created before June 25, 1959)                                                                                                                                                       | Payment of benefits under a pension plan funded by employees                                                                   | 1024 <sup>7</sup>                                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No <sup>3</sup>                              |
| 501(c)(19)           | Post or Organization of Past or Present Members of the Armed Forces                                                                                                                                                | Activities implied by nature of organization                                                                                   | 1024                                                          | 990 <sup>2</sup> or 990-EZ <sup>3</sup>             | No, generally <sup>8</sup>                   |
| 501(c)(21)           | Black Lung Benefit Trusts                                                                                                                                                                                          | Funded by coal mine operators to satisfy their liability for disability or death due to black lung diseases                    | 1024 <sup>7</sup>                                             | 990                                                 | No <sup>5</sup>                              |

Publication 557 (1-2025)

69

| Section of 1986 Code | Description of organization                                                      | General nature of activities                                                                                                                 | Application Form <sup>1</sup>    | Annual return required to be filed                                | Contributions allowable    |
|----------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------|----------------------------|
| 501(c)(22)           | Withdrawal Liability Payment Fund                                                | To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund                                           | 1024 <sup>7</sup>                | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | No <sup>6</sup>            |
| 501(c)(23)           | Veterans' Organization (created before 1880)                                     | To provide insurance and other benefits to veterans                                                                                          | 1024 <sup>7</sup>                | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | No, generally <sup>8</sup> |
| 501(c)(25)           | Title Holding Corporations or Trusts with Multiple Parent Corporations           | Holding title and paying over income from real property to 35 or fewer parents or beneficiaries                                              | 1024                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | No                         |
| 501(c)(26)           | State-Sponsored Organization Providing Health Coverage for High-Risk Individuals | Provides health care coverage to high-risk individuals                                                                                       | 1024 <sup>7</sup>                | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | No                         |
| 501(c)(27)           | State-Sponsored Workers' Compensation Reinsurance Organization                   | Reimburses members for losses under workers' compensation acts                                                                               | 1024 <sup>7</sup>                | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | No                         |
| 501(c)(28)           | National Railroad Retirement Investment Trust                                    | Manages and invests the assets of the Railroad Retirement Account                                                                            | 1024                             | 990 <sup>12</sup>                                                 | No <sup>12</sup>           |
| 501(c)(29)           | CO-OP health insurance issuers                                                   | A qualified health insurance issuer which has received a loan or grant under the CO-OP program                                               | 1024 and Form 8718 <sup>15</sup> | 990 <sup>2</sup>                                                  | No <sup>14</sup>           |
| 501(d)               | Religious and Apostolic Associations                                             | Regular business activities; Communal religious community                                                                                    | 1024                             | 1065 <sup>10</sup>                                                | No <sup>3</sup>            |
| 501(e)               | Cooperative Hospital Service Organizations                                       | Performs cooperative services for hospitals                                                                                                  | 1023                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | Yes                        |
| 501(f)               | Cooperative Service Organizations of Operating Educational Organizations         | Performs collective investment services for educational organizations                                                                        | 1023                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | Yes                        |
| 501(k)               | Child Care Organizations                                                         | Provides care for children                                                                                                                   | 1023                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | Yes                        |
| 501(n)               | Charitable Risk Pools                                                            | Pools certain insurance risks of sec. 501(c)(3) organizations                                                                                | 1023                             | 990 <sup>2</sup> or 990-EZ <sup>3</sup>                           | Yes                        |
| 501(q)               | Credit Counseling Organization                                                   | Credit counseling services                                                                                                                   | 1023                             | 990 <sup>13</sup>                                                 | No                         |
| 521(a)               | Farmers' Cooperative Associations                                                | Cooperative marketing and purchasing for agricultural procedures                                                                             | 1028 or 1024                     | 1120-C                                                            | No                         |
| 527                  | Political organizations                                                          | A party, committee, fund, association, etc., that directly or indirectly accepts contributions or makes expenditures for political campaigns | 8871                             | 1120-POL <sup>11</sup><br>990 <sup>2</sup> or 990-EZ <sup>3</sup> | No                         |

<sup>1</sup> Most 501(c) organizations, other than those described in sections 501(c)(3) (exceptions apply), (9), and (17), may, but are not required to, submit an application for recognition of tax-exempt status from the IRS. These organizations may self-declare their tax exempt status by operating within the requirements of the applicable code section and filing the required annual returns or notices.

<sup>2</sup> For exceptions to the filing requirement, see chapter 2 and the form instructions. Note: For annual tax periods beginning after 2006, most tax-exempt organizations, other than churches, are required to file an annual Form 990, 990-EZ, or 990-PF with the IRS or to submit an annual electronic notice, Form 990-N (e-Postcard), to the IRS. Tax-exempt organizations failing to file an annual return or submit an annual notice as required for 3 consecutive years will automatically lose their tax-exempt status. See form instructions as to which 990 series, and other series, forms, after the Taxpayer First Act, are required to be filed electronically.

<sup>3</sup> An organization exempt under a subsection of section 501 other than 501(c)(3) can establish a charitable fund, contributions to which are deductible. Such a fund must itself meet the requirements of section 501(c)(3) and the related notice requirements of section 508(a).

<sup>4</sup> Contributions to volunteer fire companies and similar organizations are deductible, but only if made for exclusively public purposes.

<sup>5</sup> Deductible as a business expense to the extent allowed by section 192.

<sup>6</sup> Deductible as a business expense to the extent allowed by section 194A.

<sup>7</sup> Reserved

<sup>8</sup> Contributions to these organizations are deductible only if 90% or more of the organization's members are war veterans.

<sup>9</sup> For limits on the use of Form 990-EZ, see chapter 2 and the general instructions for Form 990-EZ (or Form 990).

<sup>10</sup> Although the organization files a partnership return, all distributions are deemed dividends. The members aren't entitled to **pass through** treatment of the organization's income or expenses.

<sup>11</sup> Form 1120-POL is required only if the organization has taxable income as defined in section 527(c).

<sup>12</sup> Only required to annually file so much of the Form 990 that relates to the names and addresses of the officers, directors, trustees, and key employees, and their titles, compensation, and hours devoted to their positions (Part VII of Form 990), and to complete Item I in the Heading of Form 990 to confirm its tax-exempt status under section 501(c)(28).

<sup>13</sup> See section 501(q) if the organization provides credit counseling services and seeks recognition of exemption under section 501(c)(4). Use Form 1024-A if applying for recognition under section 501(c)(4).

<sup>14</sup> See section 501(c)(29) for details.

<sup>15</sup> See Rev. Proc. 2015-17, sec. 4.01, 2015-7 I.R.B. 599, as modified and superseded by Rev. Proc. 2022-8, for details.



### 1.1.2 The Quartet of Oversight

The essence of the U.S. nonprofit legal system is encapsulated in the concept of fostering an “Enabling Environment”, as advocated by the International Center for Not-for-Profit Law (ICNL). According to our interviews with the ICNL, this philosophy suggests that the government should not act as a gatekeeper to pre-screen whether an organization serves a charitable purpose or contributes to the public interest. Instead, the legal framework should deeply respect citizens’ fundamental freedom of association and expression, designing the system itself to serve as a foundation that actively empowers (enables) civic activities (ICNL / Baker & Hostetler).

Based on this philosophy, incorporation under state law strictly adheres to the “Principle of Standardized Incorporation”, allowing anyone to swiftly obtain corporate status by meeting formal requirements. This “low barrier to entry” is a deliberate institutional design to ensure a system where diverse actors can respond immediately to social issues.

However, while the entrance is kept wide open, organizational discipline is by no means neglected. The essence of the U.S. model lies in a structure where the “freedom” at the entry point is complemented by “multi-layered oversight (Checks and Balances)” after the fact (George Mason University / Baker & Hostetler).

A comprehensive view of this disciplinary mechanism, based on our hearing (Baker & Hostetler, etc.), reveals that mutual checks among the following four actors—the “Quartet of Oversight” (Salamon, 2012)—function systematically:

- Board of Directors (Internal Oversight): As the core of governance, the Fiduciary Duties owed by directors to the corporation serve as the primary line of discipline. It is a fundamental premise that the internal decision-making body autonomously executes the mission prior to any external supervision by the government.
- State Attorney General (Ex-post / Legal Supervision): As the “guardian” of charitable assets, the Attorney General holds the authority of “*Parens Patriae*” (parent of the country) to monitor the private diversion of assets or violations of the articles of incorporation<sup>3</sup>. Rather than day-to-day management, their role is to perform powerful legal intervention ex-post in response to serious misconduct.
- Internal Revenue Service (Tax / Transparency Supervision): The IRS requires the submission and public disclosure of detailed activity reports (Form 990) as a condition for maintaining tax-exempt status. Through this “disclosure of information”, the IRS complements areas that the administration cannot directly audit.
- Civil Society and the Market (Social Oversight): Donors and grant-making foundations evaluate and screen organizations based on publicly available financial data and ratings from agencies such as

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<sup>3</sup> This refers to the legal standing that allows the State Attorney General to file lawsuits to enjoin the improper management or diversion of charitable assets on behalf of beneficiaries who are not in a position to assert their own rights (in this case, the “general public”). This stems from the principle that the assets of a nonprofit corporation possess the nature of a “Charitable Trust”.

Candid<sup>4</sup>. This “natural selection by the donor market” functions in practice as the most powerful deterrent against organizational misconduct.

In this way, discipline within the U.S. nonprofit sector is maintained not by “vertical control” from the administration, but through “horizontal collaboration and checks”, where diverse actors exercise oversight from their respective positions. This mechanism is also referred to as “Polycentric Governance”<sup>5</sup>. It effectively enhances the reliability of the sector as a whole in a systematic manner while excluding discretionary government intervention (Shiraishi, 2026). This multi-layered system of checks and balances is the very core of the U.S. model, achieving a high-level balance between guaranteeing freedom of activity and protecting public assets (Council on Foundations / Candid).

### 1.1.3 Tax-Exempt Classifications under Federal Tax Law

At the federal level, the Internal Revenue Service (IRS), under the Department of the Treasury, is responsible for the recognition and management of tax-exempt status. In order for a nonprofit organization to receive tax benefits, it must meet the requirements set forth in Section 501(c)(3) of the Internal Revenue Code (IRC) and receive recognition of its tax-exempt status from the IRS.

It is important to note that the role of the IRS is strictly limited to the framework of tax administration, specifically “ensuring proper tax collection and managing the tax-exemption process”. Our hearing (Baker & Hostetler) emphasized that the IRS does not substantially evaluate the public interest value of an organization’s activities or “guide” the way programs are conducted, unlike administrative agencies in Japan<sup>6</sup>. IRS involvement is specialized in reviewing compliance with the “organizational test” and “operational test” as prescribed by law.

- (1) Organizational Test: The IRS reviews whether the organization’s founding documents, such as the Articles of Incorporation, limit its purposes to the exempt purposes specified in IRC 501(c)(3) (charitable, educational, religious, etc.) and explicitly state that residual assets upon dissolution will be distributed for other public interest purposes.
- (2) Operational Test: The IRS examines whether the majority of actual activities are dedicated to exempt purposes. In this regard, strict compliance with the “Prohibition of Private Inurement” (which prohibits the distribution of improper benefits to specific individuals or directors) and the “Private Benefit Doctrine” (which prohibits prioritizing non-exempt private interests) is required (KPMG) (Hopkins, 2023).

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<sup>4</sup> Candid: An organization established in February 2019 through the merger of GuideStar, which provided financial databases of nonprofit organizations, and the Foundation Center, which collected information on grant-making. It provides the infrastructure for donors and researchers to easily search and analyze data by digitizing Form 990 information from nonprofit organizations across the U.S.

<sup>5</sup> This refers to a form of governance where a single, centralized authority (e.g., only a tax agency) does not handle all oversight. Instead, multiple independent monitoring bodies (the Board of Directors, state government, tax authorities, the philanthropic market, media, etc.) perform multi-layered check functions based on their respective criteria. This system offers the advantage of different actors complementing one another to offset resource shortages or political biases of any single entity.

<sup>6</sup> The IRS Exempt Organizations (EO) Division confirms, formally and functionally, whether an organization meets the legal definitions based strictly on submitted documents (such as Form 1023). Consequently, the system is designed such that tax-exempt status must be granted if legal requirements are met, even for organizations that may be politically or ideologically biased.

Furthermore, 501(c)(3) organizations are clearly distinguished based on their source of funding into “Public Charities”, which receive broad support from the public, and “Private Foundations”, which are funded by specific individuals or families. The former are considered to have broad Public Support and receive more favorable treatment, such as tax-deductible contribution limits of up to 60% of income (in the case of cash). On the other hand, because the latter rely on specific funding sources, they are subject to stricter regulations, including the prohibition of self-dealing and a payout requirement (an obligation to distribute a certain percentage—5% annually—of their assets) (Urban Institute) (Public Interest Corporation Association, 2023).

What was most striking in our hearing with Baker & Hostetler was the discussion regarding the “legal nature” of these tax incentives. In the United States, there is a prominent legal theory that does not view tax-exempt measures, including charitable contribution deductions, as a “subsidy” from the government to support the private sector. As mentioned previously, the system is instead organized based on the principle of “Non-taxation”—the idea that, in light of the First Amendment to the U.S. Constitution (freedom of association and religion), the government should refrain from exercising its “destructive power” of taxation against communities and charitable activities formed voluntarily by citizens.

From this perspective, the granting of tax-exempt status is positioned not as a “benefit bestowed by the administration”, but as a “neutral administrative response” to guarantee constitutional rights. As long as tax requirements (such as strict limitations on political activities) are observed, this structure—where the autonomy of activities is respected to the maximum extent—serves as the infrastructure supporting the U.S. nonprofit sector. This, in turn, enables diverse civic activities that are not influenced by government intentions and allows for pluralistic approaches to social issues<sup>7</sup>.

#### **1.1.4 Public Charity and Private Foundation**

As previously mentioned, 501(c)(3) organizations are broadly classified into two categories based on their funding sources and governance structure: “Public Charities” and “Private Foundations”. This distinction is not merely a formal classification; it is a critical framework that determines the degree of tax benefits and the strictness of legal discipline imposed on the organization.

An important practical insight emphasized in our hearing with a former IRS official (Seattle Pacific University) is that “the default is a Private Foundation”<sup>8</sup>. In other words, when applying for 501(c)(3) status, the IRS, in principle, treats the applicant as a Private Foundation. The organization is only recognized as a Public Charity—which enjoys broader tax benefits—if the applicant can prove that its activities receive broad Public Support. This creates a structure where the “burden of proof” lies with the organization.

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<sup>7</sup> The reason the U.S. nonprofit sector maintains a presence as a “third sector” independent of both the government and the market is the effective functioning of this constitutional barrier, which “excludes intervention through taxation” (Salamon, 2012).

<sup>8</sup> When filing an application for tax-exempt status (Form 1023) with the IRS, applicants self-report whether they meet the requirements for a Public Charity and submit supporting documentation. Proving the “public nature” of the organization during this application process is the most significant strategic challenge in the early stages of establishment.

There are two primary routes to establishing classification as a Public Charity:

- (1) Automatic Bucket: Certain types of entities, such as churches, educational institutions (schools), and hospitals, are automatically treated as Public Charities without having to provide detailed financial data, as their existence itself is recognized as having high public interest value (Seattle Pacific University).
- (2) Public Support Test (PST): Organizations that do not fall into the above category must prove that a certain percentage of their total income (generally one-third or more) is derived from contributions from the general public, government agencies, or other public charities<sup>9</sup>.

Rather, it should be understood as a tax policy design intended to define the framework of governance and discipline—specifically, whether an organization is subject to the financial control of a select few (such as founders or their families) or whether it derives its legitimacy from the broad support of the general public (Urban Institute).

Because Private Foundations have limited funding sources, they are perceived to carry a higher risk of “private appropriation (self-dealing)”<sup>10</sup>. Consequently, extremely strict regulations are imposed on the management of assets, expenditures, and transactions involving founders. Specific examples include the payout requirement<sup>11</sup>, which mandates a minimum annual distribution of a certain percentage of assets, and the imposition of heavy excise taxes on specific acts of self-dealing (National Council of Nonprofits). Conversely, for a Public Charity, the very fact that it is supported by a broad base of donors serves as an infrastructure of trust and a basis for self-regulation; accordingly, its regulatory framework is designed with relatively greater flexibility (Seattle Pacific University; Hopkins, 2023).

In this way, the U.S. tax system strictly implements “risk-based regulation” according to the nature of the funding source. Deciphering these institutional implications reveals that the tax-exempt system in the United States, while encouraging contributions, is protected by a sophisticated network designed to prevent those resources from being diverted for the private interests of specific individuals.

### 1.1.5 The Concept of “Negative Rules”

An indispensable element in understanding the 501(c)(3) system in the United States is the concept of “Negative Rules”. This approach rejects “proactive certification of public interest” by the

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<sup>9</sup> The Public Support Test (PST) does not merely look at the total amount of donations; rather, it emphasizes the breadth of support (diversity of funding sources). This system is designed to disqualify organizations that rely exclusively on a single major donor, thereby encouraging a decentralized support base rooted in civil society. It should be noted that small organizations with annual gross receipts of \$50,000 or less that file Form 990-N are exempt from the requirement to submit Schedule A to reduce their administrative burden. However, even in such cases, organizations are expected to internally monitor their public support status annually and must substantially continue to meet the requirements of a public charity, consistent with the criteria used in the Schedule A public support test.

<sup>10</sup> Self-dealing (IRC 4941), which is strictly prohibited for Private Foundations, includes the sale or exchange of property, leasing, and the furnishing of goods or services between the foundation and “disqualified persons” (such as founders, substantial contributors, directors, and their family members). A key feature is that “related-party transactions”—which can become a breeding ground for conflicts of interest—are prohibited in principle, even if the terms of the transaction are favorable to the organization.

<sup>11</sup> To prevent the “dead storage” of assets through internal reserves, a Private Foundation is required to distribute approximately 5% of the net value of its investment assets annually for charitable purposes, such as awarding grants. Failure to meet this payout requirement results in the imposition of heavy excise taxes. In contrast, a Public Charity is not subject to a uniform minimum expenditure requirement.

administration and instead focuses on the “prohibition of deviant acts”. In our hearing with the ICNL (International Center for Not-for-Profit Law), it was shown that this institutional design is not merely a restriction, but a strategic framework intended to maximize the autonomy of citizens<sup>12</sup>.

Specifically, 501(c)(3) tax-exempt status is granted through a process that confirms an organization has not violated specific “prohibited items”, rather than a process where the administration proactively approves individual business activities as being “in the public interest”. This design philosophy rests on the following two pillars (Baker & Hostetler).

- (1) Prohibition of Private Inurement / Private Benefit: The essence of being a “nonprofit” is not that the organization must not make a profit, but rather the “non-distribution constraint”—the rule that net earnings must not be privately distributed to investors or related parties (National Council of Nonprofits, n.d.). This rule structurally blocks the diversion of assets gained through the organization’s activities to founders or directors (KPMG)<sup>13</sup>.
- (2) Limitations on Political Activities (Lobbying / Electioneering): Political intervention using tax-exempt privileges is excluded by prohibiting the support of specific candidates and excessive lobbying<sup>14</sup>. This functions as a negative rule to maintain distance between the government and the organization (Nonprofit Association of Washington / ICNL).

This institutional design, based on “negative rules”, is inextricably linked to the constitutional “freedom of association”. From the perspective of the “Doctrine of Unconstitutional Conditions”<sup>15</sup> in U.S. jurisprudence, it is constitutionally impermissible for the government to arbitrarily and excessively restrict an organization’s speech or activities as a condition for granting the economic benefit of tax exemption (ICNL).

Furthermore, the U.S. model takes a fundamentally different approach to the issue of “competition with for-profit businesses”, a topic frequently debated in Japan. In the United States, the right of nonprofit organizations to engage in revenue-generating activities is recognized as a matter of course. Consequently, the argument that such activities might “crowd out” or pressure private business—a contention that often hinders institutional design in Japan—rarely serves as an obstacle to the American regulatory framework (National Council of Nonprofits).

In practice, tax equity is ensured through the Unrelated Business Income Tax (UBIT), which is levied if a revenue-generating activity is deemed “unrelated” to the organization’s tax-exempt purpose (Internal Revenue Service, 2025b). In other words, the U.S. model does not aim to “suppress competition

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<sup>12</sup> According to the ICNL, regulations on nonprofit organizations should exist not to “control” the organization, but to “protect” and “promote” it so that the organization can fulfill its mission to the maximum extent.

<sup>13</sup> Private Inurement is a concept that strictly prohibits excessive compensation or the transfer of benefits to “insiders” such as officers and founders. In contrast, Private Benefit is a comprehensive concept that prohibits the provision of benefits to any specific private individual, regardless of whether they are an insider.

<sup>14</sup> Policy advocacy by 501(c)(3) organizations is regarded as a vital instrument for addressing the root causes of social issues. As long as such activities do not constitute the endorsement of specific candidates (electioneering) or excessive lobbying, proposing legislative amendments and engaging with administrative agencies to further an organization’s mission are widely accepted as inherent roles of nonprofit organizations (Nonprofit Association of Washington).

<sup>15</sup> This is a constitutional principle in the United States asserting that when the government grants an individual or entity a certain economic benefit (such as subsidies or tax exemptions), it may not condition that benefit on the waiver of a fundamental constitutional right, such as the freedom of speech. Under this doctrine, the IRS is strictly prohibited from using the granting of tax-exempt status as a weapon to arbitrarily restrict an organization’s beliefs, ideologies, or expression.

itself”, but rather seeks institutional balance by “blocking the private distribution of profits” and “leveling the playing field through taxation”. Fundamentally, since the missions of nonprofit organizations (solving social issues) and the profit motives of for-profit corporations differ in the very nature of the value they provide, the argument of “for-profit competition”—which compares the two within a simple framework of price competition—carries extremely limited weight in American institutional theory (Baker & Hostetler)<sup>16</sup>.

In the United Kingdom as well, business activities directly conducted by a charity to achieve its established purposes (charitable purposes) are referred to as “Primary Purpose Trading”, and revenues generated from these activities are, in principle, tax-exempt regardless of how commercial their appearance may be (Charity Commission, 2023). On the other hand, in the case of Japan, regardless of the “purpose (mission)” or “use of funds” regarding how the revenues obtained from a business will ultimately be appropriated for public interest purposes, corporate tax is levied on activities that fall under the 34 “profit-making businesses” stipulated by the cabinet order of the Corporate Tax Act; thus, whether or not to tax is determined solely by the outward appearance of the conduct (Nakazato et al., 2022).

In conclusion, the U.S. model is built not upon “vertical management by the administration (positive selection)”, but upon “horizontal discipline through prohibitive norms (negative discipline)”. By avoiding the administrative burden of scrutinizing public interest at the entry stage, the system broadly permits free activity as long as prohibited actions are avoided. The remaining discipline is left to the evaluation and oversight of the market and civil society (Council on Foundations). This conceptual approach serves as the “infrastructure of trust” that supports the pluralism and autonomy of the U.S. nonprofit sector.

### 1.1.6 Multi-Layered Systems and Options for Choice

The immense depth and diversity of the U.S. nonprofit sector are underpinned not only by the single category of 501(c)(3) but by a graduated institutional spectrum that allows citizens to select the optimal “legal vessel” tailored to the specific nature of the social issue they aim to address (Candid).

#### (1) Functional Division of Roles (Complementary Relationship between 501(c)(3) and (c)(4))

As stated at the beginning of this chapter, 501(c)(3) is the core of the sector accompanied by “charitable contribution deductions”, but in exchange, it is subject to a “strict prohibition on electioneering” and “limitations on lobbying”<sup>17</sup>. In contrast, 501(c)(4) (Social Welfare Organizations)<sup>18</sup>,

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<sup>16</sup> The reason “competition with for-profit organizations” is not a major issue in the U.S. or the U.K. is the existence of a shared cultural and legal understanding: since a nonprofit’s mission is rooted in solving social challenges or community building, its social function is considered entirely distinct from that of a for-profit business, even if their services appear similar on the surface. Therefore, restricting activities on the grounds of “competition” with for-profit entities—whose purpose is distributing profit to investors—is understood as undermining diverse opportunities to address social issues. As long as the non-distribution constraint is observed and transparency is maintained (via public disclosure through Form 990), the freedom of activity takes precedence.

<sup>17</sup> See Footnote 14.

<sup>18</sup> 501(c)(4) organizations are entities established for the purpose of promoting the common good and general welfare of the people of a community. Unlike 501(c)(3) organizations, donors to these entities cannot receive charitable contribution deductions; however, the organizations are permitted to support political candidates (as long as it is not their primary purpose) and engage in unlimited lobbying. For this reason, this status is frequently utilized by organizations focused primarily on advocacy (policy recommendations).

while not eligible for charitable contribution deductions, allows for more flexible policy advocacy and lobbying to achieve its mission (Baker & Hostetler / Nonprofit Association of Washington).

In the United States, a “Twin Structure”—where a (c)(3) entity for charitable and educational activities and a (c)(4) entity for policy advocacy are established side-by-side—is frequently observed, maximizing the approach to social change by utilizing these institutional “boundaries”.

## **(2) Rationality of “Self-Declaration” and “Discipline According to Scale”**

A notable feature of U.S. institutional operations is the “Self-declare” nature, which minimizes proactive scrutiny of public interest by the administration. The reporting obligations (Form 990 series) detailed in Chapter 2 function not merely as administrative procedures, but as the “post-incorporation transparency infrastructure” that guarantees this “wide entry point”. Specifically, the simplified reporting system via “Form 990-N (e-Postcard)” for small organizations with annual gross receipts of \$50,000 or less enables informal civic groups to obtain and maintain tax-exempt status without being hindered by administrative burdens (Candid / National Council of Nonprofits).

## **(3) An Ecosystem Based on Trust**

In this way, the U.S. model operates not through “vertical management by the administration”, but by combining a flexible range of tax-exempt “options” with “post-activity discipline” driven by digital transparency. This deliberate design fosters a multi-layered ecosystem where a diverse array of actors—ranging from grassroots volunteer groups to massive grantmaking foundations and policy advocacy organizations—can smoothly coexist, each securing the precise legal “vessel” tailored to their specific mission.

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## 1.2 The U.S. Nonprofit Sector Through Statistics

Yoshiharu Shiraishi

### 1.2.1 Number of Nonprofit Organizations

When surveying the current state of the U.S. nonprofit sector from the perspective of the “number of organizations”, the most striking feature is the sheer scale of entities eligible for charitable contribution tax benefits. According to the latest statistics, there are approximately 1.51 million public charities and about 110,000 private foundations; including other 501(c) organizations, the total number of entities holding tax-exempt status under federal tax law reached approximately 1.9 million as of 2024 (Table 1). This equates to roughly 55.5 organizations per 10,000 people, an overwhelming degree of prevalence compared to Japan (approximately 3.2 organizations). These figures demonstrate that the nonprofit sector in the United States has moved beyond simple charity to become an indispensable “social infrastructure” that is widely and deeply rooted in society to complement public services and solve social challenges.

A detailed analysis of this vast population based on tax filings—where actual activity can be observed—reveals a robust, pyramid-shaped structure supported by a “multitude of small organizations” (Table 3). According to statistics from the 2019 tax year, among the filing forms for tax-exempt organizations, the simplified electronic filing “Form 990-N (e-Postcard)”, used by organizations with gross receipts of \$50,000 or less, reached approximately 1.06 million filings, accounting for an overwhelming majority of over 70% (72.3%) of the total<sup>19</sup>. In contrast, the proportions of Form 990-EZ (5.8%) and Form 990 (14.9%) filed by mid-to-large-sized organizations, as well as Form 990-PF (7.0%) for private foundations, remain limited. This distribution statistically confirms, through the filing structure, that the U.S. nonprofit sector is not dominated by a few large-scale organizations but is instead built upon a foundation of countless community-based, grassroots organizations.

At the same time, from the perspective of institutional operations, it is noteworthy that the number of these organizations does not exist as a fixed “stock”. Instead, the number of organizations is formed as a dynamic “flow” through the granting of new tax-exempt statuses and a process of metabolism

Table 3 Status of 501(c)(3) Organizations in the United States

|                                                                                      | Number of Entities | Share (%) |
|--------------------------------------------------------------------------------------|--------------------|-----------|
| Form 990-N: Gross receipts less than \$50,000                                        | 1,061,513          | 72.3      |
| Form 990-EZ: Gross receipts less than \$200,000 and total assets less than \$500,000 | 85,715             | 5.8       |
| Form 990: Gross receipts of \$200,000 or more or total assets of \$500,000 or more   | 218,516            | 14.9      |
| Form 990PF                                                                           | 103,299            | 7.0       |
| Total                                                                                | 1,469,043          | 100.0     |

Source: Created from Nonprofit Charitable and Other Tax-Exempt Organizations, Tax Year 2019 (Internal Revenue Service, 2023a) <https://www.irs.gov/pub/irs-pdf/p5331.pdf>

<sup>19</sup> Form 990-N (e-Postcard) is a simplified electronic filing system for small organizations with annual gross receipts of \$50,000 or less, requiring only the entry of basic information (10 items). Many of these small organizations are “grassroots organizations” operated solely by volunteers without hiring paid staff.

associated with the Automatic Revocation system<sup>20</sup>, which will be discussed later. The Internal Revenue Service (IRS) reviews tens of thousands to over a hundred thousand new applications annually (Table 4), and this continuous turnover maintains the eligibility of the sector<sup>21</sup>. Furthermore, with the enforcement of the Taxpayer First Act of 2019<sup>22</sup>, electronic filing became fully mandatory for all organizations in the Form 990 series by 2021. As a result, an environment has been established where the actual activities of even a vast number of small organizations are accumulated and disclosed as rapid and highly transparent digital data.

Table 4 Number of Determinations on Applications for Tax-Exempt Status (By Type of Organization and Internal Revenue Code Section) (Fiscal Year 2024)

| Type of organization,<br>Internal Revenue Code Section        | Closures of applications for tax-exempt status [1] |                |             |               |
|---------------------------------------------------------------|----------------------------------------------------|----------------|-------------|---------------|
|                                                               | Total                                              | Approved       | Disapproved | Other [2]     |
|                                                               | (1)                                                | (2)            | (3)         | (4)           |
| <b>Tax-exempt organizations and other entities, total [3]</b> | <b>136,323</b>                                     | <b>118,656</b> | <b>95</b>   | <b>17,572</b> |
| <b>Section 501(c) by subsection, total</b>                    | <b>136,295</b>                                     | <b>118,651</b> | <b>94</b>   | <b>17,550</b> |
| (2) Title-holding corporations                                | 119                                                | 95             | 0           | 24            |
| (3) Religious, charitable, and similar organizations [4]      | 130,089                                            | 113,312        | 74          | 16,703        |
| (4) Social welfare organizations                              | 1,747                                              | 1,443          | 3           | 301           |
| (5) Labor and agriculture organizations                       | 442                                                | 383            | d           | d             |
| (6) Business leagues                                          | 1,235                                              | 1,102          | 6           | 127           |
| (7) Social and recreation clubs                               | 1,267                                              | 1,071          | 6           | 190           |
| (8) Fraternal beneficiary societies                           | 316                                                | 279            | 0           | 37            |
| (9) Voluntary employees' beneficiary associations             | 80                                                 | 68             | 0           | 12            |
| (10) Domestic fraternal beneficiary societies                 | 185                                                | 157            | 0           | 28            |
| (11) Teacher's retirement fund associations                   | 3                                                  | 0              | 0           | 3             |
| (12) Benevolent life insurance associations                   | 89                                                 | 82             | 0           | 7             |
| (13) Cemetery companies                                       | 234                                                | 221            | d           | d             |
| (14) State-chartered credit unions                            | 5                                                  | d              | 0           | d             |
| (15) Mutual insurance companies                               | d                                                  | d              | d           | 0             |
| (19) Veterans' organizations                                  | 455                                                | 412            | 0           | 43            |
| (21) Black lung benefit trusts                                | d                                                  | d              | 0           | 0             |
| (25) Holding companies for pensions and other entities        | 25                                                 | 21             | 0           | 4             |
| (29) Qualified nonprofit health insurance issuers             | d                                                  | 0              | 0           | d             |
| <b>Section 501(d) Religious and apostolic associations</b>    | <b>20</b>                                          | <b>d</b>       | <b>d</b>    | <b>16</b>     |
| <b>4947(a)(1) Private Foundation</b>                          | <b>d</b>                                           | <b>0</b>       | <b>0</b>    | <b>d</b>      |
| <b>Section 521 Farmers' cooperatives</b>                      | <b>d</b>                                           | <b>d</b>       | <b>d</b>    | <b>d</b>      |

d—Not shown to avoid disclosure of information about specific organizations. However, the data are included in the appropriate totals.

[1] Reflects all case closures of applications for the Exempt Organizations function. These include not only initial applications for tax-exempt status, but also other determinations, such as public charity and private foundation status determinations, advance approval of scholarship grant procedures, and group determinations of tax-exempt status.

[2] Includes applications withdrawn by organizations, applications that did not include the required information, incomplete applications, IRS correction disposals, and others.

[3] No applications were closed for corporations organized under Act of Congress (Section 501(c)(1)); corporations organized to finance crop operations (Section 501(c)(16)); supplemental unemployment compensation trusts (Section 501(c)(17)); employee-funded pension trusts (Section 501(c)(18)); Withdrawal Liability Payment Fund (Section 501(c)(22)); veterans' associations founded prior to 1880 (Section 501(c)(23)); trusts described in Section 4049 of the Employee Retirement Income Security Act of 1974 (ERISA) (Section 501(c)(24)); state-sponsored high-risk health insurance (Section 501(c)(26)); state-sponsored workers' compensation reinsurance organizations (Section 501(c)(27)); and the National Railroad Retirement Investment Trust (Section 501(c)(28)). Tax-exempt status for legal services organizations (Section 501(c)(20)) was revoked effective June 20, 1992.

[4] Includes private foundations and nonexempt charitable trusts (Section 4947(a)(1)). Not all organizations described in Section 501(c)(3) must apply for recognition of tax-exempt status, including churches, interchurch organizations of local units of a church, integrated auxiliaries of a church, conventions or associations of churches, and organizations (other than private foundations as described in Section 509(a)) that have normal gross receipts in each taxable year of not more than \$5,000. In addition, organizations may be recognized as tax-exempt under Section 501(c)(3) without filing an application if they are included in a group exemption letter given to an affiliated parent organization.

**NOTE:**

Organizations that meet the requirements of Internal Revenue Code Section 501(a) are exempt from federal income taxation. Organizations may request a determination regarding recognition of their tax-exempt status by completing and submitting the appropriate application form. Information regarding the requirements for recognition of exemption and the forms used to request a determination can be found in Publication 557, Tax-Exempt Status for Your Organization, and Revenue Procedure 2022-5.

SOURCE: Tax Exempt and Government Entities.

<sup>20</sup> Automatic Revocation System: A system under which the IRS automatically revokes the tax-exempt status of an organization that fails to file a required annual information return in the Form 990 series for three consecutive years. This was introduced by the Pension Protection Act of 2006.

<sup>21</sup> According to the IRS Data Book 2022, more than 100,000 applications for tax-exempt status are processed annually, with an approval rate generally exceeding 90%.

<sup>22</sup> Taxpayer First Act of 2019: A federal law designed to digitize and accelerate the disclosure of information by tax-exempt organizations. This legislation mandated that all Form 990 filings be made available in a machine-readable XML format.

Attention must also be paid to the diversity of entities supporting public interest activities in the United States. The legal “vehicle” is not limited to 501(c) tax-exempt corporations alone. There are also a certain number of “non-exempt charitable trusts” that do not receive approval as tax-exempt organizations, as well as “non-exempt split-interest trusts”<sup>23</sup> that combine public and private interests (Table 5). Thus, the population responsible for the public interest forms an extremely multi-layered structure<sup>24</sup>.

Summarizing the above analysis, the number of organizations in the U.S. nonprofit sector can be characterized by four aspects: an overwhelming “quantitative scale” of 1.5 million entities, a “grassroots nature” where small organizations account for the vast majority, “dynamic updating” through constant review, and a “multi-layered organizational structure” that includes trust systems and other forms.

Table 5 Tax-Exempt Organizations, Non-Exempt Charitable Trusts, and Non-Exempt Split-Interest Trusts (Fiscal Year 2024)

| Type of organization, Internal Revenue Code Section                                            | Number of organizations |
|------------------------------------------------------------------------------------------------|-------------------------|
| <b>Tax-exempt organizations, nonexempt charitable trusts, and split-interest trusts, total</b> | <b>2,025,795</b>        |
| <b>Recognized Section 501(c) by subsection, total [1]</b>                                      | <b>1,873,538</b>        |
| (1) Corporations organized under an Act of Congress                                            | 705                     |
| (2) Title-holding corporations                                                                 | 4,098                   |
| (3) Religious, charitable, and similar organizations [2]                                       | 1,548,798               |
| (4) Social welfare organizations                                                               | 71,178                  |
| (5) Labor and agriculture organizations                                                        | 43,969                  |
| (6) Business leagues                                                                           | 58,627                  |
| (7) Social and recreation clubs                                                                | 46,441                  |
| (8) Fraternal beneficiary societies                                                            | 36,266                  |
| (9) Voluntary employees' beneficiary associations                                              | 5,497                   |
| (10) Domestic fraternal beneficiary societies                                                  | 14,936                  |
| (12) Benevolent life insurance associations                                                    | 5,365                   |
| (13) Cemetery companies                                                                        | 9,563                   |
| (14) State-chartered credit unions                                                             | 1,462                   |
| (15) Mutual insurance companies                                                                | 599                     |
| (17) Supplemental unemployment compensation trusts                                             | 84                      |
| (19) Veterans' organizations                                                                   | 25,359                  |
| (25) Holding companies for pensions and other entities                                         | 532                     |
| Other 501(c) subsections [3]                                                                   | 59                      |
| <b>Recognized Section 501(d) Religious and apostolic associations</b>                          | <b>227</b>              |
| <b>Section 527 Political organizations</b>                                                     | <b>48,048</b>           |
| <b>Nonexempt charitable trusts and split-interest trusts</b>                                   | <b>103,982</b>          |

- [1] The number of organizations, by 501(c) subsections, includes organizations that applied for and received recognition of tax-exempt status, or that are exempt by virtue of a tax treaty.
- [2] Includes private foundations and organizations that are recognized as tax-exempt under Section 501(c)(3) without filing an application because they are included in a group exemption letter given to an affiliated parent organization. Not all organizations described in Section 501(c)(3) must apply for recognition of tax-exempt status, including churches, interchurch organizations of local units of a church, integrated auxiliaries of a church, conventions or associations of churches, and organizations (other than private foundations as described in Section 509(a)) that have normal gross receipts in each taxable year of not more than \$5,000. Section 501(c)(3) organizations that have not applied for recognition of tax-exempt status are not included in this number.
- [3] Includes teachers' retirement funds (Section 501(c)(11)); corporations organized to finance crop operations (Section 501(c)(16)); employee-funded pension trusts (Section 501(c)(18)); black lung benefit trusts (Section 501(c)(21)); veterans' associations founded prior to 1880 (Section 501(c)(23)); trusts described in Section 4049 of the Employee Retirement Income Security Act of 1974 (ERISA) (Section 501(c)(24)); state-sponsored high-risk health insurance organizations (Section 501(c)(26)); state-sponsored workers' compensation reinsurance organizations (Section 501(c)(27)); and qualified nonprofit health insurance issuers (Section 501(c)(29)). Tax-exempt status for legal services organizations (Section 501(c)(20)) was revoked effective June 20, 1992.

SOURCE: Tax Exempt and Government Entities.

<sup>23</sup> This is a mechanism in which the benefits generated from a single trust asset are “split” between a charitable organization (public interest) and an individual (private interest) over different periods. For instance, in a “remainder trust,” the individual receives the income during their lifetime, and the remaining assets are donated to a charitable organization upon their death. Due to its significant tax-saving effects on income and inheritance taxes, it has become a powerful method for major donations in the United States.

<sup>24</sup> Split-interest trusts include Charitable Remainder Trusts (CRT) and other similar vehicles, playing a crucial role in the philanthropy of high-net-worth individuals.

### 1.2.2 Activity Areas of Nonprofit Organizations

As confirmed in the previous section, there are approximately 1.62 million 501(c)(3) organizations in the United States eligible for charitable contribution tax benefits, the vast majority of which are rooted in local communities as small-scale entities. This section identifies the structure and dynamics of this vast population by examining the specific domains in which they operate, based on statistical data categorized by sub-sector (activity area)<sup>25</sup>.

The first characteristic revealed by the statistics is that the U.S. nonprofit sector is not confined to specific niche fields but is firmly established as a “cross-disciplinary infrastructure” spanning all societal functions. As demonstrated by the distribution of Public Charities in Table 6, their fields of activity are exceptionally broad, encompassing healthcare, education, human services, religion, the environment, and public/societal benefit activities. This statistically substantiates that the U.S. nonprofit sector functions past the boundaries of mere charitable work, acting as a principal provider of baseline services essential to sustaining modern society.

Table 6 Number of Organizations, Revenue, and Assets of Public Charities by Sub-sector (2006-2016, Inflation-Adjusted)

|                                              | Number of Organizations |         |         | Revenue (\$ billions) |         |         | Expenses (\$ billions) |         |         | Assets (\$ billions) |         |         |
|----------------------------------------------|-------------------------|---------|---------|-----------------------|---------|---------|------------------------|---------|---------|----------------------|---------|---------|
|                                              | 2006                    | 2011    | 2016    | 2006                  | 2011    | 2016    | 2006                   | 2011    | 2016    | 2006                 | 2011    | 2016    |
| <b>All public charities</b>                  | 326,246                 | 287,318 | 318,015 | 1,536.4               | 1,698.5 | 2,041.5 | 1,394.5                | 1,596.7 | 1,937.3 | 2,705.2              | 3,015.7 | 3,793.7 |
| <b>Arts</b>                                  | 36,065                  | 28,579  | 31,894  | 35.4                  | 32.5    | 40.2    | 29.0                   | 29.8    | 36.9    | 106.1                | 107.6   | 132.9   |
| <b>Education</b>                             | 58,663                  | 49,223  | 54,632  | 273.7                 | 286.8   | 353.8   | 225.1                  | 259.8   | 327.9   | 835.8                | 906.8   | 1,144.8 |
| <b>Higher education</b>                      | 1,933                   | 2,013   | 2,161   | 179.1                 | 186.5   | 226.4   | 147.7                  | 169.4   | 213.4   | 557.2                | 585.6   | 740.6   |
| <b>Other education</b>                       | 56,730                  | 47,210  | 52,471  | 94.6                  | 100.3   | 127.4   | 77.4                   | 90.4    | 114.5   | 278.6                | 321.2   | 404.2   |
| <b>Environment and animals</b>               | 13,565                  | 12,547  | 14,932  | 14.6                  | 15.8    | 19.8    | 11.9                   | 14.2    | 17.2    | 34.9                 | 38.2    | 50.8    |
| <b>Health</b>                                | 41,753                  | 37,828  | 38,853  | 877.1                 | 1,008.0 | 1,208.5 | 826.7                  | 957.8   | 1,167.8 | 1,083.6              | 1,284.3 | 1,643.1 |
| <b>Hospitals and primary care facilities</b> | 7,266                   | 7,093   | 7,054   | 739.7                 | 854.5   | 1,016.0 | 702.3                  | 811.7   | 980.1   | 858.6                | 1,040.1 | 1,339.1 |
| <b>Other health care</b>                     | 34,487                  | 30,735  | 31,799  | 137.4                 | 153.5   | 192.5   | 124.4                  | 146.1   | 187.7   | 225.0                | 244.2   | 304.0   |
| <b>Human services</b>                        | 110,226                 | 102,321 | 111,797 | 198.3                 | 215.4   | 243.0   | 187.3                  | 208.4   | 234.5   | 291.3                | 322.3   | 371.4   |
| <b>International</b>                         | 5,999                   | 6,047   | 6,956   | 31.0                  | 30.8    | 39.7    | 28.1                   | 30.0    | 35.9    | 31.7                 | 31.9    | 44.6    |
| <b>Other public and social benefit</b>       | 40,029                  | 33,365  | 38,071  | 93.1                  | 94.7    | 117.1   | 74.9                   | 83.5    | 99.3    | 292.5                | 292.7   | 369.0   |
| <b>Religion related</b>                      | 19,946                  | 17,408  | 20,880  | 13.2                  | 14.5    | 19.4    | 11.5                   | 13.2    | 17.8    | 29.3                 | 31.9    | 37.1    |

Source: Urban Institute, National Center for Charitable Statistics (NCCS), Core Files (Public Charities: 2006, 2011, and 2016).  
Note: Due to rounding, sub-totals may not match the totals exactly.

<sup>25</sup> Sub-sector: In the United States, organizations are categorized by their primary area of activity based on the NTEE (National Taxonomy of Exempt Entities) classification. This allows for detailed comparative analysis by field as well as trends across the entire sector. The NTEE was developed in the 1980s by the NCCS (National Center for Charitable Statistics) and is currently adopted as the standard classification system for IRS Form 990 data management. This has enabled detailed trend analysis by field using public data.

Secondly, a crucial perspective in analyzing activity areas is the structural disparity within the sector<sup>26</sup>, where the “number of organizations” in each field is not necessarily proportional to the “scale of resources (revenue/assets)” they manage.

By comparing the number of organizations with the financial indicators in Table 6, it becomes clear that the U.S. nonprofit sector forms a two-tiered structure: a “numerous and decentralized” domain where countless small organizations exist at the grassroots level, and a “resource-concentrated” domain<sup>27</sup> which, despite having a limited number of organizations, possesses massive assets and revenue and exerts high economic impact. Therefore, to achieve a three-dimensional understanding of the reality of the U.S. nonprofit sector, it is necessary to analyze not only the “quantitative aspect” (number of organizations) but also the “depth of resources” (revenue and assets).

Thirdly, an overview of recent activity dynamics from a macroeconomic perspective reveals that different sub-sectors react differently to changes in the external environment, such as inflation. Figure 1 shows the changes in “Gross Outputs”<sup>28</sup> for each sub-sector, calculated as a real rate of increase or decrease after excluding the effects of price hikes. While the nonprofit sector as a whole achieved a real growth of 4% from 2023 to 2024, the breakdown is not uniform. Leading the way was the healthcare sector (up 5%), followed by steady growth of 2% in education, social services, and foundations/grantmaking organizations. Conversely, the religious sector turned to a decline of -3%. These dynamics indicate that “demand” and “activity levels” for nonprofit activities tend to rise relatively in fundamental areas directly linked to national life, such as healthcare, education, and social services<sup>29</sup>.

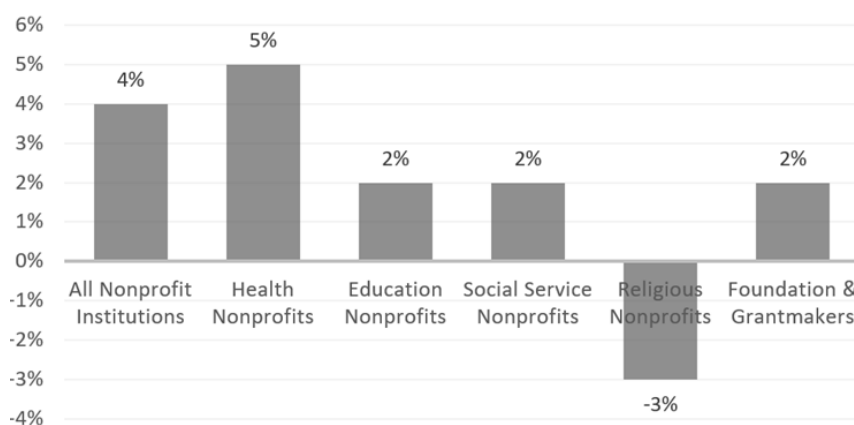


Figure 1 Change in Gross Output (Total Production) by Nonprofit Industry (Inflation-adjusted), 2023-2024

Source: Health of the U.S. Nonprofit Sector (Independent Sector, 2025)

<sup>26</sup> In contrast to the “legal two-tier structure (state law and federal tax law)” discussed in Section 1.1, this section focuses on the “economic two-tier structure (resource concentration)” as the primary axis of analysis.

<sup>27</sup> Sub-sector: In the United States, organizations are categorized by their primary area of activity based on the NTEE (National Taxonomy of Exempt Entities) classification. This allows for detailed comparative analysis by field as well as trends across the entire sector. The NTEE was developed in the 1980s by the NCCS (National Center for Charitable Statistics) and is currently adopted as the standard classification system for IRS Form 990 data management. This has enabled detailed trend analysis by field using public data.

<sup>28</sup> Gross Output: The total market value of goods and services produced by a specific economic sector. In U.S. GDP statistics, the nonprofit sector’s contribution is calculated as a distinct and independent economic entity.

<sup>29</sup> Even under inflationary conditions, demand for healthcare and social services remains inelastic; the stability of these activities is sustained by revenue from government contracts and fee-for-service income.

Summarizing the statistical analysis above, it can be concluded that the reality of the U.S. nonprofit sector is characterized by: (1) an expansion as social infrastructure spanning multiple fields rather than a single purpose; (2) a multi-layered structure where the balance between the “number of organizations” and “resource scale” differs greatly by field; and (3) a recent growth trend where life-foundation areas such as healthcare, education, and social services are driving the vitality of the entire sector.

### 1.2.3 Employment Scale

While the expansion of the “number of organizations” and “fields of activity” confirmed in the previous sections illustrates the external reach of the nonprofit sector, the indicator that most clearly demonstrates its social substance and degree of institutionalization is the “employment scale”. This section re-examines the U.S. nonprofit sector from the perspective of being a “major employer driving the domestic economy”.

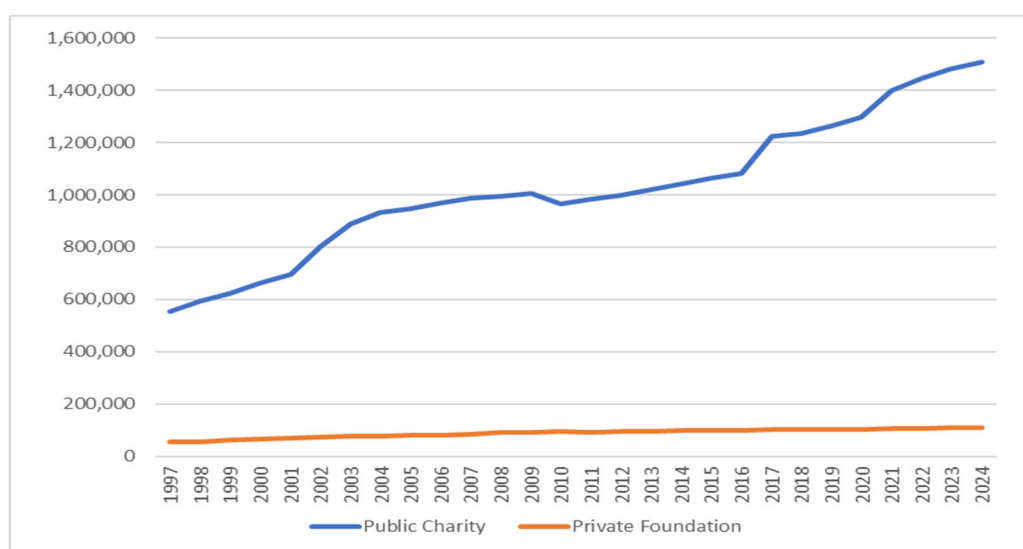


Figure 2 Trends in the Number of 501(c)(3) Organizations Since 1997

Source: Created from IRS Charities & Other Tax-Exempt Organizations Statistics and other data.

First, the organizational foundation supporting employment has undergone a steady expansion over the past quarter-century. According to long-term trends, the number of Public Charities has recorded a dramatic 2.7-fold increase<sup>30</sup>, rising from approximately 550,000 organizations in 1997 to roughly 1.51 million by 2024 (Figure 2)<sup>30</sup>. Similarly, the number of Private Foundations grew nearly twofold during the same period, increasing from approximately 55,000 to 110,000 organizations. These statistics corroborate the process by which the nonprofit sector has not merely “existed” but has continued to build organizational depth over the long term, maturing into a robust institutional infrastructure capable of consistently employing paid staff.

Next, I would like to focus on its presence as an independent “sector” within the labor market.

<sup>30</sup> The background of this growth can be attributed to the ease of incorporation procedures—approximating a “quasi-normative system” as discussed in Section 1.1.1—alongside rising societal expectations for the sector to serve as a vital receptacle for addressing increasingly complex social issues.



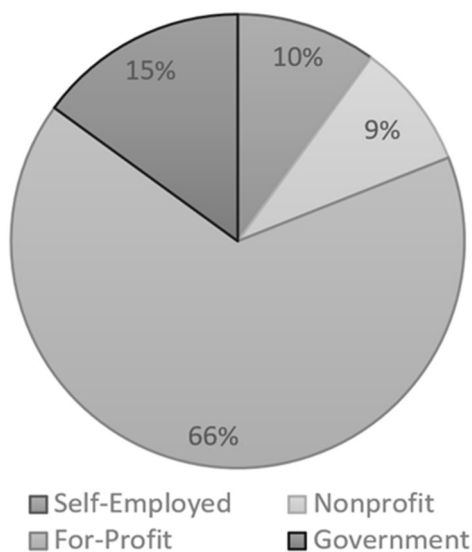


Figure 3 U.S. Employment by Sector (2023)

Source: Health of the U.S. Nonprofit Sector (Independent Sector, 2025)



Figure 4 Nonprofit Employment Compared to For-profit Industries (2022)

Source: Health of the U.S. Nonprofit Sector (Independent Sector, 2025)

According to estimates from the 2023 American Community Survey (ACS), the nonprofit sector accounts for 9% of all employment in the United States (Figure 3)<sup>31</sup>.

While this does not reach the scale of the largest force, for-profit enterprises (66%), it demonstrates that the sector serves as a major pillar of the labor market alongside the government sector (15%) and the self-employed (10%). In other words, nonprofit activities in the U.S. are established as an “institutionalized employment economy” managed by paid staff, and are by no means a mere extension of informal, volunteer-centered activities (Salamon and Newhouse, 2020).

Furthermore, in terms of absolute numbers, the nonprofit sector possesses the character of a “large-scale employer” comparable to major industries. In 2022

statistics, the total number of employees in the nonprofit sector was estimated at approximately 12.77 million (Independent Sector, 2025). This scale is roughly equivalent to, or even surpasses, that of manufacturing (approx. 12.75 million), one of the core industries of the United States (Figure 4)<sup>32</sup>. This magnitude—trailing only giant service industries such as retail trade and accommodation/food services—means that if nonprofits are viewed as a “single industry”, they rank

among the top tiers of the U.S. economic employment structure. What is important here is that this depth of employment is centered on highly specialized professions in healthcare, education, and social services, and that the nonprofit sector provides society with a structure that “continues to employ people” through the stable provision of public services.

Finally, the importance of this employment exhibits its own unique diversity depending on the structure of regional economies. Examining the nonprofit employment share (as a percentage of private employment) by state, the reality emerges that nonprofits are major employers primarily in the Northeast,

<sup>31</sup> In U.S. labor statistics, the nonprofit sector is defined as the “Third Sector”, an independent economic entity alongside the for-profit (First Sector) and government (Second Sector) sectors.

<sup>32</sup> Even during the 2020 pandemic, it has been noted that employment in the nonprofit sector experienced a relatively smaller decline compared to the manufacturing and leisure/hospitality industries, demonstrating a high degree of resilience to economic fluctuations.

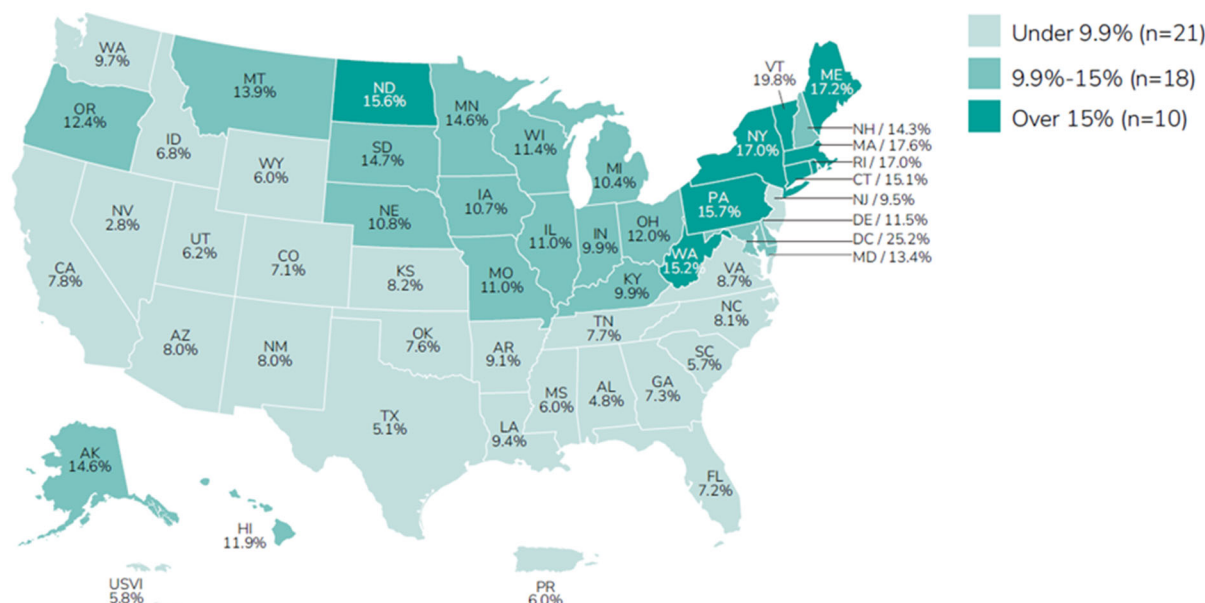


Figure 5 Nonprofit Employment as a Share of Private Employment by State and Territory (2022)

Source: Health of the U.S. Nonprofit Sector (Independent Sector, 2025)

led by Washington D.C. at 25.2%, followed by Vermont (19.8%) and Massachusetts (17.6%)<sup>33</sup> (Figure 5). On the other hand, there are regions where the ratio is extremely low, such as Nevada (2.8%). This pronounced state-level variation is closely linked to regional industrial structures and policy backgrounds, including the concentration of healthcare and higher education institutions, the density of policy and advocacy organizations in urban areas, and state government strategies for outsourcing public services (Urban Institute, 2024b).

Summarizing the statistical insights above, the U.S. nonprofit sector can be characterized as follows: (1) it is built upon a long-term expansion of its organizational foundation; (2) it has established itself as an independent employment sector responsible for approximately 10% of total employment; (3) it boasts an economic impact comparable to that of the manufacturing industry; and (4) it has solidified its position as a “major employer” supporting the core of regional economies. From an employment perspective, the nonprofit sector should no longer be understood as an abstract concept—a mere “collection of public interest ideals”—but rather as a powerful, institutionalized economic sector that sustains the fabric of society through the circulation of employment and income.

#### 1.2.4 Financial Scale and Revenue Composition

The social influence of the nonprofit sector in the United States is underpinned not only by the depth of its employment (labor force) discussed in the previous section but also by the vast financial scale and diverse revenue structure behind it. This section analyzes the presence of the nonprofit sector within the U.S. economy and the reality of the fiscal foundations that support its activities.

<sup>33</sup> The high ratio in the Northeastern states (such as the New England region) is due to the fact that prestigious private universities, including the Ivy League, and world-class research hospitals are operated as nonprofit corporations.



(1) A Massive Financial Scale Driving the U.S. Economy

First, the financial scale of the U.S. nonprofit sector is so immense that it rivals major economic indicators at the national level. According to statistics from the Internal Revenue Service (IRS), the total revenue of public charities grew from \$754.6 billion in 1997 to \$2.4 trillion in 2019, representing a 3.1-fold increase over 22 years<sup>34</sup>(Table 7). During the same period, total assets expanded from \$1.4 trillion to \$4.8 trillion, a growth of approximately 3.3 times (Arnsberger, 2000; Internal Revenue Service, 2024).

Table 7 Financial Trends of Public Charities (1997-2019)

| Item           | 1997                   | 2019 年                 | Growth Factor |
|----------------|------------------------|------------------------|---------------|
| Total Revenues | Approx. \$755 billion  | Approx. \$2.4 trillion | 3.1x          |
| Total Assets   | Approx. \$1.4 trillion | Approx. \$4.8 trillion | 3.3x          |

Source: Created based on Internal Revenue Service (2023).

(2) Operational Independence Through Diverse Revenue Structures

It is noteworthy that this growth rate has outpaced the nominal GDP growth rate of the United States over the same period<sup>35</sup>. This statistical reality proves that the nonprofit sector is no longer merely a “peripheral voluntary group” within American society; rather, it occupies a major segment of the service industry and serves as a powerful engine for economic growth.

What supports this massive financial scale is a diverse revenue structure that does not rely solely on charitable contribution (Independent Sector, 2025). An analysis of the average revenue sources for the U.S. nonprofit sector (2024) reveals that 50% comes from private funding (individual donations, foundations, and corporations), 28% from government funding (contracts and grants), 18% from earned revenue from private markets, and 4% from other sources (Figure 6).

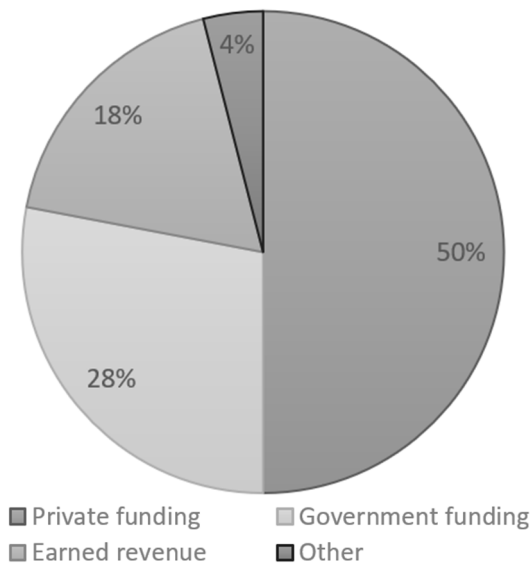


Figure 6: Revenue Composition of the Average Nonprofit Organization (2024)  
Source: Health of the U.S. Nonprofit Sector (Independent Sector, 2025)

<sup>34</sup> According to the latest statistics as of 2022, the total revenue of the U.S. nonprofit sector reached approximately \$2.6 trillion, a scale equivalent to roughly 5.6% of the nation’s nominal GDP (Internal Revenue Service, 2023b; National Center for Charitable Statistics, 2023).

<sup>35</sup> Similar to the employment growth rate discussed in Section 1.2.3, the nonprofit sector is exhibiting growth that surpasses the for-profit sector in financial terms as well. This indicates that the resolution of social issues is increasingly taking on the characteristics of a “growth industry”.

This data highlights the reality that “earning power” (fee-for-service)—consisting of government service contracts (28%) combined with earned revenue from private markets (18%)—accounts for nearly half of total income, alongside simple private donations. The hallmark of the U.S. model is precisely this strategic combination of “direct payments from beneficiaries” and “government service contracts” to ensure the sustainability and professionalism of their activities.

This “revenue diversification” prevents over-reliance on any single funding source and provides high resilience against economic fluctuations and political changes. Furthermore, it is important to note that within the U.S. legal framework, there is no uniform regulation prohibiting the accumulation of “Unrestricted Reserves”. Under the Internal Revenue Code (IRC), while tax-exempt organizations are prohibited from “private inurement” (unjust accumulation of profit for individuals), the retention of “Operating Reserves” to prepare for future investments or unforeseen risks is actually encouraged as a practice of sound financial management (National Council of Nonprofits, 2024).

This autonomous right to maintain a “financial buffer” serves as a critical foundation for sustainable activities that remain independent of economic trends. Particularly for large-scale universities, hospitals, and private foundations, the returns from endowments act as a vital source of funding for fulfilling their missions. The addition of such investment income and a robust culture of giving to their diverse portfolios further strengthens the autonomy of the sector as a whole.

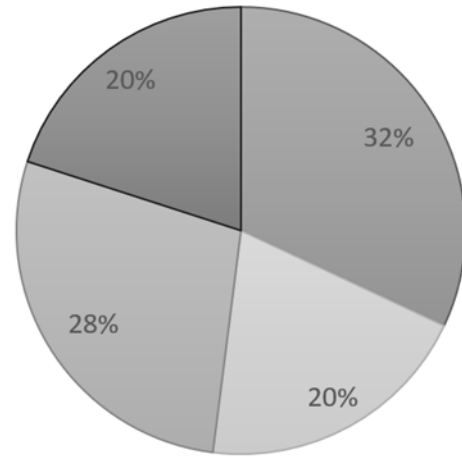


Figure 6 Months of Cash on Hand for Nonprofit Organizations (2025)

Source: Health of the U.S. Nonprofit Sector  
(Independent Sector, 2025)

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## 1.3 Social Positioning and Roles of Nonprofit Organizations

Yoshiharu Shiraishi

### 1.3.1 Providers of Charitable Services

Nonprofit organizations in the United States cover a wide range of social domains, including healthcare, education, welfare, the environment, culture, and community development. The breadth of their activities is closely linked to an institutional philosophy based on “institutional flexibility” and “civil society autonomy.” Crucially, nonprofit organizations are not merely “on the periphery of government services”; rather, they are positioned as “permanent social infrastructure” that implements public interest goals with expertise, agility, and community proximity in areas where it is difficult for the government to respond alone (City Wildlife).

This character of “complementarity” is rooted in the American tradition of “Pluralism”<sup>36</sup>. That is, while the government provides uniform services, the nonprofit sector takes on the role of supplying flexible services tailored to diverse values and individual needs (Salamon, 2012). Interview surveys also confirmed that nonprofit organizations do not exist in opposition to the government, but rather function as indispensable partners that fill “gaps” in public interest functions and support the continuity of social systems (Council on Foundations).

This complementarity becomes more visibly apparent during fluctuations in the political and economic environment. For example, during phases of federal budget cuts or policy retreats, the roles played by state governments and nonprofit organizations expand relatively, putting the autonomy of civil society to the test<sup>37</sup>. As a recent trend, the “Third-party government”<sup>38</sup> model—where the government provides funding and nonprofit organizations handle the practical operations—has become established. Collaboration through government contracts and grants has become a major pillar of the sector’s financial structure, accounting for approximately 30% of total revenue (Independent Sector, 2025; Urban Institute).

In this way, the provision of public interest services in the United States goes beyond frameworks like public education and public healthcare. By having private “nonprofit” entities bear the responsibility for public functions, the structure enhances the overall resilience of society. In particular, not only the rapid provision of services during crises but also social coordination functions through community building and policy advocacy during normal times are positioned as indispensable elements supporting this resilience<sup>39</sup> (City Wildlife).

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<sup>36</sup> Pluralism in the U.S. context refers to the ideal state where social decision-making and the provision of public services are not concentrated in a single entity (the government) but are distributed among diverse private organizations and communities. This enables “made-to-order” charitable activities that meet the needs of various minorities, rather than just those of the majority.

<sup>37</sup> Role as a Safety Net: This complementary role is symbolized by the track record of community-based pandemics or natural disasters, while official government assistance required time for administrative procedures.

<sup>38</sup> A concept proposed by Lester Salamon. It refers to a form of governance where the government does not provide services directly but instead handles the funding (Steering) and outsources the actual service delivery (Rowing) to highly specialized nonprofit organizations. This offers the government the benefits of controlling administrative costs and ensuring expertise, while providing nonprofits with a stable source of funding.

<sup>39</sup> Advocacy and Resilience: Feedback from nonprofit organizations—using insights gained through collaboration with the

### 1.3.2 Positioning as an “Institutionalized Economic Sector”

The nonprofit sector should be understood as an “economic sector” that possesses a tangible presence within the national economy through the circulation of employment and income, rather than being limited to idealistic “acts of goodwill.” In the United States, nonprofit activity has moved beyond the stage of unpaid volunteer service to establish itself as a highly specialized and institutionalized “independent economic sector” (National Council of Nonprofits).

This economic reality can be confirmed not only by employment and wages but also by the diverse composition of its revenue. According to statistics based on Information Return data from the Internal Revenue Service (IRS), the nonprofit sector has built a sustainable management foundation that does not depend on a single funding source by combining multiple revenue streams, such as donations/grants, government funding, program service revenue, and investment income (Figure 6) (University of Washington)<sup>40</sup>. Such a financial structure defines nonprofit organizations not as “unstable groups relying solely on donations,” but as “institutionalized economic entities” that perform capital reinvestment (investment back into the mission) (Urban Institute; IRS, 2024).

The U.S. Bureau of Labor Statistics (BLS) positions the nonprofit sector as a critical subject of economic analysis and has provided detailed long-term series data on nonprofit employment and wages since 2007 (Bureau of Labor Statistics, 2024). According to BLS analysis, the nonprofit sector is a “vital economic segment” accounting for approximately 10% of private employment (about 12.7 million people). Reports indicate that the sector possesses a higher capacity to maintain employment (resilience) during economic downturns compared to the for-profit sector (Friesenhahn, 2025)<sup>41</sup>.

Furthermore, it is essential to view the economic positioning of the nonprofit sector through its “Gross Value Added (GVA).” According to analysis by Independent Sector, the value added generated by the nonprofit sector reaches \$1.5 trillion, accounting for 5.4% of GDP (as of 2023). This presence is comparable to key industries such as manufacturing and transportation (Independent Sector, 2025)<sup>42</sup>. This fact indicates that nonprofit organizations should be understood not merely as “receptacles for public interest services,” but as an “indispensable wing of the macroeconomy” that sustains the socio-economic system through job creation and value-added production (National Council of Nonprofits / Council on Foundations).

This perspective of an “institutionalized economic sector” symbolizes the dynamism of the United States, where nonprofit activities are evaluated not only within the context of social policy but also within the frameworks of industrial policy and economic stabilization.

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government to inform policy recommendations—increases social predictability and enables structural problem-solving (Systems Change). This bidirectional relationship is a strength of the U.S. nonprofit sector, allowing it to be more than just a provider of services.

<sup>40</sup> In principle, all 501(c)(3) organizations can conduct revenue-generating activities on a “tax-exempt” basis as long as the activities are related to their established purpose. This flexible tax system serves as a vital legal foundation that encourages organizations to actively expand their operations and has allowed the nonprofit sector to grow to a massive economic scale.

<sup>41</sup> It has been noted that nonprofit employment—centered on healthcare and social services—functions as an “employment stabilizer” for regional economies because demand in these fields is less likely to decrease even during economic downturns.

<sup>42</sup> The value added of the nonprofit sector includes wages and benefits for employees, as well as depreciation of fixed assets. If the economic value of unpaid labor by volunteers were included, the scale is estimated to expand even further.

### 1.3.3 Democracy and the Health of Civil Society

In the U.S. nonprofit sector, while direct administrative supervision by the government is limited, its functions are complemented by a structure of internal control via boards of directors and multi-layered “social monitoring” by citizens, donors, the media, and intermediary support organizations<sup>43</sup>. It was confirmed through the [interviews/study] that this autonomous governance structure is the vital element for maintaining the health of the sector (Nonprofit Association of Washington) (Shiraishi, 2026).

The foundation that enables this social monitoring is the thorough information disclosure system centered on Form 990 (see Section 2.3.2 for details). In the United States, transparency functions not merely as a “regulatory tool” but as a “defense mechanism” through which organizations proactively build trust, facilitate fundraising, and protect their autonomy from undue political interference. According to an interview with Issue One, the “visualization of financial flows” in nonprofit organizations is a minimum responsibility to maintain citizen trust in a democratic society, and it is clearly stated that this directly leads to the practical benefit of securing donations and grants.

Furthermore, this approach to accountability is permeated by the “Proportionality Principle.” This institutional philosophy holds that entities with greater social influence and resources should be subject to a higher and more rigorous level of accountability (Public Interest Corporation Association, 2023). This concept is reflected in the design of the current reporting system (ranging from Form 990-N to Form 990), which minimizes the administrative burden on small organizations while requiring detailed disclosures from massive foundations and hospitals. In particular, the tiered disclosure requirements based on total assets and annual gross receipts function as an “efficient regulatory model” that ensures the public interest of the entire sector while minimizing administrative costs (Candid; IRS, 2024).

Furthermore, the assurance of transparency is powerfully driven by private-sector-led “social incentives.” For instance, quantitative data indicates that organizations that achieve the highest rank (Platinum) in the “Seals of Transparency”<sup>44</sup> provided by Candid (formerly GuideStar) tend to secure on average 53% more in donations and grants compared to those that do not, with some organizations seeing increases of up to 1.5 times (Candid, 2024). This demonstrates that increasing transparency is itself justly “valued” within market mechanisms, creating a positive cycle that promotes organizational growth (Candid).

Taken together, it can be said that U.S. nonprofit organizations do not merely serve as executors of policy issues; they function as a “trust infrastructure” that guarantees the health of civil society through their own accountability and the public disclosure of data. In other words, the nonprofit sector is positioned as a mechanism that strengthens the democratic foundation of society as a whole—not only through the outcomes of its activities but also through the transparency of its operational processes (Council on Foundations).

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<sup>43</sup> In addition to Candid, there are several influential private evaluation agencies in the United States, such as “Charity Navigator,” which rates financial efficiency and governance based on independent metrics, and the “BBB Wise Giving Alliance”, which conducts reviews based on 20 rigorous standards. These “watchdogs” translate complex financial data into easily understandable formats for general donors, thereby ensuring that the market’s screening function remains effective.

<sup>44</sup> Seals of Transparency: A certification system for information disclosure operated by Candid. Organizations are awarded one of four levels of seals, ranging from “Bronze to Platinum”, depending on the

### 1.3.4 Bearers of Specialized Knowledge and the Role of Intermediaries

In contemporary American society, amid an ongoing “crisis of trust” where confidence in the government, political parties, and traditional media is wavering, nonprofit organizations have become entities that garner unique expectations from citizens as providers of fact-based information and specialized knowledge. According to the latest surveys, approximately 57% of U.S. citizens place high trust in the nonprofit sector—a level significantly higher than that for the federal government (18%) or the news media (20%) (Independent Sector, 2025). Interview surveys also highlighted the reality that as political polarization intensifies, the role of nonprofit organizations rooted in evidence-based approaches is being increasingly valued (Environmental Protection Network).

Particularly in the environmental and regulatory fields, as symbolized by the activities of organizations like the Environmental Protection Network (EPN)<sup>45</sup>, there is a strengthening function as a “bridge between science and institutions” that connects the federal government, state governments, and civil society. Organizations such as EPN possess highly specialized personnel, including former government officials and scientists. By analyzing complex regulatory proposals and performing the “translation”<sup>46</sup> of scientific findings, they provide a channel for ordinary citizens and communities to engage effectively in the policy-making process (Environmental Protection Network).

The role presented here cannot be reduced to mere advocacy based on specific ideologies. In fact, 55% of nonprofit organizations provide their own independent research data to policymakers and the media (Independent Sector, 2025). By providing “Technical Assistance”<sup>47</sup>—which involves organizing scientific knowledge and connecting it to the practical implementation of institutional operations—these organizations function as mechanisms that guarantee “publicness” based on objective data, even when policy conflicts become acute. This is where the modern social positioning of nonprofit organizations lies (Environmental Protection Network).

According to the latest trust surveys, U.S. citizens tend to give “NGOs (nonprofit organizations)” higher ratings than the government in both ethics and competence regarding the resolution of social issues<sup>48</sup> (Independent Sector, 2025). However, citizen trust in advocacy activities themselves remains at only 33%. Consequently, how the nonprofit sector can maintain and continue to prove its autonomy as a “non-partisan hub of specialized knowledge” has become a core governance challenge for the future. The nonprofit sector has become an indispensable piece of modern governance—a “quiet hub of expertise,” so to speak, supporting an increasingly complex society (Independent Sector).

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<sup>45</sup> EPN was established by former employees of the Environmental Protection Agency (EPA) out of concern that the government’s scientific expertise could be distorted by political pressure.

<sup>46</sup> The process of restructuring obscure technical jargon and vast administrative documents into a format that citizens and community groups can understand and utilize.

<sup>47</sup> Activities in which specialized skills or know-how are provided for free or at low cost to other organizations (such as local governments or grassroots groups) to solve specific social issues. In the U.S., the “provision of expertise” itself, not just financial funding (grants), is widely recognized as one of the critical public interest functions of nonprofit organizations. comprehensiveness of their data. As a mechanism for visualizing an organization’s transparency, it serves as a primary reference metric for donors when judging credibility.

<sup>48</sup> According to Independent Sector (2025), nonprofit organizations receive significantly higher ratings in both ethics (46%) and competence (45%) compared to the government (Ethics: 21%, Competence: 24%).

### 1.3.5 Giving and Volunteering

The true driving force behind the U.S. nonprofit sector is not merely public systems or tax incentives, but a multi-layered culture of civic participation through giving and volunteering. Donations are not viewed as a simple “transfer of funds” but as an expression of civic engagement—a declaration of a citizen’s intent to engage with social issues as their “own responsibility”<sup>49</sup>. This sense of ownership forms the robust bedrock of charitable behavior. In 2023, total individual giving reached approximately \$374.4 billion; the fact that individuals account for about 67% of all donations symbolizes this direct support from citizens (Giving USA, 2024).

Interview surveys with small-scale organizations also confirmed that “citizen trust and empathy” sustain activities even more than institutional support (Friends of Mitchell Park). Building close relationships with local residents and visualizing activity outcomes serve as direct triggers for attracting donations. This nexus of “trust-funding-sustainability” is precisely what guarantees the autonomy of nonprofit organizations<sup>50</sup>. However, a notable recent trend is that while total donation amounts are being maintained, the number of donating households (participation rate) is on a downward trend—a shift recognized as a critical challenge for the long-term sustainability of the sector (Friends of Mitchell Park / Friends of Georgetown Waterfront Park).

Furthermore, volunteer activities possess a value equivalent to paid labor. According to a joint study by Independent Sector and the University of Maryland’s Do Good Institute, the economic value per hour of volunteering has been rising annually, reaching an estimated \$33.49 in 2023<sup>51</sup> (Independent Sector, 2024). This visualized economic value confirms that volunteering is not merely “unpaid service,” but functions as a substantial source of labor supply within the national economy. When the contributions of volunteers are converted into economic value, they equate to approximately \$200 billion annually across the United States, representing a macroeconomic impact that cannot be overlooked.

According to the interviews, there were numerous accounts of local sports clubs and small-scale cultural organizations being spontaneously organized using the nonprofit legal framework and operated primarily by volunteers (Friends of Mitchell Park). This demonstrates that the nonprofit sector serves as a vessel—a “school of democracy”<sup>52</sup>—that absorbs the energy of citizens within their daily lives and converts it into social value. In this way, giving and volunteering function as the most fundamental and powerful channels through which U.S. citizens solve community challenges “with their own hands” (The Catholic University of America).

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<sup>49</sup> A concept encompassing all public activities performed by citizens to improve the quality of their community, including not only donating and volunteering but also voting, participating in local activities, and socially responsible consumption (purchasing behavior). In the U.S., this is widely integrated into educational settings as a concrete practice of “Good Citizenship.

<sup>50</sup> Relationship Fundraising: A philosophy that views donating not as a one-time transaction but as the building of a long-term relationship between the organization and the donor. In U.S. nonprofits, the quality of this relationship is considered to be directly linked to management stability (Friends of Mitchell Park / Friends of Georgetown Waterfront Park).

<sup>51</sup> Estimation of Volunteer Time Value: This is calculated based on the average hourly earnings of private-sector workers in non-agricultural sectors. This figure is utilized as a critical basis for nonprofit organizations to quantitatively explain volunteer contributions in grant applications and financial reports.

<sup>52</sup> A concept famously noted by Alexis de Tocqueville in *Democracy in America*, which posits that citizens learn the public spirit through associations. Modern nonprofit organizations are seen as heirs to this traditional function of civic participation.



### 1.3.6 Hubs for Promoting Collaboration Among Diverse Entities

Finally, it is important not to fix the role of nonprofit organizations within a closed understanding where the nonprofit sector alone holds a monopoly on public interest. In contemporary American society, public interest engagement is not limited to the specific legal form of the nonprofit corporation. Instead, the responsibility for addressing shared social challenges is embraced across all domains, including government, for-profit corporations, and the daily lives of individuals.

Underlying this is the reality that the nonprofit sector enjoys social trust far exceeding that of other sectors (such as the government and media), allowing it to function as a “dialogue platform” for diverse entities. In interview surveys, the concept of expanding the “Circle of Care” across society as a whole and embracing social issues by crossing sectoral boundaries was strongly emphasized (Seattle Pacific University).

Against this background, the importance of collaboration among diverse organizational forms to solve social issues is increasing. In particular, “Social Enterprise” approaches<sup>53</sup> and hybrid organizational forms, such as Benefit Corporations (e.g., B Corps)<sup>54</sup>, are complementing the functions of the traditional nonprofit sector and accelerating its development (Seattle Pacific University). These diverse entities aim to create larger and faster impacts by fusing sustainability through market mechanisms with the social missions cultivated by nonprofit organizations (Battilana and Lee, 2014). This diversification of “means” symbolizes American pragmatism, where achieving the public interest is held as the paramount objective

<sup>55</sup>.

Given this complementary relationship, the contemporary social positioning of U.S. nonprofit organizations can be understood not merely as a “Third Sector positioned outside of government and the market,” but as a “hub” for multi-stakeholder collaboration to realize public interest goals. The practices discussed thus far—such as the “optimal mix of donations, grants, and earned income,” the “mobilization of volunteers,” and “building trust through data disclosure”—are the very “social infrastructure” that integrates resources from different sectors and makes collaboration possible (Seattle Pacific University).

Furthermore, within the framework of “Collective Impact”<sup>56</sup>, which has garnered significant attention in recent years, nonprofit organizations are expected to serve as “backbone organizations”<sup>57</sup>. In this

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<sup>53</sup> Refers to methods where nonprofit organizations aim to achieve their mission through revenue-generating businesses, or where for-profit companies conduct business with a primary focus on social goals. In the U.S., the boundary between the two is flexible, and there is a tendency to choose the optimal form as a “means” to achieve charitable objectives.

<sup>54</sup> A legal corporate form that mandates the pursuit of general or overall public benefit for society and the environment, in addition to maximizing shareholder profit. Legislated in many U.S. states, it has become popular as an “intermediate form” between nonprofit and for-profit entities.

<sup>55</sup> This “diversification of means” is based on the idea of viewing organizational forms as a continuum (spectrum) ranging from “pure nonprofit” to “pure for-profit”. In the U.S., including new legal forms such as the L3C (Low-profit Limited Liability Company), a practice has taken hold where the mission (objective) is prioritized, and “capital procurement methods” (donations vs. investment) and “revenue models” are flexibly combined to best achieve that mission.

<sup>56</sup> Collective Impact is a methodology where diverse entities—including government, corporations, nonprofit organizations, and foundations—work across organizational boundaries toward a common goal and shared evaluation metrics to address specific social issues. Given their neutrality and credibility, nonprofit organizations often take the lead in overall coordination.

<sup>57</sup> In the context of collective impact, a “backbone organization” is not merely a secretariat; it refers to a specialized entity responsible for the strategic management of the entire project. This includes maintaining a shared vision, coordinating supporting activities, managing shared measurement systems, and advancing policy advocacy. By assuming this role, a nonprofit organization can function as a “neutral mediator” among sectors with different interests.

capacity, they take on the responsibility of building consensus among disparate stakeholders and managing progress based on shared measurement (Kania and Kramer, 2011). By leveraging their operational transparency and expertise to function as hubs that unite diverse entities toward the common goal of public interest, nonprofit organizations continue to provide effective solutions to the increasingly complex social challenges of the modern era (Seattle Pacific University).

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## 2. Legal Framework and Institutional Operations

### 2.1 Specific Practices and Costs of Incorporation and Tax-Exempt Certification

Yoshiharu Shiraishi

In putting the “two-tiered structure” and “quasi-normative system” discussed in Section 1.1 into practice, an organization must complete procedures at both the state and federal levels. As of 2025, the specific process from incorporation to tax-exempt certification, and subsequently to maintaining compliance, is as follows.

The first step is to obtain legal personality by filing the Articles of Incorporation with the Secretary of State in the state where the organization’s activities will be based. Currently, digitalization has advanced to the point where, in most states, the process can be completed via online application. Processing speeds vary by state: while some jurisdictions like Colorado complete the process almost instantly, it is not uncommon for states like New York or California to require several weeks. Incorporation fees generally range from \$50 to \$300 (e.g., \$89 in Delaware) (Wolters Kluwer, 2024). It is important to note that at this stage, the organization acquires the legal capacity to enter into contracts and be a party to litigation, but it is treated as an ordinary taxable corporation that does not yet possess federal income tax-exempt status.

In practice, however, careful strategic judgment is required before creating the “vessel” of legal incorporation. According to an interview survey with the National Council of Nonprofits, the organization advises against hasty new incorporations with the message: “Don’t just yet”. This is intended to prevent the oversaturation of similar small organizations, which can lead to intense competition for limited donation resources within a massive population already exceeding 1.6 million organizations. Therefore, prior to registration, it is recommended to conduct thorough market research, including exploring partnerships with existing organizations or utilizing “fiscal sponsorship”. Furthermore, immediately upon completing state registration, an organization must obtain a Federal Employer Identification Number (EIN) from the Internal Revenue Service (IRS). This acts as the organization’s “Social Security Number” and serves as an essential identification code for subsequent tax-exempt applications and opening bank accounts (IRS, 2025a).

Next, once the legal personality is secured, the organization applies to the IRS for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. This process functions essentially as a “passport of public interest” (George Mason University / National Council of Nonprofits). Since 2020, the application process has transitioned to a fully electronic system via Pay.gov. The primary forms used are the standard Form 1023 and the streamlined Form 1023-EZ, the latter of which is for small organizations meeting specific asset and revenue requirements (Table 8).

As of 2025, the application user fees are \$600 for the standard version and \$275 for the streamlined version (IRS, 2025b). Review periods vary significantly by form; while the streamlined version tends to be approved within 8 to 12 weeks, the standard version takes an average of six months, and in complex

cases, may require 12 months or more. Once approved, the tax-exempt status applies retroactively to the date of the organization’s incorporation.

IRS certification is not the finish line; to actually launch activities and solicit donations, continuous compliance at the state level is required (International Society for Third Sector Research). Currently, 38 states and Washington, D.C. mandate “charitable solicitation registration”<sup>58</sup> with the State Attorney General or similar authorities prior to any fundraising activity (Public Interest Corporation Association, 2023).

In particular, with the spread of online fundraising, the interpretation of the “Charleston Principles”<sup>59</sup> where simply placing a “Donate Button” on a website can trigger registration obligations in multiple states—has become a major factor increasing the compliance burden (National Council of Nonprofits, 2025b). Furthermore, apart from federal tax certification, separate applications must be filed with each state’s taxing authority to obtain exemptions from state corporate income tax, sales tax, and property tax (Baker & Hostetler / George Mason University). Additionally, since 2025, new laws strengthening privacy standards for nonprofit organizations have taken effect in states like Oregon and Delaware. For organizations operating across multiple jurisdictions, adapting to these local regulations has become an essential operational requirement (CMR Risk & Insurance, 2025).

Table 8 Application for Recognition of Exemption (Form 1023)

| Item               | Form 1023 (Standard)                                                                                 | Form 1023-EZ (Streamlined)                                                                              |
|--------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Length             | Approximately 40 pages, including schedules (supplementary forms) and attachments.                   | 3 pages.                                                                                                |
| Application Fee    | \$600 (Paid via Pay.gov)                                                                             | \$275 (Paid via Pay.gov)                                                                                |
| Review Process     | Full review by an IRS agent of the narrative of activities, financial data, and organizing documents | Minimal to no initial review (attestation-based).                                                       |
| Eligibility        | Available to all legitimate 501(c)(3) organizations, regardless of size or complexity.               | Restricted to organizations with annual gross receipts under \$50,000 and total assets under \$250,000. |
| Time to Approval   | Average of 90 days, though it depends on IRS workload and application quality.                       | Approximately 30 to 60 days if it passes automated checks.                                              |
| Retroactive Status | Even after the 27-month deadline, retroactive tax-exempt status can be requested via Schedule E.     | No option for retroactive relief. If filed late, the organization may be taxable for its initial years. |

Note: The source for this table warns that Form 1023-EZ (Streamlined) is considered “high risk.” While the streamlined version is more convenient, it suggests a disadvantage: compared to the standard version, it may be more difficult to fulfill accountability requirements when applying for grants or undergoing IRS audits in the future.

Source: Form1023.org, “IRS Form 1023-EZ Qualifies: Qualification Test” <https://form1023.org/irs-form-1023-ez-qualifies-qualification-test>

<sup>58</sup> The cost of maintaining registration nationwide can reach approximately \$1,200 to \$1,500 per year even for small organizations, and it is recognized as a fixed operational expense.

<sup>59</sup> Guidelines established by the National Association of State Charity Officials (NASCO) in 2001. They set the standard that a registration obligation arises in a state if an organization not only has a donate button on its website but also engages in “active solicitation”, such as sending emails specifically to residents of that state.

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## 2.2 Legal Requirements for Operations (Governance and Oversight)

Yoshiharu Shiraishi

### 2.2.1 The Three Fiduciary Duties of the Board

In U.S. nonprofit corporations, directors and trustees bear three Fiduciary Duties based on state law and case law. These duties serve as the primary and most powerful yardsticks for holding a board legally accountable if it becomes dysfunctional (Baker & Hostetler; National Council of Nonprofits, 2024a).

#### (1) Duty of Care

This is the obligation of a director to exercise the same level of reasonable care and deliberation that an ordinary “Prudent Person” would exercise under similar circumstances when performing their duties.

- Practical Application: Includes attending board meetings, pre-reading materials, asking appropriate questions of experts, and monitoring the organization’s financial status.
- Legal Protection: When a director makes a decision in good faith and based on sufficient information, the “Business Judgment Rule” applies. This rule protects directors from personal liability even if the decision results in a loss for the organization, thereby encouraging proactive decision-making (BoardSource, 2024)<sup>60 61</sup>.

#### (2) Duty of Loyalty

This requires directors to prioritize the interests of the organization over their own interests or the interests of others (Baker & Hostetler). The core of this duty lies in the “Management of Conflicts of Interest”. In the United States, transactions between a director and the organization are not prohibited outright; however, if a conflict of interest exists, a strict process of timely disclosure and recusal from voting on the matter is required (Independent Sector, 2025)<sup>62</sup>. Representative cases of breaching this duty include “Excess Benefit Transactions”, such as unreasonably high compensation or the transfer of assets at below-market prices, which are subject to intermediate sanctions (excise taxes) by the IRS.

#### (3) Duty of Obedience

This is the obligation of directors to remain faithful to the organization’s founding purpose (mission) and to ensure that operations are conducted in compliance with the articles of incorporation and relevant laws and regulations (Baker & Hostetler). It refers to the responsibility of acting as a “guardian of the mission”, preventing the organization from engaging in activities that deviate from its original objectives.

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<sup>60</sup> Business Judgment Rule: When questioning a director’s failure to uphold the “Duty of Care”, courts focus not on whether the decision was correct (the outcome), but on whether the decision-making process was appropriate (the procedure). This helps prevent a shortage of volunteer directors and encourages organizations to take on challenges in solving social issues.

<sup>61</sup> Volunteer Protection Act: A federal law enacted in 1997. It stipulates that uncompensated directors are criminal conduct. Combined with state-level “Business Judgment Rules”, this creates a double legal defensive line that allows volunteer directors to operate without excessive fear of litigation risk (Council on Foundations).

<sup>62</sup> This describes the practical application of IRC Section 4958. Under this framework, if a committee composed entirely of disinterested directors approves a conflict-of-interest transaction based on appropriate comparability data (such as market rates) and documents the deliberation process in a timely manner, the transaction is granted a “presumption of reasonableness”. This is known as the “Safe Harbor” procedure, and it has become the standard practice for directors to mitigate the legal risks associated with intermediate sanctions.

This duty also includes ensuring that restricted donations received from donors for specific purposes are not used for unintended objectives. If a director violates these duties or the articles of incorporation—such as by engaging in acts contrary to the mission or damaging the organization’s reputation—they may face removal from office based on the Bylaws. In severe cases, they may also be subject to legal sanctions by the State Attorney General. Similarly, members may be subject to disciplinary actions, such as expulsion, for violations of rules in accordance with the bylaws.

In the U.S. nonprofit sector, boards of directors govern their organizations autonomously based on these duties, thereby ensuring public interest while avoiding excessive government intervention (Independent Sector). According to the latest research, citizen trust in nonprofit organizations correlates with the extent to which boards internalize these legal obligations as “ethical standards” (Independent Sector, 2025). Therefore, in discussions regarding governance, the essential pivot for institutional operations—even more so than the formal establishment of regulations—is for each individual director to possess an awareness of their role as a “fiduciary” and to function as the conscience of the organization<sup>63</sup>.

### 2.2.2 Division of Administrative Oversight and the “Parens Patriae” Principle

The state-level oversight system in the United States is clearly divided based on specific roles. Specifically, the Secretary of State handles clerical “registration management”, such as corporate registration and the maintenance of standing (renewal of registration). In contrast, effective “operational oversight”—including the monitoring of fundraising activities and the proper management of public interest assets—falls under the jurisdiction of the State Attorney General (Table 9).

Table 9 Secretary of State vs. Attorney General: Critical Differences in Roles

| Item                | Secretary of State (SOS)                                                      | Attorney General (AG)                                                                 |
|---------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Primary Role        | The “Registrar” of the corporation                                            | The “Guardian” of the public interest                                                 |
| Focus of Oversight  | Incorporation, maintenance, and dissolution (clerical/administrative aspects) | Misappropriation of public assets and monitoring of fraudulent fundraising activities |
| Main Procedures     | Acceptance of Articles of Incorporation, Annual Reports                       | Charitable Solicitation Registration                                                  |
| Nature of Authority | Formal verification of requirements (Quasi-normative system)                  | Powerful legal enforcement powers, including investigation, subpoena, and prosecution |

The Attorney General supervises nonprofit organizations based on the authority of “Parens Patriae” (Parent of the Country: Protector of the Public Interest), but actual intervention is generally limited to cases where “serious fraud” or “misappropriation of assets” is strongly suspected (Baker & Hostetler).

This design, which keeps the scope of administrative intervention limited, functions as an incentive

<sup>63</sup> Social Governance: A director’s responsibility is not limited to legal liability; it is also closely linked to “reputational risk” through social evaluations conducted by the media and external rating agencies such as Candid (formerly GuideStar).

that encourages a strong sense of accountability within the board of directors, reinforcing the idea that “they are the ultimate responsible entity for the organization”.

Furthermore, the legal standing for the general public or donors to directly sue directors is extremely limited. This is an institutional measure designed to protect public interest activities from “harassment lawsuits” based on political motives or personal grievances, thereby ensuring the independence of the board’s decision-making process.

### **2.2.3 Contemporary Challenges in Internal Governance and Risk Management**

According to the latest research (Independent Sector, 2025), the primary factor sustaining public trust in nonprofit organizations is the “integrity” of the board of directors.

A dysfunction in internal governance is not merely an operational error; it leads directly to “Intermediate Sanctions”<sup>64</sup> by the IRS or the revocation of tax-exempt status. Historically, the only legal remedy for inappropriate transactions was the “revocation of tax-exempt status”—a capital punishment of sorts that ended the organization’s existence. However, the introduction of IRC Section 4958 in 1996 enabled “Intermediate Sanctions”, which allow for oversight that directly punishes the individuals involved in misconduct while preserving the organization’s public interest functions.

This system targets “Excess Benefit Transactions”, such as the payment of compensation exceeding fair market value or the transfer of assets at below-market prices. The sanctions are extremely rigorous: the individual who received the improper benefit (the Disqualified Person) is subject to an excise tax of 25% of the excess benefit (increasing to 200% if not corrected), and directors who knowingly approved the transaction may also face a tax of up to \$20,000 (Baker & Hostetler; IRS, 2025b).

To mitigate the risk of such sanctions, the IRS strongly encourages all 501(c)(3) organizations to adopt and rigorously enforce a conflict of interest policy as a pillar of “preventative governance”. In practice, the key to reaching the “Safe Harbor”—and thereby securing the “Rebuttable Presumption of Reasonableness” from the IRS—lies in meticulously documenting a three-step process within the board’s minutes, which begins with Disclosure, requiring every director to proactively declare all potential affiliations and personal interests on an annual basis, followed by Recusal, whereby any director with a conflict of interest is formally excluded from all deliberations and the final vote regarding the transaction in question, and concludes with the Substantiation of Reasonableness, which demands that the organization demonstrate the transaction price is fair and equitable by anchoring it to robust comparability data such as independent market valuations or competitive bids (KPMG).

Furthermore, regulations regarding governance are not limited to the federal level. In certain jurisdictions, such as New York under its Nonprofit Revitalization Act, the adoption of a conflict of interest policy and the requirement for annual disclosures have been codified into legal mandates<sup>65</sup>. For

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<sup>64</sup> Intermediate Sanctions: While previously the only option was the “death penalty” of revoking tax-exempt status, the IRS now employs flexible oversight by imposing punitive taxes on the individuals involved in illicit transactions, thereby allowing the organization itself to survive.

<sup>65</sup> State-specific regulations, such as those in New York, go beyond the federal level of “recommendation” and are imposed as strict legal mandates. Non-compliance carries the risk of direct legal action by the State Attorney General, including petitions for the removal of directors.



organizations operating across multiple jurisdictions, adapting to the specific regulations of their home state has become an indispensable compliance requirement.

As a recent trend, ensuring that board members possess diverse backgrounds and varied expertise is being emphasized as an essential element for enhancing an organization's risk management capabilities (The Japan Association of Charitable Organizations, 2023).

#### **2.2.4 The Reality of Oversight and the Effectiveness of Governance**

The external oversight framework surrounding U.S. nonprofit organizations operates on the premise that it is inherently “limited” due to the constrained resources of the IRS and State Attorneys General. Reports as of 2025 continue to highlight the shortage of IRS examination personnel and delays in post-facto enforcement as critical challenges<sup>66</sup> (Independent Sector, 2025). Under these circumstances, the preservation of an organization's public interest status is ensured not by external policing, but by the effectiveness of an “internal discipline model”, through which the board of directors autonomously demonstrates its adherence to regulatory standards (Baker & Hostetler).

##### **(1) The “Safe Harbor (Immunity) Strategy” to Ensure Effectiveness**

In U.S. tax law practice, the highest priority for directors is securing the “Rebuttable Presumption of Reasonableness” under IRC Section 4958. Simply possessing a written policy is insufficient; rather, establishing a legal bulwark requires the consistent accumulation of the following three “operational facts” (BoardSource, 2024; IRS, 2025a).

- Approval by an Independent Board: Decisions regarding transactions or compensation must be made exclusively by independent directors who have no conflict of interest.
- Utilization of Appropriate Comparability Data: There must be evidence that the decision-making process involved an evaluation based on objective data from similar organizations or market benchmarks.
- Contemporaneous Documentation: The rationale and the process leading to the decision must be recorded and approved in detailed “minutes” at the time the decision is made.

##### **(2) Minutes as “Evidence” of Governance**

The essence of governance in the United States lies in the practical principle: “If it wasn't recorded, it didn't happen” (Exponent Philanthropy).

Minutes serve as the sole and most powerful evidence that directors have fulfilled their “duty of care”. In the IRS Form 990 (Part VI), organizations are directly questioned regarding the “contemporaneous documentation” of meetings held by the governing body and its committees. The absence of such records leads to a presumption of “deficient governance”, significantly increasing the risk of becoming a target for intensive audits (Internal Revenue Service, 2024). To effectively

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<sup>66</sup> Low Audit Rates by the IRS (Evidence of the Limits of External Oversight): According to recent statistics, the audit rate for nonprofit organizations by the IRS has hovered around 0.1% to 0.2% of all entities. This extremely low “detection rate” is the driving force behind a shift in priority: rather than relying on government oversight, organizations place greater emphasis on “social oversight” from the donor market and media, as well as “autonomous evidence of governance” to maintain institutional credibility.

demonstrate governance, minutes must reflect the “quality of deliberation”—including the substance of inquiries and any dissenting opinions—rather than merely recording final resolutions (For Purpose Law Group, 2025).

### **(3) Internalization of Accountability**

Interviews and field research confirm that U.S. nonprofit organizations do not simply “wait” for retrospective intervention by administrative agencies; instead, they embed processes for fulfilling accountability into their daily operations (KPMG/Baker & Hostetler). Pro forma policies that exist in name only can actually work against an organization, serving as evidence that it is “failing to follow its own rules”. The “spirit of autonomy”—where the board proactively manages risk and maintains the visibility of its processes—is the true engine that compensates for the limitations of external oversight and sustains the resilience of the U.S. nonprofit sector.

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## 2.3 Reporting Obligations and Mechanisms of Transparency

Yoshiharu Shiraishi

### 2.3.1 Annual Information Returns at the Federal Level

The core practice supporting the transparency of nonprofit corporations in the United States is the annual information filing with the Internal Revenue Service (IRS). This system serves as the information infrastructure that enables the “social oversight” discussed in Section 1.1.2 to function effectively.

#### (1) Functional Role as an “Information Return”

The Form 990 series is not a “tax return” designed primarily to determine tax liability; rather, it is an “information return” intended to explain an organization’s activities and financial status to the public<sup>67</sup>. Since 2020, electronic filing has been mandatory for all organizations, and the submitted data is immediately made visible through the IRS and private platforms such as Candid. In practice, this filing functions not merely as an administrative report, but as a “public resume” used by donors and grantmaking foundations to assess an organization’s credibility (Baker & Hostetler / Council on Foundations; Salamon, 2012).

#### (2) Tiered Reporting Forms Based on Scale (Application of the Proportionality Principle)

Based on the “proportionality principle”, which adjusts the reporting burden according to the economic scale of the organization, a tiered system of reporting forms has been established based on financial thresholds (Table 10) (Candid / Baker & Hostetler; IRS, 2025). For further details, please refer to Section 3-2, “Contents of Periodic Filings by Category”.

Table 10: List of Filing Criteria for the Form 990 Series (For Tax Years 2025 and Later)

| Filing Form | Primary Target Organizations     | Filing Criteria (Financial Scale)                                | Key Contents and Features                                                                                                                   |
|-------------|----------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Form 990    | Large and standard organizations | Gross receipts $\geq$ \$200,000 or Total assets $\geq$ \$500,000 | A comprehensive return. Provides detailed disclosure on governance, officer compensation, and program accomplishments.                      |
| Form 990-EZ | Mid-sized organizations          | Gross receipts $<$ \$200,000 and Total assets $<$ \$500,000      | A simplified version of the full form. Focuses on key financial data and a summary of activities.                                           |
| Form 990-N  | Small organizations (e-Postcard) | Normally, annual gross receipts $\leq$ \$50,000                  | A brief electronic notice known as the “e-Postcard”. Completed by submitting only basic organizational information.                         |
| Form 990-PF | Private Foundations              | Mandatory regardless of financial amount                         | A form dedicated to foundations. Requires strict reporting on grant distributions, investment income, and detailed administrative expenses. |

#### (3) Substantiating Public Interest Through Supplemental Schedules

When filing Form 990, organizations are required to attach supplemental materials (Schedules)

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<sup>67</sup> Strictly speaking, while Form 990 is not a document used to finalize tax amounts (though organizations with unrelated business income must pay taxes via Form 990-T), it serves as the definitive source of information for determining whether an organization continues to meet the requirements for tax exemption. In particular, the responses in Part VI (Governance, Management, and Disclosure) are said to be a key part of the algorithm used by the IRS to select targets for audits.

tailored to their specific activities and financial events (Table 11). By selecting and submitting the schedules relevant to their operations, organizations provide evidence of administrative propriety that cannot be fully captured in the main return.

In particular, “Schedule O” serves as a narrative section for supplemental information that cannot be adequately conveyed through standardized checkboxes or numeric fields. In practice, it has become the most critical component for demonstrating an organization’s integrity and the quality of its governance through descriptive storytelling (Baker & Hostetler).

Table 11: Supplemental Schedules

| Information Items                                                                                                                      | Pages | 990 | EZ | N | PF  |
|----------------------------------------------------------------------------------------------------------------------------------------|-------|-----|----|---|-----|
| Schedule A:Public Charity Status and Public Support                                                                                    | 8     | ○   | ○  | — | —   |
| Schedule B:Schedule of Contributors                                                                                                    | 4     | ○   | ○  | — | ○   |
| Schedule C:Political Campaign and Lobbying Activities                                                                                  | 4     | ○   | ○  | — | —   |
| Schedule D:Supplemental Financial Statements                                                                                           | 5     | ○   | —  | — | —   |
| Schedule E:Schools                                                                                                                     | 2     | ○   | ○  | — | —   |
| Schedule F:Statement of Activities Outside the United States                                                                           | 5     | ○   | —  | — | —   |
| Schedule G:Supplemental Information Regarding Fundraising or Gaming Activities                                                         | 3     | ○   | ○  | — | —   |
| Schedule H:Hospitals                                                                                                                   | 10    | ○   | —  | — | —   |
| Schedule I:Supplemental Information on Grants and Other Assistance to Organizations, Governments, and Individuals in the United States | 2     | ○   | —  | — | —   |
| Schedule J:Compensation Information                                                                                                    | 3     | ○   | —  | — | —   |
| Schedule K:Supplemental Information on Tax-Exempt Bonds                                                                                | 4     | ○   | —  | — | —   |
| Schedule L:Transactions with Interested Persons                                                                                        | 2     | ○   | ○  | — | —   |
| Schedule M:Non-Cash Contributions                                                                                                      | 2     | ○   | —  | — | —   |
| Schedule N:Liquidation, Termination, Dissolution, or Significant Disposition of Assets                                                 | 3     | ○   | ○  | — | —   |
| Schedule O:Supplemental Information to Form 990                                                                                        | 2     | ○   | ○  | — | —   |
| Schedule R:Related Organizations and Unrelated Partnerships                                                                            | 5     | ○   | —  | — | —   |
| Number of Related Supplemental Schedules                                                                                               | —     | 16  | 8  | 0 | 1   |
| Number of Pages in Form 990                                                                                                            | —     | 12P | 4P | — | 13P |

### 2.3.2 A System Based on the Premise of Public Disclosure

The effectiveness of the information filing system described in Section 2.3.1 is ensured not merely by the obligation to report, but by the mechanism of “Public Disclosure”, which exposes the data to the rigorous scrutiny of the general public. In a context where comprehensive oversight by administrative authorities is physically difficult to achieve, this transparency creates a powerful incentive for organizations to maintain high standards of accountability (The Catholic University of America).

#### (1) IRC Section 6104 as the Legal Basis

This “oversight through disclosure” is rooted in IRC Section 6104. Tax-exempt organizations are legally obligated to provide their application for tax-exempt status (Form 1023) and their information

returns (Form 990 series) for the most recent three years upon public request <sup>68</sup>(Internal Revenue Service, 2025). Failure to comply with a request without reasonable cause results in financial penalties<sup>69</sup>, enabling effective verification by individual donors, the media, and watchdog organizations. However, to protect donor privacy, specific details of the donor list (Schedule B) are generally redacted from public disclosure copies<sup>70</sup>.

## **(2) Digital Transparency and the Role of Data Platforms**

In modern institutional operations, the effectiveness of transparency is determined by “machine-readability” (The Catholic University).

Following the Taxpayer First Act of 2019, the full mandate for electronic filing transformed IRS data from “images (PDF)” into “machine-readable data (XML format)”. This evolution has enabled the automatic detection of inconsistencies using AI and big data analytics, establishing a foundation for “digital oversight” that complements limited administrative resources.

Specialized entities such as Candid (formerly GuideStar, etc.) aggregate and analyze this vast XML data into comprehensive databases. This allows for more than just the verification of single entities; it enables statistical analysis of capital flows and compensation trends across the entire sector (Candid, 2025).

## **(3) Autonomous Governance Driven by Social Oversight**

The disclosure of information plays a vital role in autonomously enhancing discipline across the entire nonprofit sector through the following processes (The Catholic University):

- **Elimination of Information Asymmetry:** It contributes to a healthier “donor market” where donors can objectively evaluate financial health and mission achievement based on public data to make informed choices.
- **Early Visualization of Risks:** Cross-analysis by journalists and researchers often exposes inappropriate spending or governance failures, which frequently serves as the trigger for official administrative investigations.
- **Evolution of Evaluation Standards:** Conversely, increased transparency has highlighted the negative impact of the “Starvation Cycle”<sup>71</sup>, where low overhead ratios are overemphasized as a proxy for “efficiency”. As of 2025, there is an accelerating movement toward Trust-based Philanthropy, which evaluates organizations based on “social impact” rather than mere administrative costs.

In the United States, the “obligation to disclose” is a “democratic contract” through which nonprofit organizations prove the legitimacy of their public interest status by inviting public scrutiny, thereby earning social trust.

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<sup>68</sup> This measure is designed to protect donor anonymity and prevent undue solicitation or interference. However, Private Foundations are required to disclose donor information.

<sup>69</sup> If an organization fails to comply with a disclosure request without reasonable cause, the IRS may impose a penalty of \$20 per day (up to a maximum of \$10,000). The existence of this financial penalty serves as an effective discipline, encouraging immediate onsite responses to public inspection requests.

<sup>70</sup> (Note: Adjusted numbering for clarity as the original text repeated [1] and [2]). If an organization fails to respond to a request for inspection without reasonable cause, a penalty of \$20 per day (up to \$10,000) is imposed.

<sup>71</sup> A phenomenon where the suppression of administrative costs leads to underinvestment in IT infrastructure and staff development, ultimately exhausting the organization’s capacity.

### **2.3.3 Enforcement Mechanisms for Transparency**

The primary mechanism ensuring the effectiveness of the reporting obligations described in Section 2.3.1 is the “Automatic Revocation of Tax-Exempt Status” under IRC Section 6033(j). This serves as an extremely powerful disciplinary tool that links the maintenance of transparency directly to the organization’s legal and economic right to exist (Cornell Law School, 2026).

#### **(1) The Mechanism of Automatic Revocation**

Any organization that fails to file a required return in the Form 990 series for three consecutive years will have its tax-exempt status automatically revoked by operation of law (Baker & Hostetler).

This revocation does not require a case-by-case determination or specific administrative action by the IRS. It is executed mechanically once the deadline for the third year has passed, regardless of clerical errors or a failure to receive notice. The strictness of this “lack of administrative discretion” provides a compelling incentive that sustains the exceptionally high compliance rate for reporting obligations in the United States (IRS, 2026a).

Revoked organizations are placed on the IRS “Automatic Revocation List” and removed from the database of tax-exempt entities. Because this information is reflected in real-time on platforms such as Candid (as discussed in 2.3.2), the fact of revocation is immediately broadcast to the public as a signal of institutional “ineligibility”.

#### **(2) Impact as a “Death Penalty”**

In practice, this regulation is often referred to as a “death penalty” for the organization. Upon revocation, an entity faces the following fatal risks (Baker & Hostetler):

- Immediate Taxation as a For-profit Entity: From the moment status is lost, the organization is treated as a taxable corporation. Corporate income taxes, interest, and late penalties are applied retroactively to the date of revocation. For organizations with significant assets, this cumulative tax liability can be severe enough to force the cessation of all activities.
- Loss of Funding: Donors can no longer claim income tax deductions for their contributions. Furthermore, it is standard practice for grantmaking foundations and government agencies to immediately suspend funding upon the loss of a valid 501(c)(3) status.

#### **(3) Substantial Costs of Reinstatement**

To restore a revoked status, simply filing the missing returns is insufficient. The organization must undergo the entire application process for tax-exempt recognition (Form 1023, etc.) again, as if it were a newly established entity, and pass a re-examination by the IRS.

To obtain “Retroactive Reinstatement”—which fills the gap during the period of revocation—the organization must prove “Reasonable Cause” for the filing delays. This process imposes a heavy practical burden, requiring substantial legal fees and taking anywhere from several months to years to resolve (Baker & Hostetler; IRS, 2026b).

### **2.3.4 Audit System**

For U.S. nonprofit organizations, external audits are more than just an accounting procedure; they

are an indispensable process that provides objective validation for the “social and market oversight” discussed in Section 1.1.2. Audit requirements are structured in a multi-layered framework involving three tiers: the federal government, state governments, and private funders (National Council of Nonprofits, 2024).

### (1) Federal “Single Audit”

Organizations that receive federal grants or contracts (Federal Awards) are subject to a “Single Audit” based on the scale of their expenditures. This system covers funds from multiple federal agencies under one comprehensive audit. It strictly examines not only the fairness of financial statements but also the internal controls of program operations and compliance with laws and regulations<sup>72</sup> (National Council of Nonprofits; Public Interest Corporation Association, 2023).

For many years, the threshold for this audit was set at annual expenditures of \$750,000 or more. However, following a 2024 revision by the OMB (Office of Management and Budget), this threshold was increased to \$1,000,000 or more for fiscal years beginning on or after October 2024 (Table 12). This represents a significant practical shift aimed at addressing inflation and reducing the administrative burden on small-to-medium-sized organizations.

Table 12 The level of financial assurance required for nonprofit organizations at the federal level.

| Annual Expenditure of Federal Funds (Grants/Contracts) | Required Level of Financial Assurance                       |
|--------------------------------------------------------|-------------------------------------------------------------|
| Less than \$1,000,000                                  | No federal mandate for external assurance (Audit or Review) |
| \$1,000,000 or more                                    | “Single Audit” by an independent CPA                        |

The application criteria for this system depend strictly on the “expenditure of federal funds”. Therefore, even a large-scale organization with a total revenue of, for example, \$5 million would not be subject to a federal audit mandate if it receives no federal funding (or if its federal expenditures fall below the statutory threshold). This point must be clearly distinguished from state-level audit requirements, which are typically based on total revenue (see Section 2.4.2).

### (2) Requirements by State Law and Private Funders

Even organizations that do not reach the federal funding threshold may be required to undergo professional verification through the following two channels (National Council of Nonprofits):

- **State-Level Legal Requirements:** In connection with the “Charitable Solicitation Registration” discussed in Section 2.1.3, many states mandate the submission of audit reports for organizations that solicit donations above a certain scale. Standards vary by state; for example, in New York, an audit is mandatory for organizations with an annual gross revenue of \$1 million or more, while smaller organizations may be permitted to provide tiered levels of assurance, such as a “Review”<sup>73</sup>.

<sup>72</sup> Government Auditing Standards (Yellow Book): Single Audits must be conducted in accordance with the rigorous “Government Auditing Standards” established by the U.S. Government Accountability Office (GAO), in addition to standard generally accepted auditing standards.

<sup>73</sup> Flexibility in Assurance Levels: To balance the assurance of transparency with the containment of audit fees, tiered reporting based on organizational scale is permitted.

- **Independent Requirements of Private Funders:** Even if an organization falls below state law thresholds, private foundations and other grantors often mandate an “annual audit by an independent CPA” as a condition of the grant agreement. This allows private entities to play a complementary role in risk management for areas beyond the reach of administrative oversight (Wexler and Husick, 2023).

### **(3) Practical Implications and the “Gradation of Assurance”**

The primary challenge in the audit system lies in the simultaneous navigation of differing reporting formats for each funder and heterogeneous regulations across various states. In practice, organizations must adopt a strategy that balances cost and transparency by selecting the most appropriate level of assurance from the following three tiers, based on their stage of growth (expenditures and donation volume):

- **Audit:** The highest level of assurance provided by a CPA.
- **Review:** Limited (negative) assurance based on analytical procedures and inquiries.
- **Compilation:** Assistance in the preparation of financial statements without providing any assurance on them.

Furthermore, a common practice has emerged where boards utilize the “Management Letter” issued during the external audit process not merely as a list of findings, but as “strategic advice” to strengthen governance and mitigate future risks (National Council of Nonprofits).

#### **2.3.5 Limitations of Oversight and the True Meaning of Reporting Obligations**

Reporting obligations in the U.S. nonprofit system are not predicated on comprehensive, direct audits by administrative authorities. The annual number of IRS audits on nonprofit organizations remains approximately 1,000 to 1,200 (estimated for FY2025), which is extremely limited compared to the total pool of over 1.66 million 501(c)(3) certified entities. Similarly, while State Attorneys General possess powerful intervention authority regarding significant fraud, their daily monitoring resources are, in reality, constrained (Issue One).

#### **(1) Multi-Stakeholder Oversight Filling the “Oversight Gap”**

The limitations of direct administrative oversight have served as a catalyst in the United States for the growth of a “civil society oversight ecosystem built on public information” (Council on Foundations).

The transition to machine-readable data (XML format) and its availability via APIs, as discussed in Section 2.3.2, delivers vast amounts of information—which the government cannot monitor alone—to researchers, journalists, and donors in real-time<sup>74</sup>. Donors compare and select organizations based on data from private rating agencies such as Candid and Charity Navigator<sup>75</sup>. This “discipline of being chosen” functions as an incentive even more powerful than public audits.

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<sup>74</sup> AWS Public Dataset: The IRS makes electronic filing data available on AWS, creating an environment where private engineers and researchers can batch-analyze the financial data of over 1.66 million organizations.

<sup>75</sup> Charity Navigator: A rating agency that applies unique weighting to financial efficiency and governance metrics to rank organizations on a four-star scale. It serves as one of the most intuitive selection benchmarks for individual donors in the U.S.



## **(2) The Connection Between Administrative Oversight and Autonomous Discipline**

Reporting obligations in the U.S. are not merely administrative procedures; they are strategic tools used to prove an organization’s legitimacy in the “battlefield of evaluation” by maximizing transparency (Issue One).

Boards of Directors (see Section 2.2.1) are structured in a way that forces them to strengthen autonomous internal discipline to avoid reputational risks, remaining keenly aware of the rigorous eyes of external monitors. The “virtuous cycle of trust”—where more transparent organizations secure more donations (Candid, 2024)—is the essence of the American model that complements imperfect administrative oversight. Organizations that lose social trust are forced into a “natural exit from the market” due to financial distress long before legal action is ever taken.

## **(3) “Strategic Transparency” as Institutional Operation**

Reporting obligations in the U.S. are not a form of administrative “control”; rather, they are a “strategic foundation” for eliminating information asymmetry and allowing organizations to fulfill their accountability and build trust alongside society. The mechanisms discussed from Sections 2.3.1 to 2.3.4—including the strictness of form selection, automatic revocation, and external audits—are all apparatuses designed to guarantee the “quality” of data necessary for this “social oversight ecosystem” to function accurately (Council on Foundations).

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## 2.4 State-Level Regulatory Variations

Yoshiharu Shiraishi

### 2.4.1 Primary Areas of Variation and Practical Complexity

The U.S. nonprofit legal system is predicated on Federalism. Within the “two-tiered structure” discussed in Section 1.1.1, state-level regulations are operated independently by each jurisdiction. In practice, the regulatory disparities between states are significant. For organizations operating across multiple states, a “multiple compliance burden”—patchworking together various state requirements—has become the norm (George Mason University).

Large states such as New York and California, in particular, maintain exceptionally robust and strict oversight regimes compared to the rest of the nation. The following four areas represent the primary domains where state-level differences manifest.

#### (1) Diversity in Corporate Formation and Governance Regulation

The “Nonprofit Corporation Law”, which serves as the legal basis for establishing a nonprofit, is independent to each state—much like the “Business Corporation Law” for-profit entities. Differences exist in areas such as the minimum number of directors and mandatory provisions in the Articles of Incorporation (George Mason University / International Society for Third Sector Research).

California’s governance regulations are particularly distinctive. Its Nonprofit Public Benefit Corporation Law<sup>76</sup> imposes the so-called “49% Rule”, which stipulates that “interested persons” (such as salaried officers or their relatives) may not constitute more than 49% of the board. This is a unique discipline not found in other states, designed to secure oversight by external directors by mandating a specific organizational structure (KPMG).

Furthermore, California is a pioneer in the legal framework for “social enterprises”—hybrids of for-profit and nonprofit forms. In addition to the conventional Benefit Corporation, it offers a unique option called the Social Purpose Corporation (SPC)<sup>77</sup>, which allows for management that prioritizes mission achievement (Seattle Pacific University).

#### (2) Individualization of Charitable Solicitation Registration

The charitable solicitation registration mentioned in Section 2.1.3 is the area with the heaviest administrative burden. While a “Unified Registration Statement (URS)” once allowed the use of a single form across multiple states, most states have now transitioned to independent online portals, leading to a decline in practical “uniformity” (Baker & Hostetler).

In New York and California (specifically the Attorney General’s Registry of Charities and Fundraisers), organizations are required to file state-specific annual financial reports in addition to the

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<sup>76</sup> Classification of California Nonprofits: Nonprofit corporations in California are categorized into the following three types based on their purpose and nature. Each is governed by a detailed, independent section of the law (Part). The Articles of Incorporation must specify which law the entity is organized under: Nonprofit Public Benefit Corporation Law, Nonprofit Mutual Benefit Corporation Law, Nonprofit Religious Corporation Law

<sup>77</sup> Social Purpose Corporation (SPC): The governing law for SPCs is the Social Purpose Corporation Act, found in Division 1.5 of the California Corporations Code.

federal Form 990. These procedures are characterized by extreme rigor; for instance, they require dual signatures from both the representative and the financial officer, embedding a multi-layered check-and-balance system to prevent fraud.

### (3) “Misalignment of Standards” in External Assurance of Financial Statements

The mandate for external audits in the United States involves a complex landscape where the “calculation basis (denominator)” and “threshold (amount)” are operated independently by the federal government and various state governments.

While the federal “Single Audit” is triggered by the expenditure of federal funds (currently \$1 million or more annually), individual states base their requirements on “gross revenue” or the “amount of public contributions” received within the state. The lack of uniformity across these standards is striking: while New York mandates an audit at \$1 million in gross revenue, California sets a higher threshold at \$2 million<sup>78</sup>, and Illinois applies a significantly lower threshold of \$300,000 in contributions.

Organizations operating in multiple states face high-level strategic decisions: they must either undergo a comprehensive audit to satisfy the most stringent state’s criteria or manage varying levels of assurance jurisdiction by jurisdiction.

### (4) Non-Automatic Nature of State Tax Exemptions

Obtaining 501(c)(3) status under federal tax law does not automatically guarantee exemption from state and local taxes (such as sales tax, property tax, etc.). In many states, to receive a Sales Tax exemption, organizations must file a separate application with the state’s Department of Revenue, providing their federal determination letter to obtain a state-specific exemption certificate<sup>79</sup>.

Table 13: Comparison of NY, DC, and MD

| Comparison Item       | Primary Regulatory Authority                             | Mandatory Audit Threshold                    | Key Features                                                                                                  |
|-----------------------|----------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Washington, D.C. (DC) | Department of Licensing and Consumer Protection (DLCP)   | None (Voluntary)                             | Requires a “Basic Business License (BBL) ”.                                                                   |
| New York (NY)         | Attorney General                                         | Gross receipts > \$1M                        | Among the strictest oversight in the U.S. Full transition to online portals.                                  |
| California (CA)       | Attorney General (Registry of Charities and Fundraisers) | Gross receipts > \$2M                        | Unique organizational regulations such as the “49% Rule”. Pioneer in legal frameworks like SPCs.              |
| Washington (WA)       | Secretary of State                                       | Tiered criteria based on contribution income | Standardized digital governance and operational efficiency under the new corporate act enacted in 2022.       |
| Maryland (MD)         | Secretary of State                                       | Contributions > \$750K                       | Detailed charitable solicitation regulations. Offers tax reciprocity for organizations in neighboring states. |

<sup>78</sup> California Audit Committee Requirements: Under the Nonprofit Integrity Act of 2004, organizations with gross revenues of \$2 million or more are not only required to conduct an external audit but must also establish an “Audit Committee” that is independent of the board’s executive functions.

<sup>79</sup> Property Tax Exemptions: Organizations must demonstrate to the local Assessor that the property is used “exclusively” for charitable purposes. In cases where the property is shared with for-profit entities, the exemption may be denied.

#### **2.4.2 Case Study 1: New York (NY)**

New York (NY) is renowned as a jurisdiction with one of the most robust nonprofit regulatory frameworks in the United States. The authority of the State Attorney General (AG), discussed in Section 2.2.2, is exercised with significant specificity through the Charities Bureau. Organizations operating within the state are required to maintain sophisticated compliance standards<sup>80</sup> (New York State OAG, 2026).

##### **(1) The CHAR500 Annual Filing Framework and Practical Rigor**

The cornerstone of compliance in New York is the submission of the annual report, Form CHAR500. This is not merely a clerical procedure but a mandatory requirement to maintain “Good Standing”, which allows an organization to continue its legal operations within the state.

A major practical feature of this system is the requirement for two electronic signatures during online submission: one from a primary representative (such as the President or CEO) and another from the financial officer (such as the CFO or Treasurer). This is a unique New York mechanism designed to physically ensure the effectiveness of the “internal control by the Board” (discussed in Section 2.2.1) at the administrative reporting stage. Any deficiencies in the filing are immediately flagged as “Delinquency,” which directly triggers the risk of a suspension of the organization’s right to solicit contributions (Labyrinth, 2026).

##### **(2) Tiered Financial Requirements and Divergence from Federal Standards**

A defining characteristic of New York State’s regulatory environment is that the “entry threshold” at which external assurance by a Certified Public Accountant (CPA) is required is set significantly lower than federal standards (Baker & Hostetler).

As noted in Section 2.4.1, once an organization’s annual gross revenue exceeds \$250,000, it must attach a CPA “Review” report. This represents a substantial state-specific burden for medium-sized organizations that does not exist under federal law.

For organizations with annual gross revenue exceeding \$1,000,000, a rigorous “Independent Audit” is mandated. While this figure numerically aligns with the federal threshold (discussed in Section 2.3.4), there is a critical distinction in the denominator: whereas the federal government only considers the “expenditure of federal grants”, New York State considers “gross revenue”, which includes all public contributions and other income.

Consequently, an organization with a gross revenue of \$1.2 million that receives no federal funding would not require an external audit under federal law, but would be legally mandated to undergo a full-scale independent audit under New York State law. This “broad scope of coverage” and “early intervention at the \$250,000 level” are the primary drivers of the practical “misalignment of standards” that organizations must navigate (Meadows CPA, 2025).

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<sup>80</sup>New York Executive Law, Article 7-A: This is the primary statute governing charitable solicitation in New York. In addition, under the Estates, Powers and Trusts Law (EPTL), which regulates the management and administration of charitable assets, the Attorney General acts as the protector of charitable trusts and possesses broad investigative powers, including the authority to issue subpoenas. This dual legal framework provides a powerful basis for oversight that is unparalleled in other states.

Table 14 Levels of Financial Assurance Required for Nonprofit Organizations

| Annual Gross Revenue and Support | Required Level of Financial Assurance             |
|----------------------------------|---------------------------------------------------|
| Less than \$250,000              | Unaudited Financial Report                        |
| Over \$250,000 to \$1,000,000    | Review Report by an independent CPA               |
| Over \$1,000,000                 | Audited Financial Statement by an independent CPA |

### (3) Digital Transparency and the Effectiveness of Enforcement

The “social oversight” discussed in Section 2.3.2 is accelerated by New York State’s unique online portal (Baker & Hostetler).

Submitted CHAR500 forms and federal Form 990s are immediately published through the Office of the Attorney General (OAG) website. This accessibility facilitates easy verification by the media and watchdog organizations. In recent years, movements seeking even greater transparency—such as legal debates surrounding the disclosure of major donors (Funding Disclosure)—have intensified. This creates an environment that necessitates constant legal monitoring (Caplin & Drysdale, 2021).

New York’s system possesses an aspect of “forcibly raising” the autonomous governance capabilities of organizations through rigorous administrative oversight<sup>81</sup>. For organizations expanding their activities into New York from other states, establishing a framework to anticipate these state-specific financial thresholds and timely arrange for necessary external assurance is a vital governance requirement.

#### 2.4.3 Case Study 2: Washington, D.C. (DC)

As a federal district, Washington, D.C. (DC) constitutes its own unique jurisdiction. Its practical operations are distinct from the neighboring states of Maryland (MD) and Virginia (VA). Treating the District’s framework as identical to those of neighboring states based solely on geographical proximity carries significant compliance risks (International Society for Third Sector Research).

##### (1) Regulatory Authority

The ultimate responsibility for the oversight of charitable assets in D.C. lies with the Office of the Attorney General (OAG) for the District of Columbia (George Mason University). In addition to the general powers of State Attorneys General discussed in Section 2.2.2, the D.C. OAG tends to extremely proactively exercise its authority to investigate and prosecute fraudulent solicitation and the misappropriation of assets from the perspective of resident protection (OAG for the District of Columbia, 2026). In the context of being a federal district, this is an example where the Attorney General strongly embodies the role of “protector of the public interest”.

##### (2) Solicitation Discipline

The most significant practical characteristic of the D.C. system is that it does not use the

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<sup>81</sup>New York serves as a global financial and cultural hub with a high concentration of charitable assets. Historically, public outcry and judicial intervention regarding the misappropriation of funds have led to the creation of the most sophisticated and powerful enforcement regime in the United States. Adaptation to this environment functions as a “Gold Standard”, serving as proof of global trustworthiness.

“Registration” system adopted by many states; instead, it employs a “Licensing” system that manages charitable activities as a type of “business”. Charitable solicitation falls under the jurisdiction of the Department of Licensing and Consumer Protection (DLCP), which oversees standard business licenses. Before soliciting donations, a nonprofit organization must obtain a Basic Business License (BBL) under the “Charitable Solicitation” category<sup>82</sup> (DC DLCP, 2026). This is not a mere notification; it is a procedure requiring explicit “permission” from the administrative authorities.

### **(3) Practical Impact on Organizational Operations**

Through field interviews, a case was shared where an organization moved its base from Maryland to D.C. and found that “existing registrations were invalid, necessitating a complete replacement of reporting requirements from scratch”. To legally maintain activities in D.C., organizations must clear the following region-specific requirements (International Society for Third Sector Research):

- Clean Hands Mandate: When obtaining or renewing a license, a “Clean Hands Certificate”—proving the organization owes no more than \$100 in outstanding debt (taxes, fines, etc.) to the D.C. government—is required. This strictly tests the integrity of financial management.
- Three-Step Process: Operations in D.C. necessitate a three-tiered procedure: ① Corporate Registration, ② Tax Registration, and ③ Obtaining a BBL. Even with federal 501(c)(3) status, any deficiency in these local procedures directly triggers the risk of a legal halt to fundraising activities.

The D.C. case is a prime example of multi-layered discipline consisting of ex-post asset oversight (OAG) and ex-ante administrative licensing (DLCP). It is essential for organization managers to include the cost of adapting to “local legal doctrines” that arise whenever crossing state lines into their management plans, even while operating on the common foundation of federal rules<sup>83</sup>.

#### **2.4.4 Case Study 3: Maryland (MD)**

The regulatory framework in Maryland (MD) is characterized by a clear definition of the balance between ensuring transparency and minimizing the administrative burden on organizations through “tiered external assurance based on contribution income”. As an exceptional case of the “division of administrative oversight” discussed in Section 2.2.2, Maryland’s registration affairs are centralized under the Charitable Organizations Division, which operates directly under the Secretary of State rather than the State Attorney General (Maryland Secretary of State, 2026).

##### **(1) Basic Design of Registration and Renewal: The Role of “COF-85”**

Organizations soliciting charitable contributions in Maryland are mandated to register with the Secretary of State before commencing activities. While filings are primarily based on the federal Form 990, the state requires small organizations that are exempt from IRS filing to submit a state-specific

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<sup>82</sup> Licensing Requirements: Obtaining a BBL requires the submission of current documents from multiple administrative departments, including the IRS Determination Letter, Certificate of Incorporation, and the Clean Hands Certificate. This process should be understood as an independent business permit procedure, distinct from the “Corporate Formation” discussed in Section 2.1.

<sup>83</sup> Maintaining registrations across multiple states incurs not only state-specific fees but also massive labor hours for document preparation by CPAs and lawyers and for deadline management. For medium-sized organizations, these “compliance maintenance costs” can reach tens of thousands of dollars annually, which is discussed as a structural challenge (**Red Tape**) that pressures the “program expenses” intended for mission achievement.

financial report form, COF-85<sup>84</sup>(Maryland Secretary of State, 2026). Through this mechanism, Maryland has built a framework that ensures a degree of transparency at the state level even for smaller entities whose financial data remains undisclosed at the federal level.

## (2) Rational Design of Financial Thresholds

A noteworthy aspect of Maryland’s regulation is that the thresholds triggering mandatory external assurance (Review or Audit by an independent CPA) are defined by the specific metric of “Charitable Contributions” from the public, rather than total revenue (Table 15).

In contrast to New York (Section 2.4.2), which uses “Total Revenue” as its benchmark, Maryland uses the “pure amount of public donations” (excluding government grants and contracts) as the denominator. This represents a rational design that significantly alleviates the audit burden compared to New York for organizations that receive substantial government contract fees but have a relatively low volume of individual donations (National Council of Nonprofits, 2024).

Table15 Levels of External Assurance Required for Nonprofit Organizations

| Charitable Contribution Amount           | Required Level of Financial Assurance                                                    |
|------------------------------------------|------------------------------------------------------------------------------------------|
| Less than \$300,000                      | No external assurance required (internally prepared financial statements are acceptable) |
| \$300,000 or more to less than \$750,000 | “Review” by an independent CPA                                                           |
| \$750,000 or more                        | “Audit” by an independent CPA                                                            |

## (3) The “Principle of Proportionality” as Regulatory Philosophy

This threshold design is a concrete manifestation of the “Principle of Proportionality” discussed in Section 2.3.1. Field interviews confirmed that by establishing clear numerical standards, the state accounts for the tradeoff where audit costs may deplete resources originally intended for public interest activities. This provides an environment where organizations can maintain predictability regarding the compliance costs associated with their future growth (National Council of Nonprofits).

## (4) Practical Considerations

To maintain compliance in Maryland, organizations must categorize data during the Form 990 preparation process in accordance with the state’s legal definition of “charitable contributions” (e.g., distinguishing them from government grants). While the annual renewal is due within six months of the end of the fiscal year, automatic extension measures have become commonplace, reflecting a degree of consideration for organizations with limited administrative resources<sup>85</sup> (Maryland Secretary of State, 2026).

Maryland optimizes the administrative burden according to an organization’s economic scale through

<sup>84</sup> This is a simplified financial reporting form used by organizations that have no federal filing obligation to publicly certify the scale of their activities within the state. The submission of this form ensures that the “information filing” function described in Section 2.3.1 is fulfilled at the state level.

<sup>85</sup> If the reporting deadline is missed, Maryland imposes cumulative late fees (e.g., \$25 initially, with monthly increments thereafter). While the amounts are smaller compared to states like New York, the organization’s “Good Standing” cannot be restored until the fees are paid, a mechanism that immediately hinders grant applications and other vital operations.

“legal codification” and “clear numerical thresholds”. By eliminating administrative discretion and encouraging organizations to autonomously develop their frameworks in line with their growth stages, this model serves as an excellent reference for institutional operations in other jurisdictions<sup>86</sup>.

#### **2.4.5 Case Study 4: California (CA)**

California, alongside New York, is known as a jurisdiction with the most robust and strict nonprofit regulations in the United States. The Registry of Charities and Fundraisers (formerly the Registry of Charitable Trusts), under the Office of the State Attorney General, exercises powerful oversight authority over the numerous nonprofit organizations operating within the state.

##### **(1) Robust Oversight by the Attorney General and the Public Benefit Corporation Law**

Based on the “Supervision of Trustees and Fundraisers for Charitable Purposes Act”, organizations in California are mandated to register and file annual reports with the Attorney General, separate from their initial corporate registration. According to field interviews (KPMG), the state is considered a high-difficulty region for practical compliance because tax administration (tax-exempt status) and judicial oversight (as the guardian of public assets) are exceptionally closely integrated.

##### **(2) Unique Legal Restrictions on Board Composition (The “49% Rule”)**

A defining feature of California’s “Nonprofit Public Benefit Corporation Law” is the strict limitation on board composition. Specifically, the state imposes the “49% Rule”, which stipulates that “interested persons” (salaried officers, their relatives, etc.) may not constitute more than 49% of the total number of directors on the board.

In the U.S., while nonprofit directors generally serve without compensation, it is legally permissible for directors who handle day-to-day management to receive a salary. However, by setting a specific numerical limit on this ratio, California structurally prevents the board from being dominated by “interested persons”. This systemically ensures that the oversight function of independent external directors does not become a mere formality. This represents a conspicuously strict discipline compared to other states, which tend to leave such matters to the board’s autonomy.

##### **(3) Diverse Corporate Forms for Social Purposes (SPC, etc.)**

As indicated in discussions with Seattle Pacific University, California is also known for pioneering the legal framework for “social enterprises”—hybrid forms of for-profit and nonprofit entities.

In addition to the conventional Benefit Corporation, the state offers a unique option called the “Social Purpose Corporation (SPC)”. Provided that the pursuit of specific social or environmental objectives is clearly stated in the Articles of Incorporation, an SPC allows management to make decisions that prioritize mission achievement without being strictly bound by the “fiduciary duty” of maximizing shareholder profit. Providing such a diverse array of legal “vessels” serves as a powerful draw for entrepreneurs seeking to accelerate social problem-solving through business methods.

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<sup>86</sup> Complementing Autonomous Governance: Maryland is home to “Maryland Nonprofits”, one of the leading state nonprofit associations in the U.S., which operates its own certification program called “Standards for Excellence”. In addition to the legal regulations of the Secretary of State, these private-sector ethical standards function as a form of “lateral peer accountability”, serving as an indispensable element of the state’s culture of discipline.



#### (4) Financial Reporting and External Audit Requirements

California places a high priority on the transparency of financial information from the perspective of donor protection. For organizations whose annual gross revenue exceeds a specific amount (generally \$2 million)<sup>87</sup>, the state mandates not only the submission of audited financial statements and the performance of an audit by an independent CPA but also the establishment of an “Audit Committee” that is independent of the board’s executive functions. While federal standards are triggered by the “expenditure of federal grants”, California uses the “scale of total revenue within the state” as its benchmark, thereby establishing its own unique infrastructure for transparency.

Table 16 Financial Assurance Levels Required for Nonprofit Organizations

| Annual Gross Revenue and Support | Required Financial Assurance Level                                              |
|----------------------------------|---------------------------------------------------------------------------------|
| Less than \$2 million            | No legal obligation for external assurance (audits/reviews)                     |
| \$2 million or more              | Audited Financial Statement by an independent Certified Public Accountant (CPA) |

#### 2.4.6 Case 5: Washington State (WA)

The regulations of Washington State (WA) are characterized by defining a “digital governance model” based on the new corporate act fully implemented in 2022, which balances the efficiency of organizational operations adapted to the digital era with clear governance discipline. As an example of the “division of administrative oversight” discussed in Section 2.2.2, unlike the Attorney General-led models seen in New York and California, the Secretary of State takes the central role in this state, collectively overseeing the practical administration of corporate registration management and annual reports (Washington Secretary of State, 2026).

##### (1) Basic Design of Registration/Renewal and the Role of Digitalization

Organizations that operate or conduct charitable solicitations in Washington State are required to submit an Annual Report to the Secretary of State. The most significant characteristic of practical administration in the state lies in the fact that, under the new Nonprofit Corporation Act (RCW 24.03A) implemented in 2022, electronic notices and online decision-making have been made the default (standard setting). As a result, paper-based administrative procedures have been drastically reduced, and in alignment with the federal trend toward the digitalization of Form 990, a highly digitalized transparency infrastructure has been completed at the state level as well (Washington Secretary of State, 2026).

##### (2) Governance Discipline and Design of Tiered Financial Standards

What is noteworthy about Washington State’s regulations is the explicit codification of strict governance discipline to prevent the proliferation of nominal, dormant corporations, alongside the design of tiered external assurance standards based on the scale of the organization (Table 17).

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<sup>87</sup> Calculation of Gross Revenue: According to the interpretation of the State Attorney General, the figure in the “Total Revenue” column of the federal tax return (Form 990) serves as the primary benchmark. However, portions of government grants or contract income for which the organization provides separate, individual accounting reports may be excluded from the calculation of this \$2 million threshold.

The new corporate act mandates the “appointment of at least three directors” as a minimum requirement for governance, which is a mechanism that structurally eliminates the risk of organizations being personalized like small, family-run businesses. Furthermore, regarding the mandate for external audits and other assurances, rather than uniformly using total gross revenue as a trigger like New York State, Washington adopts a tiered standard based on the amount of “Charitable Contributions” received from the general public, resulting in a design that optimizes the administrative burden on small-scale, grassroots organizations (Nonprofit Association of Washington, 2024).

Table 17 Governance and External Assurance Standards Required for Nonprofit Organizations in Washington State

| Charitable Contributions                               | Required Financial Assurance Level                                                                       |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Below a certain financial threshold                    | External audit not required (Internally prepared financial statements and annual reports are acceptable) |
| At or above the financial threshold (Tiered standards) | External assurance by an independent Certified Public Accountant (CPA)                                   |
| Common Requirements for All Corporations               | Appointment of at least 3 directors; standardization of electronic notices and online decision-making.   |

### (3) “Principles of Digital Governance and Efficiency” as a Regulatory Philosophy

This institutional design materializes “maximization of operational efficiency” through the utilization of modern technology, in addition to the “principle of proportionality” discussed in Section 2.3.1. In the interview survey (Nonprofit Association of Washington), looking at the trade-off where administrative costs and the complexity of procedures impair resources that should originally be directed toward public interest activities, it was confirmed that by comprehensively validating electronic communication under the law, an environment is provided where even small-scale organizations with limited resources can maintain robust governance while minimizing compliance costs.

### (4) Practical Points to Note

In order to maintain good compliance in Washington State, it is necessary to update organizational regulations to align with the digital adaptation (such as provisions for consenting to electronic notices) of the Articles of Incorporation and Bylaws stipulated by the new corporate act. If an organization fails to perform annual renewal procedures and passes the reporting deadline, a “Delinquency” status is immediately imposed by the Secretary of State. If this is left unaddressed, a strict ex-post penalty comparable to the federal “Death Penalty” (Section 2.3.3)—where the corporate status itself is “Administratively Dissolved”—is mechanically executed.

Through “modern legal updates” and the “comprehensive adoption of digital infrastructure”, Washington State seeks to optimize practical burdens in accordance with the economic scale of the organization and the times. This model, which excludes excessive prior administrative intervention and encourages organizations to autonomously and efficiently construct digital governance, can be considered an extremely excellent and advanced reference case when examining the digitalization of the nonprofit sector and the rationalization of institutional operations in Japan.

Under the new Washington Nonprofit Corporation Act (RCW 24.03A) implemented in 2022, unless otherwise provided in the articles of incorporation, conducting notices and resolutions for the board of directors or members through digital means such as email and online meetings has been legally standardized. As a result, traditional written procedures that involve heavy administrative burdens are exempted, and the “information reporting” and autonomous operations discussed in Section 2.3.1 are efficiently and completely fulfilled and concluded.

If the reporting deadline is passed, the Washington Secretary of State immediately changes the legal status of the organization from “Good Standing”. Not only is a penalty process for late fees executed, but if left in a delinquent state for a certain period, lawful charitable solicitations within the state and funding (grants) from the government or foundations are instantly frozen, and a strict enforcement mechanism is built in to mechanically strip corporate status (administrative dissolution) in the end without individual hearings.

In Washington State, there exists the “Nonprofit Association of Washington (NAWA)”, one of the nation’s leading intermediary support organizations. Working in deep cooperation with the Secretary of State and universities (such as the University of Washington), it provides a multi-layered capacity-building infrastructure for small-scale organizations and startups, covering bookkeeping and the formulation of conflict-of-interest policies. In a manner that complements the limitations of administrative oversight discussed in Section 2.3.5, the fact that this private-sector-led support network functions as a substantive “horizontal check and balance” is also an indispensable element that strengthens the state’s ecosystem.

#### **2.4.7 The True Value of “Decentralized Governance” Born from Federalism**

As has become clear through this section, the “diversity of regulations across states” within the U.S. nonprofit corporation system is not merely a matter of clerical inefficiency, but is rather the logical consequence of federalism (Federalism). This approach suppresses centralized intervention by the administration while enabling discipline tailored to local, real-world circumstances (Independent Sector, 2025; Urban Institute, 2025).

##### **(1) Social Infrastructure Fostered by the “Decentralization of Oversight”**

As described in Section 2.3.5, there are limits to the direct oversight resources of both the federal government (IRS) and individual states. However, as if to fill this “administrative margin”, diverse state laws and civil society oversight overlap, forming a decentralized governance unique to the United States. In place of top-down control by the administration, “social evaluation and screening” grounded in transparency serve as the substantive driving force that maintains the public interest of the sector as a whole (Salamon, 2012).

##### **(2) Three Typologies of State-by-State Regulations**

In practice, to understand and adapt to these decentralized systems, it is effective to utilize four major regions as indices of “regulatory models” (Baker & Hostetler).

- New York (NY): The “Graduated” Financial Assurance Model

It legally enforces stricter requirements for audits and reviews based on total revenue, symbolizing the “heavy transparency” peculiar to jurisdictions that harbor large-scale public interest assets.

- Washington, D.C. (DC): The Solicitation “Licensing” Model

It treats charitable solicitation as a type of “business activity” and operates a “city-state type” solicitation discipline that imposes a prior Basic Business License (BBL) by the administration.

- Maryland (MD): The “Proportional Optimization” of Operational Burdens Model

It defines the necessity of external assurance based on clear numerical standards, specifically the amount of donation revenue. It is a rational model that achieves both consideration for small-scale organizations and predictability (Predictability).

- California (CA): The “Discipline and Innovation” of Organizational Structure Model

In addition to direct intervention into the organizational structure itself, as seen in the “49% rule”, it pioneeringly introduces hybrid corporate forms such as Social Purpose Corporations (SPCs). It is a leading model that achieves both strict governance and innovation.

- Washington State (WA): The “Efficiency” Model of Digital Governance

It standardizes electronic notices and online decision-making based on the new corporate act. It is an advanced model that strongly promotes autonomous organizational governance while minimizing operational costs through the comprehensive adoption of digital infrastructure.

### **(3) The Required “Decentralized Compliance Capability”**

For organizations deploying nonprofit activities in the United States, compliance with federal-level tax-exemption requirements is merely the “minimum foundation”. In real-world operations, it is indispensable to establish a framework that treats the laws and regulations of each state where activities are based or donations are solicited (registration, state taxes, audit requirements, and governance requirements) not as a series of one-off procedures, but as an “integrated risk management package” (International Society for Third-Sector Research / Baker & Hostetler).

The reality that “compliance costs fluctuate every time a state border is crossed” is a prerequisite for operating in the United States. Rather than pursuing a centralized optimization, organizations must build a “decentralized compliance capability” as an essential element of organizational governance in order to flexibly adapt to these multi-layered jurisdictions. Specifically, they should recognize that expanding into a particular state can serve as a trigger that forces an update to the organization’s management framework itself, as exemplified by California’s mandatory establishment of an “audit committee”.

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### 3. Philanthropic Culture and Tax Incentives

#### 3.1 Factors Fostering a Philanthropic Culture and Corporate/Individual Donation Motivations and Trends

Kuniko Imaizumi

Nonprofit organizations in the United States have increasingly diversified their funding sources, and while they utilize earned income to fund their activities, history shows that individual donations have sustained nonprofit organizations, as indicated in Giving USA (2025). This means that many nonprofit organizations must engage in solicitation to acquire small-scale donations from individuals. Consequently, research has been conducted on the internal motivations and external incentives of individuals who make donations.

In his book *Nonprofit Organizations*, Professor Stefan Toepler cites the theory of Bekkers and Wiepking, who analyzed over 500 academic papers on charitable giving, and points out eight triggers for individual donations (Anheier, H.K. and Toepler, S., 2023):

- Awareness of needs: Because charitable acts, such as giving and volunteering, are actions taken to address the actual needs of beneficiaries, charitable acts will not occur unless those needs are recognized. The mere conceptualization of an objective need is insufficient.
- Solicitation: Since charitable acts are often performed in response to solicitations from nonprofit organizations or their agents, whether or not one was invited to participate in a charitable act, and how frequently, serves as a crucial factor determining the level of involvement in philanthropic activities.
- Costs and benefits: Because charitable acts involve the provision of the donor's own resources, they impose a cost burden on the actor. However, since the costs of charitable acts can be mitigated (for example, through charitable contribution deductions) and may yield material benefits (such as attendance at special meetings or the provision of services), philanthropic behavior is encouraged when there are greater benefits at a lower cost burden.
- Altruism: A pure concern for the welfare of beneficiaries or the creation of public goods can serve as a motivation for charitable acts. Therefore, if it becomes known that a certain need has already been met, the motivation tends to be lost, and donations for that need decrease.
- Reputation: Out of a desire to gain positive social evaluation from others, charitable acts that are expected to be highly valued by society may be performed.
- Psychological benefits: Even for charitable acts that are not observed by others, the actor experiences satisfaction and the joy of giving.
- Values: Charitable acts are performed to realize a world that the actors themselves feel is better, from religious, political, and general altruistic perspectives.
- Efficacy: Charitable acts are performed when donors feel that their own contributions are effective.

Ms. Hannah Martin (Urban Institute) also states that the responsiveness of nonprofit organizations

to community needs, crises, and policy changes is crucial.

The Giving USA Foundation (2026a) asserts that a direct relationship can be proven between tax policy and the amount of charitable giving. For 2026, while historic results are anticipated due to tax reforms—specifically the increase in the cap on the State and Local Tax (SALT) deduction and the Universal Charitable Deduction (UCD) introduced by the One Big Beautiful Act of 2025—the effects of the introduction of a floor for charitable contribution deductions under the One Big Beautiful Act of 2025 are also projected. However, they believe that no matter how favorable the actual tax system or household finances may be, structural factors and the psychology and outcome-oriented behavior of general donors—such as anxiety about the future economy, methods of donation solicitation and means of payment, lack of awareness regarding preferential tax systems, and distrust toward nonprofit organizations—will influence the total amount of charitable giving (Giving USA Foundation, 2026b).

In the United States, less attention appears to be directed toward corporate giving compared to individual giving. According to Dr. Benjamin Soskis (Urban Institute), even when there are private foundations in the U.S. bearing the names of famous corporations, the founder is not the corporation itself, but rather the corporate founder or their relatives. The Ford Foundation is one such example. In practice, the principle of maximizing shareholder wealth likely acts as a constraint on charitable activities conducted by corporations.

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## 3.2 Taxation Principles and Tax-Exempt Status for Nonprofit Corporations

### 3.2.1 Historical and Ideological Background of Taxation Principles

Yoshiharu Shiraishi

To deeply understand the principles of taxation in the U.S. nonprofit sector, it is necessary to go beyond the superficial provisions of the system and trace back to the legal and ideological foundations of why the government grants tax-exempt privileges to private organizations. In the United States, tax exemption is explained largely through two opposing or complementary legal theories. One is the nature of a “subsidy” through which the government supports private activities, and the other is the principle of “non-taxation”, which posits that the government should refrain from interfering with the voluntary associations of citizens (Japan Association of Charitable Organizations, 2023).

In an exchange of views with experts responsible for drafting tax laws for the federal Congress, an extremely suggestive historical background regarding this uniquely American concept was shared (Baker & Hostetler). The U.S. federal income tax was fully introduced in 1918 under the Sixteenth Amendment to the United States Constitution for the purpose of financing World War I. Amid the debates over tax increases that risked the survival of the nation, Congress faced a grave concern. If the tax net were extended to include churches, schools, park maintenance organizations supporting civil society, and even contributions to charitable activities, the cultural and civic infrastructure of society itself would be destroyed. Returning to the fundamental question of what the war was being fought to protect, Congress made a deliberate decision not to impose the burden of taxation on the charitable sector (Baker & Hostetler).

Given this historical context, the U.S. tax-exempt system does not fit neatly within the framework of a mere benefit (subsidy) from the government. As the legal maxim “The power to tax involves the power to destroy” indicates, if the government could arbitrarily tax voluntary citizen communities and religious organizations, the “freedom of association” and “freedom of religion” guaranteed by the First Amendment to the U.S. Constitution would be easily infringed. Therefore, the true foundation of the tax-exempt system is interpreted to lie in the principle of “non-taxation”, which asserts that the government should exercise self-restraint in applying its power to tax to the voluntary activities of citizens (Baker & Hostetler).

If tax exemption were a pure “subsidy”, the government would possess strong authority to minutely audit how public money derived from taxes is used and directly intervene in the content of those activities. Under the stance of the “non-taxation” principle, however, the logic is derived that the government’s role should not be to evaluate and control the content of activities themselves, but should be limited to “maintaining boundaries”—ensuring that assets acquired by organizations are not inappropriately misappropriated for private gain—and securing ex-post transparency. It is precisely this ideological background that serves as the root cause allowing more than 1.5 million nonprofit organizations in the United States to maintain a high degree of independence from the government and vigorously develop free and diverse activities.



### 3.2.2 Structure and Requirements of Tax-Exempt Status under the Internal Revenue Code (IRC)

The specific principles of taxation applied to nonprofit organizations in the United States are precisely prescribed under Section 501 of the Internal Revenue Code (IRC). While this section contains dozens of categories of tax-exempt organizations, the core entity that is most widely recognized by society and receives the most powerful tax incentives is the “501(c)(3) organization”.

A 501(c)(3) organization is defined as an entity organized and operated exclusively for exempt purposes such as charitable, educational, religious, scientific, or literary purposes. These organizations enjoy a “dual preferential treatment”: not only is the organization itself exempt from federal corporate income tax, but contributions made by individuals and corporations also qualify for tax deductions on the donor’s side. The overwhelming accumulation of donations within the U.S. nonprofit sector is sustained by this powerful incentive structure (Shiraishi, 2026).

To obtain and maintain tax-exempt status under 501(c)(3), an organization must continuously satisfy two rigorous tests established by the Internal Revenue Service (IRS) (Japan Association of Charitable Organizations, 2023).

The first is the “Organizational Test”. This requires that the corporation’s organizing documents, such as its Articles of Incorporation, strictly limit its purposes to the exempt purposes specified in the IRC. Furthermore, as a crucial point, it must be explicitly stated that upon the dissolution of the corporation, its residual assets will not be distributed to the founders or directors, but will instead revert to another 501(c)(3) organization, a government agency, or another entity dedicated to public purposes.

The second is the “Operational Test”. Beyond the wording of the organizing documents, this test examines whether the organization’s actual business activities are carried out primarily for exempt purposes. What is scrutinized most strictly here are the “Private Inurement Doctrine” and the “Private Benefit Doctrine”. The essence of being “nonprofit” for a nonprofit organization does not mean that it is prohibited from generating a profit through its operations. Rather, the true essence lies in the “Non-distribution Constraint,” which dictates that accumulated net earnings must not be distributed for private gain to insiders such as founders, directors, officers, or their families.

If a director or officer receives excessive compensation that significantly deviates from market value, or acquires corporate assets at an inappropriately low price, it is deemed an “Excess Benefit Transaction”. In the past, the IRS possessed no disciplinary measures against such misconduct other than the “revocation of tax-exempt status”—a corporate capital punishment that dissolved the organization. Today, however, under the rules for “Intermediate Sanctions” pursuant to IRC Section 4958, it is possible to directly impose heavy excise taxes (penalty taxes) on the individuals who received the improper benefit as well as the directors who approved it. The introduction of this sanction system has enabled more effective governance and tax oversight, punishing only the individuals who committed the wrongdoing while preserving the organization’s public benefit functions for the local community (KPMG).

Furthermore, as conditions for enjoying tax-exempt status, an “absolute prohibition on political campaign intervention” and “substantial limitations on lobbying” are imposed. Investing tax-exempt

funds into activities that support or oppose specific political candidates is strictly forbidden, and any violation results in the immediate loss of tax-exempt status. Based on the principle of non-taxation, this also serves as a “demarcation of boundaries” to protect the public activities of citizens while preventing the inappropriate distortion of specific political power through the use of tax-exempt privileges (Japan Association of Charitable Organizations, 2013).

However, it is important to note here that these restrictions do not ban “policy advocacy” itself. In the United States, policy advocacy—whereby nonprofit organizations reflect their field insights and expertise in the policy-making process—is viewed not as political conflict, but as an extension of “civic engagement”, and is widely recognized as a legitimate role of nonprofit organizations. A clear distinction is made between partisan political intervention, such as supporting a specific candidate, and policy advocacy activities aimed at structurally resolving social issues. The latter advocacy work itself is encouraged as an indispensable element of democracy (“Democracy in Action”).

### **3.2.3 Tax Classifications of Public Charities and Private Foundations**

Under tax law, 501(c)(3) organizations are strictly divided into two categories based on the composition of their funding sources and governance structure: “Public Charities” and “Private Foundations”. This distinction is an extremely critical framework that determines both the rigor of oversight imposed on the organization and the extent of tax incentives available to its donors (Shiraishi, 2026).

Public Charities refer to organizations whose high level of public utility is self-evident—such as hospitals, universities, and churches—or entities that continuously collect funds (public support) from the general public, the government, or other public foundations. The very capacity to gather funds widely from society is viewed as evidence that the organization is exposed to routine public scrutiny (the “Market Test”) and that the risk of inappropriate misappropriation for private gain is low. Consequently, the deduction limit for individual contributions to public charities is set high—up to 60% of adjusted gross income (in the case of cash donations)—and tax regulations regarding their organizational management are relatively flexible.

In contrast, Private Foundations are entities established and operated by highly limited funding sources, such as a specific individual, a family, or a single corporation. Because the contributors of the funds frequently control the board of directors themselves, making external scrutiny difficult, these organizations are deemed to carry a high risk of funds being abused for private benefit or hoarded without being distributed back to society.

To mitigate this risk, tax law imposes extremely stringent regulations on private foundations. A prime example is the “absolute prohibition on self-dealing”. Regardless of market prices or fairness, financial transactions between the foundation and its founders or their families (“disqualified persons”) are prohibited as a matter of principle, and violations carry heavy penalties. Additionally, to compel the circulation of assets into society for public benefit purposes, foundations are subject to an “annual minimum payout requirement”, which mandates that they distribute at least 5% of their net investment

assets each year in the form of grants or other qualifying distributions. Furthermore, they are required to pay a 1.39% flat excise tax on their net investment income. In this manner, the U.S. tax system employs a sophisticated, risk-based approach that scales the intensity of regulation in accordance with the risk of a “concentrated funding source” (Ota, 2016).

### **3.2.4 The Philosophy of Negative Rules and the Mechanism of Multi-Layered Ex-Post Monitoring**

Underlying the U.S. nonprofit corporation system and its taxation principles is the philosophy of “Negative Rules”. This stands in stark contrast to approaches like Japan’s public benefit certification system, where administrative agencies minutely review business plans in advance to actively determine whether an activity “contributes to the public interest” before granting certification (Positive Selection).

In the United States, as long as an organization pledges at the time of formation that it does not violate explicit statutory prohibitions (negative rules)—such as the prohibition on private inurement or restrictions on political activity—and meets formal requirements, virtually anyone can swiftly obtain tax-exempt status. By keeping the barrier to entry extremely low, the system prevents citizens’ voluntary solutions to emerging societal challenges (innovation) from being bottlenecked by cumbersome administrative procedures (The Catholic University of America).

However, keeping the entrance wide open carries the risk of unqualified organizations entering the sector. The mechanism designed to offset this risk and maintain the sector’s integrity is ex-post “polycentric (multi-centered) governance”. Routine audits and direct monitoring by administrative bodies, such as the IRS and state attorneys general, face physical limits in terms of personnel and budget. In reality, the annual audit rate by the IRS covers less than 1% of all tax-exempt organizations. Therefore, to compensate for the limitations of direct administrative oversight, the United States places thorough “social monitoring through information disclosure” at the core of its system. The role of the government is not to manage organizations, but to mandate and maintain a “transparent information infrastructure” that enables citizens, the media, researchers, and donors to evaluate and self-select organizations (The Catholic University of America).

### **3.2.5 Leveling the Playing Field and Fostering Business Flexibility via the Unrelated Business Income Tax (UBIT)**

The context behind why U.S. nonprofit corporations have built massive financial foundations to achieve their missions lies in a tax design that allows them to flexibly generate earned revenue alongside donations. Carrying out revenue-generating activities for public benefit purposes is recognized as an inherent right of nonprofit organizations, and their tax-exempt status is never denied, nor are their activities restricted, solely on the grounds that they “compete with for-profit businesses” (Ota, 2016). However, to prevent nonprofit organizations with tax-exempt privileges from competing in the market with ordinary for-profit enterprises under unfairly advantageous conditions, the “Unrelated Business Income Tax (UBIT)” was established as a mechanism to guarantee tax fairness. UBIT is a system that taxes the net income generated from a corporation’s business activities at standard federal

corporate tax rates if the activities meet all three of the following criteria (Shiraishi, 2026):

- Trade or Business: The activity is a continuous endeavor conducted for the purpose of generating income.
- Regularly Carried On: The activity is conducted with a frequency and continuity comparable to similar commercial activities carried on by for-profit enterprises (e.g., an annual bazaar would be excluded).
- Not Substantially Related: The business activity itself does not contribute directly to achieving the organization's tax-exempt (public benefit) purposes.

What is highly critical within this system is that tax liability is determined by the “nature of the activity” generating the income, rather than the “destination of the income”. Just because all profits earned from a business are donated entirely to charitable activities does not mean the business itself becomes tax-exempt. For instance, if a university sells textbooks and educational materials to students as part of its educational programming, the activity is substantially related to its educational purpose and is therefore tax-exempt. However, if the same university permanently operates a gift shop on campus selling tourist souvenirs or apparel to the general public to generate a profit, that income would be subject to UBIT.

On the other hand, to avoid inappropriately hindering fundraising by nonprofit organizations, UBIT includes numerous vital exceptions. Passive investment income—such as interest, dividends, royalties, and capital gains—is exempt from taxation as a matter of principle. Furthermore, “Qualified Corporate Sponsorship Payments” from businesses are also excluded from UBIT, provided the payment is a pure sponsorship that does not offer a substantial return benefit to the corporation (such as concrete product advertising or promotion). Additionally, activities where “substantially all the work is performed by volunteers” or businesses that sell donated merchandise (such as thrift shops) are deemed not to be in direct competition with for-profit enterprises and are thus tax-exempt.

The existence of this institutional boundary known as UBIT enables U.S. nonprofit corporations to actively leverage market mechanisms to achieve their missions without fearing excessive legal risks or the revocation of their tax-exempt status. Consequently, they are able to build diverse, self-reliant revenue models that do not depend solely on government subsidies or donations.

### **3.2.6 The Principle of Proportionality in Annual Information Returns (Form 990 Series) and Its “Educational Function”**

The mechanism of ex-post monitoring discussed in Section 3.2.4 is practically sustained by the obligation to submit the “Form 990” series, an annual information return, to the IRS. Form 990 is not a document designed for calculating or paying taxes; rather, it serves as an “information showcase” to disclose the organization's financial status, operational achievements, governance structure, compensation of key officers, and the existence of conflicts of interest to the general public.

The most distinctive feature of the U.S. information reporting system is the thorough implementation of the “Principle of Proportionality”, which progressively adjusts reporting obligations and level of detail based on the financial scale (total revenues and total assets) of the organization (Candid / Baker & Hostetler).

- Form 990 (Full Form): Filed by large and standard-scale organizations with annual gross receipts of 200,000 dollars or more, or total assets of 500,000 dollars or more. Comprehensive disclosure spanning dozens of pages is required, covering detailed governance policies, the determination process for CEO compensation, foreign activities, and specific fundraising efforts.
- Form 990-EZ: Designed for mid-sized organizations falling below the thresholds mentioned above. This is a simplified version focusing primarily on core financial data and operational overviews.
- Form 990-N (e-Postcard): Designed for small-scale organizations with annual gross receipts of 50,000 dollars or less. This is an extremely simple online filing process requiring only basic organizational information (seven items including name, address, officer names, and intent to continue operations).
- Form 990-PF: Filed by all private foundations regardless of their financial scale. It strictly questions the existence of self-dealing transactions and the fulfillment of the minimum payout requirement.

This institutional design based on the principle of proportionality is a deliberate consideration to prevent grassroots organizations with scarce resources from abandoning their activities due to excessive administrative burdens or the cost of hiring professionals such as accountants and attorneys (Baker & Hostetler).

Simultaneously, it is critical that this filing process itself possesses a powerful “educational function” that enhances organizational discipline. In an exchange of views with tax experts at KPMG, it was emphasized that the true value of Form 990 lies not merely in transmitting data to administrative authorities, but in the very process of preparing the return. For instance, Form 990 includes numerous checkboxes inquiring about governance best practices, such as “Does the board have a conflict of interest policy?”, “Was the compensation of the CEO determined by an independent committee based on objective data?”, and “Was a copy of the return provided to the full board prior to filing?” (KPMG).

The directors of an organization are compelled to confront these questions before signing a legal document that is subject to penalties for perjury. This act of “being questioned” itself serves as a powerful incentive that awakens directors to their own fiduciary duty and prompts them to establish missing regulations. While it is impossible to deter malicious criminals solely through filing obligations, Form 990 functions extremely effectively as “preventative governance”, preventing unintentional misconduct and private misappropriation arising from a lack of knowledge or lax management (KPMG).

### **3.2.7 Merits and Demerits of Reporting Non-Compliance and the Automatic Revocation System**

Ensuring transparency through Form 990 is an absolute obligation within the U.S. nonprofit system. To secure the effectiveness of this obligation, an extremely strict penalty known as “Automatic Revocation” has been introduced pursuant to Section 6033(j) of the Internal Revenue Code.

Under this system, regardless of size—even for grassroots organizations eligible for the simplest Form 990-N—any entity that fails to file its required return for three consecutive years will have its tax-exempt status revoked “automatically and mechanically” by operation of law, without any individual advance notice or hearing procedures from the IRS (Japan Association of Charitable Organizations, 2023).

It is a fact that the introduction of this system wiped out numerous defunct, dormant organizations

with no active operations that previously cluttered the IRS database, alongside organizations with remarkably low compliance awareness, thereby exponentially improving the reliability of data across the entire sector. However, on the other hand, this strict enforcement—often referred to in practice as an organizational “Death Penalty”—has drawn strong criticism and concern from the legal community and support organizations.

Legal experts at Baker & Hostetler raise significant concerns regarding the harshness of this automatic revocation rule. In the case of nonprofit organizations, particularly small-scale ones operated entirely by volunteers, filing omissions frequently occur due to legitimate, non-malicious reasons such as the illness of a representative, natural disasters, or the sudden resignation of administrative staff. Critics point out that uniformly stripping status without considering these individual circumstances constitutes an excessive sanction that dampens the vitality of civil society (Baker & Hostetler).

Once an organization’s tax-exempt status is revoked, it becomes subject to federal corporate income tax like an ordinary for-profit enterprise from that day forward, and donors can no longer claim tax deductions for their contributions. Furthermore, many private foundations and government agencies immediately suspend grant payouts solely due to the loss of 501(c)(3) status. To regain or reinstate tax-exempt status, an organization must prepare and resubmit a complex application for exemption (such as Form 1023) from scratch—just as it did at the time of formation—pay the user fee, and wait months for the IRS to complete its review. Moreover, establishing a “Reasonable Cause” for the filing delay to achieve a “Retroactive Reinstatement” (restoring status back to the date of revocation) requires extensive legal support, presenting a catastrophic blow that often forces small organizations to give up on their survival entirely (Baker & Hostetler).

In this manner, the U.S. model operates upon a sharp trade-off between “ease of entry at formation” and “rigor in ex-post reporting.” The institutional design inherently tolerates the weeding out of a certain number of organizations for the greater cause of maintaining a transparent information infrastructure.

### **3.2.8 The Structure of Donor-Advised Funds (DAFs) and Key Taxation Issues**

In discussing contemporary U.S. donation tax law and philanthropy, “Donor-Advised Funds (DAFs)” currently stand as the subject of the most intense debate. A DAF is a mechanism whereby a donor establishes a fund account bearing their own name inside a specific sponsor organization—such as a local community foundation or an independent public charity established by major financial institutions like Fidelity or Vanguard—and contributes assets into it.

Donors can enjoy a maximum charitable contribution deduction of up to 60% of their individual income (in the case of cash donations) “immediately” in the year the assets are contributed, treated as a donation to a public charity. The funds are then managed tax-free under the administration of the sponsor organization, and the donor can subsequently “advise” the sponsor organization on which nonprofits to support, when, and with how much money. Because the sponsor organization legally holds the final decision-making authority, this remains strictly an “advice”; however, in practice, grants are

executed with respect for the donor's intentions.

DAFs completely eliminate the administrative burdens that wealthy individuals face when establishing a private foundation, such as corporate registration, forming a board of directors, preparing annual information returns, and bearing the costs of attorneys and accountants. Furthermore, while the deduction limit for contributions to private foundations is restricted to 30% of income, DAFs qualify for up to a 60% deduction because they are treated as contributions to public charities. Additionally, it is possible to keep the identity of the grant recipients anonymous. As an extremely convenient and cost-effective "flexible vehicle for giving", the asset balances held in DAFs have experienced explosive growth in recent years (Japan Association of Charitable Organizations, 2013).

Behind this convenience, however, a deep conflict has emerged regarding how DAFs should be taxed and regulated. The primary point of contention is the fact that the "annual 5% minimum payout requirement", which is legally mandated for private foundations, is not legally imposed on DAFs.

Consequently, strong criticism has erupted from nonprofit organizations and certain policymakers, arguing that a "warehousing of funds" is occurring. They contend that despite donors receiving substantial tax deductions (which, from the government's perspective, represents lost tax revenue), these assets are continuously managed within DAF accounts for years or decades without actually flowing to the front lines of charitable activities (public charities). The severity of this issue was also shared during exchanges of views with experts from *Issue One* and *Independent Sector*. In particular, regarding the current landscape where commercial DAF sponsors established by major for-profit financial institutions dominate the market, concerns were raised that these entities may be treating DAFs as "financial products" to generate fee revenue by maximizing assets under management, rather than supporting community problem-solving. For this reason, voices demanding legislation to mandate payouts within a set timeframe—such as within 5 or 10 years from the date of contribution—are growing stronger (Issue One / Independent Sector).

On the other hand, opposition to mandating such payout requirements remains deep-rooted. Experts at Baker & Hostetler argue that even if funds are not distributed immediately, if the capital is managed in the market over a long period and increased through compound interest before being deployed against larger future societal challenges or crises, the impact brought to society in terms of present value is equal to or greater than immediate expenditure (Baker & Hostetler). Moreover, there are cases where donors systematically accumulate funds through a DAF over several years for purposes requiring substantial capital, such as donating a building to a specific university. The logic follows that imposing a uniform payout obligation would hinder this type of long-term strategic philanthropy (Baker & Hostetler).

Experts at Candid also maintain a cautious stance, pointing out that DAFs include numerous conscientious donors who swiftly return funds to society—with average payout rates at community foundation DAFs often exceeding 10%. They emphasize that before introducing powerful, uniform statutory regulations based on a small number of malicious hoarding cases, it is indispensable to first further enhance information transparency and deepen multifaceted research and discussion (Candid).

This ongoing debate surrounding DAFs vividly illustrates the fundamental dilemma embedded within the U.S. nonprofit tax system: balancing the “obligation to swiftly return benefits to society in exchange for public incentives like tax deductions” against the “rights of donors to free decision-making and long-term asset accumulation”.

### **3.2.9 Choice of Legal Form: Charitable Trusts Versus Nonprofit Corporations**

Finally, this section examines the legal forms (vehicles) adopted by U.S. nonprofit organizations to achieve their public benefit purposes, as well as the practical differences in taxation and governance associated with them. In the United States, when establishing a nonprofit organization, founders can primarily choose between a “Nonprofit Corporation” and a “Charitable Trust”. Regardless of the chosen form, an organization can obtain 501(c)(3) tax-exempt status at the federal level as long as it satisfies the necessary requirements.

Historically, charitable trusts, which inherited the English common law tradition, served as the primary vehicle for carrying out philanthropic activities. In contemporary America, however, their utilization has significantly declined, and nonprofit corporations have become the overwhelming mainstream. In dialogue with experts at KPMG, the background behind this transition in legal forms was clearly explained.

The primary reason is that state corporation laws (particularly non-profit, non-stock corporation laws in states like Delaware) have become highly sophisticated and updated, exponentially increasing the “legal stability” and “predictability” of organizational management. The corporate form legally limits the personal liability of directors (limited liability) and codifies “mechanical procedures” indispensable for modern, complex, and fast-paced business operations, such as methods for holding board meetings, electronic voting, written resolutions, and approval processes for conflict-of-interest transactions. In contrast, trust law tends to impose extremely rigorous duties of loyalty and unlimited liability on trustees, making it rigid and less favored for flexible organizational management. Furthermore, shifts in law school education mean that the vast majority of attorneys and experts are far more well-versed in corporate law than trust law, which has decisively driven this practical shift (KPMG).

Nevertheless, the trust form has not completely lost its role. In particular, “split-interest trusts”, which sophisticatedly combine individual lifetime giving or estate succession with donations—namely “Charitable Remainder Trusts (CRTs)” and “Charitable Lead Trusts (CLTs)” —continue to be utilized as advanced tax and donation strategies by wealthy individuals.

However, the frequency of utilizing these trusts is also heavily dictated by the tax system and the macroeconomic environment. Prior to the Tax Reform Act of 1986, abuses were rampant, with donors arbitrarily overvaluing the future value of assets transferred to public charities to claim inappropriately large tax deductions. To prevent this, Congress restricted the eligible trust formats to CRTs and CLTs and mandated strict, standardized calculations (annuity or unitrust methods) based on discount rates periodically published by the IRS.

As experts at Candid and Baker & Hostetler point out, current trends in the use of CRTs and CLTs



are completely intertwined with market interest rate levels. During periods of high interest rates, the IRS calculation formulas evaluate the present value of the residual assets passing to the public charity relatively higher, which increases the amount of the tax deduction available to the donor and leads to an increase in the number of CRTs established. Conversely, during periods of low interest rates, the deduction benefits diminish, and utilization stagnates. In this manner, the U.S. charitable trust system functions not merely out of pure public benefit motives but also as a tool for highly sophisticated financial and tax strategies, including interest rate arbitrage, and this complexity serves as a factor hindering its widespread adoption (Candid / Baker & Hostetler).

As outlined above, the principles of taxation and tax-exempt measures for U.S. nonprofit corporations do not constitute a merely passive system of “exempting taxes”. Rather, built upon the principle of non-taxation that protects the freedom of association, it possesses an extremely multi-dimensional and systematic structure: maximizing freedom through negative rules, adjusting market competitive conditions through UBIT, turning transparency into a mandatory infrastructure through Form 990 and the automatic revocation system, and offering diverse, strategic donation methodologies such as DAFs and charitable trusts. By minimizing advance administrative intervention while mandating powerful ex-post transparency disclosures, this dynamic system leaves monitoring and self-selection to the “external eyes” of the market and civil society. It can be said that this very framework is the most vital foundation sustaining the U.S. nonprofit sector, which boasts an immense scale of 1.5 million organizations and overwhelming diversity.

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### 3.3 Factors Fostering a Philanthropic Culture

Yoshiharu Shiraishi

To explain why the U.S. nonprofit sector boasts the world's largest scale of vitality and financial foundation, the existence of tax incentives and institutional frameworks described in the previous section is indispensable. However, institutions are merely “vehicles” that promote donation behavior and smooth the process. The true driving force that breathes life into these vehicles and sustainably supplies massive funds and civic energy is a robust “Culture of Giving” that has taken deep root in the undercurrent of American society.

This culture was not artificially manufactured by specific policies or transient campaigns. Rather, it is a crystallization passed down through generations, where diverse elements—such as historical experiences since the founding of the nation, religious doctrines, philosophies regarding the nature of civil society, and a practical climate that values community solidarity—have become intricately intertwined over centuries. This section unravels the structural factors behind why donating in the United States goes beyond the mere scope of “public benefit” and has been nurtured as an indispensable part of civic identity and the social system, viewing it through various perspectives: history, religion, social climate, and community practice.

#### 3.3.1 “Small Government” and Its Ideological Foundation

The most critical element in tracing the origin of the philanthropic culture in the United States is a unique ideological approach toward the relationship between the state and its citizens. In contrast to countries with traditions of “big government”, such as Europe and Japan, where the government bears the vast majority of public responsibility for national welfare, education, and healthcare, the United States has historically strongly supported the philosophy that “the role of government should be minimized, and community challenges should be resolved by the citizens themselves” (Shiraishi, 2026).

This mental structure dates back to the frontier era. Immigrants who crossed over to the vast new continent could not survive by expecting protection from a powerful central government; instead, they had to build churches, establish schools, and form mutual aid organizations to care for the sick with their own hands. The spirits of “Self-reliance” and “Mutual Aid” cultivated under these harsh environments became entrenched as the core of American citizenship.

The French philosopher Alexis de Tocqueville, who observed the United States in the first half of the 19th century, was deeply impressed in his book *Democracy in America* by how Americans, when faced with social problems, did not rely on the government but voluntarily formed associations to take action and resolve them (The Japan Association of Charitable Organizations, 2009). As Tocqueville's observation indicates, the foundation of the U.S. nonprofit sector is underpinned by a resilient historical and cultural background wherein individuals voluntarily gather to solve issues. Unlike the model where the state supplies everything, as seen in Japan and Europe, the nonprofit sector in the United States

has developed as an indispensable foundation of civil society within an exquisite balance between “individual responsibility” and the ideology that “government should be minimal” (Issue One).

Thus, when a social void or crisis arises, instead of ending the matter by criticizing it as an “administrative failure”, it is a natural response for American citizens to ask “What can we do?” and take concrete action through donations and volunteering. In other words, giving is deeply internalized not as a mere alternative to government, but as the very “practice of democracy” to protect civic freedom and autonomy while restraining government intervention (Independent Sector).

### **3.3.2 Religious Traditions and “Stewardship”**

In discussing the philanthropic culture of the United States, one cannot ignore the historical and spiritual role played by religion, particularly Christianity. Although contemporary American society undergoes diversification and secularization, religious doctrines still vividly breathe life into the foundation of its cultural heritage of charitable giving (Candid).

Within Christianity, there is a tradition of the “Tithe”, which involves offering a certain percentage of one’s income to the church or the poor. This practice has played a role in embedding donation behavior not as a mere “goodwill gesture when one can afford it”, but as an “obligation” based on faith. Furthermore, Protestant ethics emphasize the concept of “Stewardship”—the obligation of a manager—which posits that the wealth of this world is not the personal property of an individual, but merely something temporarily entrusted to them by God. Accumulating wealth itself is affirmed as a fruit of labor, but the philosophy dictates that true salvation or moral perfection cannot be achieved unless that wealth is ultimately returned to society for its elevation (The Japan Association of Charitable Organizations, 2013).

Looking back at history, foundational domains such as education, healthcare, and social welfare within the U.S. nonprofit sector were, in many cases, pioneered by churches and Christian public benefit organizations. The moral concept of serving others has functioned as a powerful driving force sustaining citizen-led initiatives (George Mason University).

Interestingly, this religious philosophy of giving back is widely shared in modern times even among people with no specific faith, manifested as the secular ethic of “Giving Back to society”. The fact that children in the United States are taught from an early age that “returning what you have gained from society back to society is a virtue” serves as evidence that this religious heritage has sublimated into civic morality and taken deep root as a culture (Candid).

### **3.3.3 A Social Climate Valuing the Return of Wealth and “Legacy”**

Another powerful factor nurturing the unique American philanthropic culture is a climate that socially praises and visualizes acts of giving. Particularly in large-scale philanthropy by the wealthy, the concentration of wealth generates massive opportunities for charity, which is strongly tied to motivations for prestige and the creation of a “Legacy” that leaves one’s name to posterity (Candid).

In American society, rather than succeeding entrepreneurs or asset owners passing their wealth down through generations within their families, establishing a foundation bearing their own name or making astronomical donations to universities and hospitals commands respect as the “ultimate destination of a successful individual”. Industrialists from the late 19th to early 20th centuries, such as Andrew Carnegie and John D. Rockefeller, championed the philosophy that “to die rich is a disgrace” and laid the groundwork for the modern foundation model. This tradition has been continuously passed down to modern figures like Bill Gates, Warren Buffett, and Mark Zuckerberg, evolving into movements like “The Giving Pledge” (a commitment to donate more than half of one’s wealth to philanthropy) (The Japan Association of Charitable Organizations, 2013).

How society receives these large-scale donations is also critical. In the United States, public recognition of donors functions as a powerful incentive for giving. It is extremely common for donors’ names to be attached to university buildings, hospital wings, or even museum galleries and programs (naming rights), reflecting an established culture that rejoices in seeing one’s contributions remain visible within society (George Mason University).

In certain cultural spheres, such as Japan, donations tend to be viewed as a virtue when performed anonymously or as quiet goodwill, and excessive visualization can sometimes be avoided as an act of self-promotion. In the United States, however, publicly disclosing and praising donations is affirmed as a “virtuous cycle” that provides a role model for other wealthy individuals and citizens, thereby inviting further giving. Philanthropy as a form of self-expression accompanied by transparency functions as the social engine driving the culture of giving.

### **3.3.4 Sense of Belonging to the Community and the Formation of “Communities of Interest”**

The culture in which ordinary citizens—not just a handful of wealthy individuals with immense fortunes—routinely make donations is also deeply rooted in the structural framework of American communities. American citizens possess a strong sense of realism, recognizing that maintaining and improving the quality of the local society in which they live directly correlates to their own quality of life.

From local parks, libraries, and after-school programs to youth baseball sports clubs, all aspects of activities closely tied to daily life are organized utilizing the legal status of nonprofit organizations. Rather than waiting for standardized services provided by the government, these activities represent the very process through which local residents build “the community they desire” with their own hands (The Catholic University of America).

For instance, as demonstrated by the development of the waterfront park in Washington, D.C., when government management and maintenance of the park proved insufficient, local residents did not merely voice complaints. Instead, they took the initiative to raise funds and establish a partnership involving the government and the National Park Service. Neighboring residents shared a vision of “what kind of park they wanted to create”, engaging diverse stakeholders to form a “community of interest” (Friends of Georgetown Waterfront Park). In these bottom-up initiatives, a donation is recognized not as an act

of almsgiving to “someone on the outside”, but as an indispensable investment to maintain “assets of our own community”.

Furthermore, nonprofit organizations do not merely provide services; they function as “hubs” (nodes) where citizens with shared interests connect and deepen their solidarity. Citizens participate in the organization’s activities through donations, and the organization visualizes those outcomes to return them to the citizens. This cycle reinforces the sense of belonging to the local society, forming a robust ecosystem that reproduces motivations for subsequent donations.

### **3.3.5 Synergistic Effects of Volunteer Experiences and Charitable Giving**

In fostering a philanthropic culture, the tradition of volunteering is inseparably linked to financial contributions. In the United States, giving and volunteering represent nothing more than a difference between “providing time and effort” versus “providing funds”, functioning as the two wheels of a cart for civic engagement toward social issues.

The experience of citizens voluntarily setting aside time to break a sweat as volunteers at local nonprofit organizations or events fosters a deep understanding of and empathy for the organization’s mission. As seen in the case of an urban wildlife rehabilitation organization, citizens who become involved as volunteers in animal care, facility management, and educational activities gradually develop a profound recognition of the importance of those activities, eventually growing into the most powerful advocates and financial supporters (City Wildlife).

Moreover, volunteer activities are extremely vital as an “entry point” to philanthropy for younger generations. By participating in local cleanup activities, serving meals at food banks, or joining charity runs from early childhood, they experience firsthand that there are areas in society requiring their help, and that their own actions can bring about change in society. This accumulation of a “sense of efficacy” serves as the psychological foundation sustaining future donation behavior (Seattle Pacific University).

In this manner, the human relationships and trust built with an organization through volunteer work form a more resilient and continuous motivation for giving, distinct from simply choosing a donation recipient from a catalog. By embedding routine civic involvement into organizational operations, the nonprofit sector extends its financial foundation into every corner of society.

### **3.3.6 Pragmatism and Outcome-Oriented Approaches**

“Pragmatism”, which characterizes American culture, also operates strongly behind donation behavior. Faced with social challenges, Americans prefer to ask “What concrete actions can be taken right now?” and swiftly move to resolve the problem, rather than waiting indefinitely for ideological debates or government responses (Exponent Philanthropy).

This practical, results-oriented approach is also thoroughly maintained within the world of philanthropy. Donors are less interested in having their funds consumed as an expression of sympathy or pity; instead, they focus on what concrete returns (outcomes) those funds will yield as a “social

investment”. There is a strong will to utilize donations to reshape social systems for the better, whether through disease research, narrowing educational disparities, or environmental conservation.

In recent years, concepts such as “venture philanthropy” and “including strategic philanthropy” have also spread, where donors do not simply write checks but use business methods and metrics to rigorously measure the impact of nonprofit organizations. If an organization maintains transparency, operates efficiently, and demonstrates clear outcomes through data, it aligns with the pragmatism of donors and attracts even larger amounts of funding. Transparency and the visualization of outcomes function as a system that rationally reinforces the culture of giving (The Japan Association of Charitable Organizations, 2013).

### **3.3.7 Technology and Passing Values Down to the Next Generation**

The philanthropic culture is by no means a relic of the past; it continues to evolve alongside contemporary technology and generational shifts. In particular, younger demographics known as Millennials and Generation Z are beginning to engage with philanthropy through approaches different from those of older generations (The Japan Association of Charitable Organizations, 2013).

Rather than traditional organizational loyalty or authority, which their parents’ generation emphasized, these younger individuals place greater importance on their activities directly aligning with their own personal values (purpose). Exposed directly to global challenges through the internet and social media, they prefer utilizing crowdfunding platforms such as GoFundMe to instantly and directly direct funds toward specific projects or individuals with whom they engage emotionally. This “democratization of giving” through technology is transforming philanthropy into something more accessible and closer to daily life (The Japan Association of Charitable Organizations, 2009).

On the other hand, the younger generation maintains more rigorous demands regarding results and impact. Rather than merely providing funds, they tend to seek “co-creation”, participating themselves as volunteers to shape the process together. They demand high transparency from organizations, expecting direct, visible changes showing how their funds have actually transformed society (George Mason University / Independent Sector).

This generational shift injects fresh vitality into the American culture of giving. To respond to the “meaning” and “engagement” sought by the younger generation, nonprofit organizations are also required to advance their digital transformation and adopt more flexible, interactive communication strategies.

In conclusion, the factors fostering a philanthropic culture in the United States are supported by a diverse and robust bedrock: a history of nation-building that rejects dependence on the government and values civic autonomy, religious and moral traditions that preach the return of wealth to society, a social climate that praises legacy, and a sense of community belonging coupled with volunteer activities.

These factors do not function in isolation; rather, they complement one another to construct a massive circular system wherein “citizens design society through their own will and resources”. Giving is not an alternative to paying taxes to the state, but nothing less than an extremely proactive and

democratic practice to reflect one's own values in society and autonomously build a better community. This cultural infrastructure sustaining the dynamism of civil society shapes the continuity and prosperity of the U.S. nonprofit sector far more deeply than any legal or tax system.

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## 4. Charitable Trust System in the United States

### 4.1 Overview

Hitoshi Kimura

In nineteenth-century America, because the English statutes that formed the foundation of charitable trusts were repealed, a succession of judicial precedents denied their validity<sup>88</sup>. It is noted that the denial of the validity of charitable trusts in nineteenth-century American precedents may have led to the misconception that trust law imposes extremely strict duties and liabilities on trustees compared to corporate directors or board members<sup>89</sup>. However, since the beginning of the twentieth century, the codification of statutes concerning charitable trusts progressed in each state, and today, their validity is recognized in all states through either statutory law or common law<sup>90</sup>.

In general, compared to establishing a nonprofit corporation, a charitable trust can be established more swiftly and easily, carries less burden for its maintenance and operation, and offers the possibility for the settlor to retain continuous control<sup>91</sup>. Furthermore, the establishment of a trust does not require prior government approval. Therefore, rather than serving as a vehicle for an operating entity to conduct public benefit activities itself, a charitable trust is well-suited as a mechanism to simply manage and dispose of certain property for public benefit purposes, and is sometimes utilized as a vehicle through which a private foundation merely distributes grants<sup>92</sup>.

Charitable trusts in the United States can be broadly categorized into: (1) trusts created exclusively for charitable purposes, and (2) split-interest trusts where the beneficial interests for charitable and private purposes are divided chronologically. The purpose of this chapter is to outline the overview, taxation, regulation, utilization trends, and oversight systems of charitable trusts in the United States, with a particular focus on split-interest trusts.

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<sup>88</sup> Trustees of Philadelphia Baptist Association v. Hart's Executors, 17 U.S. (4 Wheat.) 1 (1819); Bascom v. Albertson, 34 N.Y. 584 (1866).

<sup>89</sup> MARION R. FREMONT-SMITH, GOVERNING NONPROFIT ORGANIZATIONS 47 (2008).

<sup>90</sup> Id.

<sup>91</sup> JAMES J. FISHMAN, STEPHEN SCHWARZ AND LLOYD HITOSHI MAYER, NONPROFIT ORGANIZATIONS CASES AND MATERIALS 52 (6th ed. 2021).

<sup>92</sup> Id.



## 4.2 Trusts Created Exclusively for Charitable Purposes

Hitoshi Kimura

### 4.2.1 Exempt Charitable Trust

Section 501(c)(3) of the Internal Revenue Code (hereinafter referred to as the “IRC”) applies to corporations, community chests, funds, or foundations. Although this section does not explicitly state that trusts are subject to its application, it is understood that trusts are included within the definitions of a fund or foundation<sup>93</sup>. To be classified as a public charity among them, a trust must, in principle, satisfy any of the requirements under IRC Section 509(a), such as the public support test requiring that contributions or grants constitute at least one-third of its total revenue. Otherwise, it is classified as a private foundation.

### 4.2.2 Nonexempt Charitable Trust

Even if a trust is a nonexempt charitable trust to which IRC Section 501(c)(3) does not apply, a trust created exclusively for charitable purposes can qualify for individual income tax deductions for donors under certain requirements<sup>94</sup>, as well as estate tax deductions<sup>95</sup> and gift tax deductions<sup>96</sup>. Furthermore, regarding the trust itself, any gross income of the trust that is paid during its taxable year for a charitable purpose specified in IRC Section 170(c) can qualify for an income tax deduction<sup>97</sup>. In other words, if all of the trust income is not distributed for charitable purposes, it will be subject to income tax.

A nonexempt charitable trust can also become a public charity if it meets any of the criteria under IRC Section 509(a); otherwise, it is treated as a private foundation<sup>98</sup>. Pursuant to IRC Section 4947(a)(1), nonexempt charitable trusts that are not public charities are subject to the regulations governing private foundations under Chapter 42 of the IRC<sup>99</sup>. Specifically, a nonexempt charitable trust that: (first) is not exempt from taxation under IRC Section 501(a); (second) has all of its unexpired interests devoted to one or more of the exempt purposes described in IRC Section 170(c)(2)(B); and (third) has been allowed a charitable deduction for income, estate, or gift tax purposes, will be subject to the restrictions applicable to private foundations unless it is certified as a public charity.

Concretely, these include restrictions on conflict-of-interest transactions (IRC Section 4941), regulations mandating a minimum distribution of income (IRC Section 4942), restrictions on excessively concentrated stock ownership (IRC Section 4943), regulations against risky investments that jeopardize charitable purposes (IRC Section 4944), and taxes on expenditures incompatible with proper institutional

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<sup>93</sup> *Fifth-Third Union Trust Co. v. Commissioner*, 56 F.2d 767 (6th Cir. 1932).

<sup>94</sup> I.R.C. § 170(c)(2).

<sup>95</sup> I.R.C. § 2055.

<sup>96</sup> I.R.C. § 2522.

<sup>97</sup> I.R.C. § 642(c)(1). Although this deduction amount was historically unlimited, starting in 2026, the allowable deduction amount is reduced by 5.4% under *The One Big Beautiful Act of 2025* (referred to in the text as the *The One Big Beautiful Bill Act*).

<sup>98</sup> IRS, *A General Explanation of Trusts Subject to Section 4947 of the Internal Revenue Code* (1983), <https://www.irs.gov/pub/irs-tege/eotopicj83.pdf>

<sup>99</sup> I.R.C. § 4947(a)(1).

roles (IRC Section 4945). Non-compliance with these provisions subjects the trust to excise taxes. While the Tax Reform Act of 1969 established the aforementioned regulations for private foundations, IRC Section 4947(a)(1) prevents nonexempt charitable trusts from circumventing the rules governing private foundations while continuing to receive deductions for income, gift, and estate taxes<sup>100</sup>.

For individuals who have committed to contributing certain assets exclusively for public benefit purposes and desire simple management of those assets, or who wish to avoid the setup and operational costs required to receive tax benefits through a split-interest trust, choosing a trust created exclusively for charitable purposes would be a viable option.

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<sup>100</sup> IRS, *supra* note 11.

### 4.3 Split-Interest Trust

Hitoshi Kimura

In Japan, a trust with designated beneficiaries and a trust without designated beneficiaries cannot be mutually converted into one another through a modification of the trust (Trust Act, Article 258, Paragraphs 2 and 3). On the other hand, it is possible to establish a trust that manages and disposes of trust property for the benefit of a private (non-charitable) beneficiary for an initial certain period and distributes the trust income or principal for a certain public benefit purpose during a subsequent period, or conversely, a trust that distributes the trust benefits for a certain public benefit purpose during an initial certain period and distributes the trust income or principal for the benefit of a private beneficiary during a subsequent period<sup>101</sup>. However, the private beneficiary will be subject to gift tax, and income taxation will arise during the duration of the trust.

In contrast, in the United States, an individual who wishes to contribute assets for public benefit purposes while still providing private benefit to family members or others can utilize a “split-interest trust”. By doing so, the individual can claim a charitable contribution deduction for the charitable portion, avoid taxation on the trust’s income, and defer capital gains taxation on appreciated assets<sup>102</sup>.

In 1969, with a primary focus on aligning the amount of the charitable contribution deduction received by the asset contributor with the actual amount of benefit received by the charitable organization, the *Tax Reform Act of 1969* was enacted, establishing restrictions for receiving tax incentive<sup>103</sup>. Specifically, to qualify for tax incentives, the trust must take the form of one of the following three vehicles that satisfy federal statutory requirements: (1) a Charitable Remainder Trust (CRT), (2) a Pooled Income Fund, or (3) a Charitable Lead Trust (CLT)<sup>104</sup>.

#### 4.3.1 Charitable Remainder Trust (CRTs)

A charitable remainder trust that qualifies for federal tax incentives must be established as either a Charitable Remainder Annuity Trust (CRAT) or a Charitable Remainder Unitrust (CRUT)<sup>105</sup>. In a charitable remainder annuity trust, a fixed amount—specifically, a certain percentage (not less than 5% and less than 50%) of the initial fair market value of the trust assets—must be paid to a non-charitable beneficiary at least annually for a term not exceeding 20 years or for the life of the beneficiary<sup>106</sup>. Following the expiration of the payment period, the remaining trust property, which must account for at least 10% of the value of the initial trust assets, must be transferred to a qualified charity<sup>107</sup>.

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<sup>101</sup> Hideki Muramatsu et al., *Gaisetsu Shintaku Hou (Outline of Trust Law)*, p. 399 (Kinzei, 2023).

<sup>102</sup> Regarding the tax system concerning split-interest trusts, a detailed introduction and analysis can be found in Takeshi Fujitani, “Koueki no Tame no Shintaku to Zeisei (Trusts for Public Benefit and the Tax System)”, in Yoshihisa Noumi, Norio Higuchi, and Hideki Kanda (eds.), *Shintaku Housei no Shin Jidai: Shintaku no Gendaiteki Tenkai to Shourai Tenbou (A New Era of Trust Legislation: Contemporary Developments and Future Prospects of Trusts)*, pp. 382 et seq. (Koubundo, 2017).

<sup>103</sup> Wendy C. Gerzog, *The Times They Are Not A-Changin’: Reforming the Charitable Split-Interest Rules (Again)*, 85 Chi.-Kent L. Rev. 849, 855 (2010).

<sup>104</sup> Id. at 853.

<sup>105</sup> I.R.C. § 170(f)(2)(A).

<sup>106</sup> I.R.C. § 664(d)(1)(A).

<sup>107</sup> I.R.C. § 664(d)(1)(C), (D).

In a charitable remainder annuity trust (CRAT), if the trust income is lower than the amount required to be paid to the non-charitable beneficiary, the trustee must make the payment from accumulated income or by invading the principal; if the trust income exceeds the amount to be paid to the non-charitable beneficiary, the excess is accumulated. Additional contributions of property cannot be made to an initial trust assets, and the trustee is not permitted to invade the principal to distribute it to a non-charitable beneficiary unless such a payment is required under the terms of the trust<sup>108</sup>.

A charitable remainder unitrust (CRUT) must require that a fixed percentage (not less than 5% and less than 50%) of the fair market value of the trust assets, determined annually rather than as a fixed amount, be paid to a non-charitable beneficiary at least annually for a term not exceeding 20 years or for the life of the beneficiary<sup>109</sup>. Following the expiration of the payment period to the non-charitable beneficiary, the remaining trust property, which must account for at least 10% of the value of the initial trust assets, must be transferred to a qualified charity, as is the case with a charitable remainder annuity trust<sup>110</sup>.

Compared to an annuity trust where the payout amount is fixed, a unitrust determines the payout amount to the non-charitable beneficiary in accordance with fluctuations in the value of the trust assets, making it useful as a risk hedge against inflation. On the other hand, it carries the risk that payouts to the non-charitable beneficiary may become insufficient if the value of the trust assets declines.

Unlike a charitable remainder annuity trust (CRAT), the trust terms of a charitable remainder unitrust (CRUT) may stipulate that the amount the trustee pays to a non-charitable beneficiary each year shall be the lesser of the trust's net income or the amount calculated based on a fixed percentage of the value of the trust assets for that year<sup>111</sup>. It is also possible to stipulate that if the trust income in a given year falls below the amount calculated to be distributed to the beneficiary, but the trust generates income higher than the amount to be distributed to the beneficiary in subsequent years, the excess portion may be distributed to make up for the deficiencies of prior years<sup>112</sup>. Such trust provisions enable a flexible approach: when trust assets that do not generate sufficient income (such as land or closely held stock) are required to be retained for the time being but can be disposed of later, a portion of the trust assets can be sold after a certain period to distribute the sale proceeds to the beneficiary while maintaining the principal of other trusts<sup>113</sup>. Furthermore, additional contributions of property are permitted under the unitrust type.

### **(1) Calculation of the Settlor's Charitable Contribution Deduction**

Under federal law, in any type of charitable remainder trust, a settlor who contributes property is allowed income tax and gift tax deductions for the present value of the remainder interest contributed for public benefit purposes. In general, the present value of the remainder interest is determined by subtracting the present value of the interest to be distributed to the non-charitable beneficiary from the

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<sup>108</sup> I.R.C. § 664(d)(1)(B).

<sup>109</sup> I.R.C. § 664(d)(2)(A).

<sup>110</sup> I.R.C. § 664(d)(2)(C), (D).

<sup>111</sup> I.R.C. § 664(d)(3)(A).

<sup>112</sup> I.R.C. § 664(d)(3)(B).

<sup>113</sup> FISHMAN, SCHWARZ AND MAYER, *supra* note 4, at 921.

initial value of the trust assets<sup>114</sup>. For this evaluation, the discount rate at the time the property is transferred to the trust is applied as a matter of principle, but the settlor may elect to use the valuation rate from either of the two months immediately preceding the transfer<sup>115</sup>. More specifically, the charitable contribution deduction is determined based on the annuity or unitrust payout amount, the duration of the income payments to the non-charitable beneficiary, the frequency of the annuity or unitrust payments, and, for annuity trusts, the interest rate prescribed under IRC Section 7520<sup>116</sup>. The estate tax deduction amount in cases where a bequest is made to a charitable remainder trust is determined using the same methodology<sup>117</sup>.

## **(2) Capital Gains Taxation on Appreciated Assets**

Establishing a trust and transferring property to a trustee does not constitute a sale or exchange under federal tax law but is treated as a gift<sup>118</sup>. Therefore, as a matter of principle, capital gains taxation on appreciated assets does not occur for the settlor at the time the trust is established. However, at the time of distribution to a non-charitable beneficiary, the beneficiary is taxed in accordance with a designated four-tier structure<sup>119</sup>. Consequently, it can be said that the structure defers taxation regarding capital gains.

## **(3) Taxation on Trust Income**

In principle, a qualified charitable remainder trust is exempt from all taxation on trust income<sup>120</sup>. Even if appreciated assets transferred to the trust are sold, capital gains taxation does not arise in that taxable year.

On the other hand, if the trust conducts a business unrelated to its charitable purpose and generates income, its tax-exempt status is not revoked solely on those grounds; however, in that case, it is subject to an excise tax equal to the income tax imposed on private foundations for unrelated business income<sup>121</sup>.

## **(4) Advantages of a Charitable Remainder Trust**

A charitable remainder trust is a mechanism well-suited for an individual who wishes to sell assets they own to receive a steady stream of income while donating the remaining assets after death to a public benefit organization. The same effect can be achieved within an Individual Retirement Account (IRA) by designating a public benefit organization as the beneficiary. However, the advantage of establishing a charitable remainder trust lies in the fact that an individual who holds appreciated assets (such as stocks or real estate) can avoid immediate capital gains taxation upon the sale of those assets, while simultaneously qualifying for an income tax deduction at the time of establishment<sup>122</sup>. Particularly in a high-interest-rate environment, the applicable rate under IRC Section 7520 increases, resulting in

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<sup>114</sup> Treas. Reg. § 1.664-2(c).

<sup>115</sup> I.R.C. § 7520(a).

<sup>116</sup> Id. at 922.

<sup>117</sup> I.R.C. § 2055(e)(2).

<sup>118</sup> I.R.C. § 1001, § 1015(b).

<sup>119</sup> I.R.C. § 664(b).

<sup>120</sup> I.R.C. § 664(c)(1).

<sup>121</sup> I.R.C. § 664(c)(2).

<sup>122</sup> David M. Barral and Robert A. Westley, *Planning with Charitable Remainder Trusts*, The Tax Adviser (Oct. 1, 2025), <https://www.thetaxadviser.com/issues/2025/sep/planning-with-charitable-remainder-trusts/>

a higher projected value transferred to the public benefit organization, which in turn increases the income tax deduction amount received by the settlor.

#### 4.3.2 Pooled Income Funds (PIFs)

A pooled income fund is a trust established and maintained by a public charity, into which property is contributed by numerous donors, with each settlor retaining a life income interest proportional to their share of the total property invested in the pooled fund<sup>123</sup>. Following the death of the income beneficiary, the remaining residual assets revert to the public benefit organization. A pooled income fund enables a settlor to achieve broad diversification without incurring tax on the sale of appreciated property or the reinvestment of its proceeds, making it an attractive vehicle for donors contributing smaller amounts.

Settlors are allowed an income tax deduction for the present value of the remainder interest that reverts to the public benefit organization<sup>124</sup>. The present value of the remainder interest is calculated based on factors such as the value of the property contributed by the settlor, the age of the income beneficiary, the historical rate of return of the fund, or, for newly established funds, a prescribed statutory rate of return<sup>125</sup>. While the fund itself maintains tax-exempt status, the income received by the beneficiaries is subject to taxation.

#### 4.3.3 Charitable Lead Trust (CLTs)

In a charitable lead trust, distributions are made to a public benefit organization for a specified period, and the remainder interest is subsequently transferred to the settlor or other non-charitable beneficiaries. To qualify for federal tax incentives, a charitable lead trust must be established as either a Charitable Lead Annuity Trust (CLAT) or a Charitable Lead Unitrust (CLUT)<sup>126</sup>. Furthermore, charitable lead trusts are divided into grantor lead trusts, where the remainder interest reverts to the settlor, and nongrantor lead trusts, where a party other than the settlor serves as the remainder beneficiary.

In a trust where the remainder interest reverts to the settlor, if a fixed amount or a fixed percentage of the fair market value of the trust assets is distributed to a public benefit organization at least annually, the settlor can deduct an amount equal to the actuarial value of the beneficial interest provided to the public benefit organization from their income tax at the time the trust is established<sup>127</sup>. Such a trust offers substantial tax advantages when the settlor's current income tax rate is temporarily very high but expected to decrease in the future, as it allows for a large charitable contribution deduction in that specific year. On the other hand, even during the trust term when the fixed amount or percentage is being paid to the public benefit organization, the trust income is treated under tax law as taxable income

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<sup>123</sup> I.R.C. § 642(c)(5).

<sup>124</sup> I.R.C. § 170(f)(2)(A).

<sup>125</sup> FISHMAN, SCHWARZ AND MAYER, *supra* note 4, at 924.

<sup>126</sup> I.R.C. § 170(f)(2)(B).

<sup>127</sup> I.R.C. § 170(f)(2)(B).

of the settlor. Therefore, if the income tax rate is expected to remain flat or gradually increase, the settlor will be taxed on the trust income at a higher rate, which eliminates the incentive to establish a charitable lead trust where the settlor retains the remainder interest.

Charitable lead trusts in which a party other than the settlor serves as the remainder beneficiary are frequently utilized to reduce or eliminate transfer taxes imposed when transferring assets to family members<sup>128</sup>. If a fixed amount or a fixed percentage of the fair market value of the trust assets is distributed to a public benefit organization at least annually, a gift tax deduction can be claimed for the value of the beneficial interest distributed to the public benefit organization when the trust is established during the settlor's lifetime, or an estate tax deduction can be claimed when the trust is established by a will<sup>129</sup>. While the remainder beneficiaries are subject to estate or gift tax at the time the trust is established, it is possible to minimize the taxable amount for the remainder beneficiaries by adjusting the required charitable payout amount and the duration of the trust term<sup>130</sup>. It has been pointed out that nongrantor lead trusts are utilized as a vehicle for an "estate freeze" when the value of the trust assets is expected to appreciate during the duration of the trust<sup>131</sup>.

#### 4.3.4 Utilization Trends of Split-Interest Trusts

According to data books from the Internal Revenue Service (IRS), the total number of split-interest trusts and charitable trusts that do not receive tax-exempt status under IRC Section 501(c)(3) has overall been on a gradual decline<sup>132</sup>. It has been pointed out that the utilization of split-interest trusts is also trending downward. Split-interest trusts are required to report to the IRS using Form 5227<sup>133</sup>.

According to a study based on this data, the number of existing charitable remainder trusts was approximately 105,000 in 2012, whereas it gradually decreased to approximately 86,000 in 2021, representing a decline of about 18%<sup>134</sup>. However, during the phase of rising interest rates from 2022 onward, the utilization of charitable remainder trusts has once again attracted attention<sup>135</sup>, and the total number has slightly recovered to approximately 95,000<sup>136</sup>.

Between 2015 and 2020, the number of newly established charitable remainder trusts was relatively stable; thus, analyses suggest that the decline in the overall total was due to a high volume of existing charitable remainder trusts reaching the end of their terms and terminating<sup>137</sup>. Under the Tax Cuts and Jobs Act of 2017, the basic exclusion amount for estate and gift taxes was raised from 5 million dollars

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<sup>128</sup>JAMES J. FISHMAN, STEPHEN SCHWARZ AND LLOYD HITOSHI MAYER, *NONPROFIT ORGANIZATIONS CASES AND MATERIALS* 925 (6th ed. 2021) (referenced in the text as *Fishman*, *supra* note 4).

<sup>129</sup>I.R.C. § 2522(c)(2)(B), § 2055(e)(2)(B).

<sup>130</sup>FISHMAN, SCHWARZ AND MAYER, *supra* note 4, at 925.

<sup>131</sup>akeshi Fujitani, *supra* note 15, at p. 390 (referenced in the text as *Fujitani*, *supra* note 15).

<sup>132</sup>The number stood at 112,502 in 2020, but was 103,087 in 2025. *IRS Data Book 2021*, <https://www.irs.gov/pub/irs-prior/p55b--2021.pdf>; *IRS Data Book 2025*, <https://www.irs.gov/pub/irs-pdf/p55b.pdf>

<sup>133</sup><https://www.irs.gov/forms-pubs/about-form-5227>

<sup>134</sup>Klaus Gottlieb, *Charitable Remainder Trusts, a Decade After the Last IRS Study*, 190 *Tax Notes Federal* 1613, 1616 (2026).

<sup>135</sup>Bryan W. Bussert, *Wealth Transfer Strategies amid Shifting Interest Rates*, *The Tax Adviser* (May 1, 2024), <https://www.thetaxadviser.com/issues/2024/may/wealth-transfer-strategies-amid-shifting-interest-rates/>

<sup>136</sup>Gottlieb, *supra* note 47, at 1616.

<sup>137</sup>*Id.* at 1619.

to 10 million dollars<sup>138</sup>, but it can be observed that this did not exert a major impact on the number of newly established charitable remainder trusts.

The system of split-interest trusts involves complex evaluations of beneficial interests, structural requirements such as the proportion to be contributed to public benefit organizations (at least 10%), and reporting obligations via Form 5227, and in certain circumstances, it can subject the trust to excise taxes. Furthermore, because establishing and operating a split-interest trust that complies with federal law is complex, setup costs are high, and trust administration expenses are also incurred. Consequently, it is said to be utilized primarily by individuals possessing assets above a certain threshold<sup>139</sup>, meaning its use is not necessarily prevalent among the general public.

Nevertheless, viewed as a whole, the number of newly established split-interest trusts—particularly charitable remainder trusts—has remained resilient, and it can be said that they have become established in American society as a vehicle for estate planning. While the incentives to establish either a charitable remainder trust or a charitable lead trust differ depending on the interest rate environment and tax deduction amounts, it is noteworthy that, in either case, a rich menu of options is available to realize a donor’s private intentions alongside their charitable goals. A framework has been successfully constructed to support their utilization through tax incentives while simultaneously preventing abuse.

#### 4.3.5 Differences and Combined Utilization with DAFs

A Donor-Advised Fund (hereinafter referred to as a “DAF”) is a fund whose administrator manages and operates the fund, yet determines the grant recipients based on recommendations or advice received from the donor. While the utilization of DAFs is expanding in the United States, because they are not subject to a payout rule mandating a specific percentage to be distributed for public benefit purposes, whether such a rule should be introduced remains a subject of ongoing debate<sup>140</sup>.

In split-interest trusts, an income tax deduction is allowed only for the present value of the charitable contribution portion in accordance with IRC Section 7529, and specific charities are definitively designated within the trust provisions. In contrast, under a DAF, a donor is allowed a deduction equal to the value of the contributed property provided certain requirements are satisfied, and it is possible for the donor to maintain long-term involvement through advising on the final distribution of funds over many years. While it is impossible to immediately conclude a causal relationship between the rise of DAFs and the slight stagnation in the utilization of split-interest trusts based solely on this distinction, it is conceivable that individuals who find the complexity of establishing split-interest trusts cumbersome and wish to remain continuously involved with their funds personally may opt for a DAF over a split-interest trust.

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<sup>138</sup> Tax Cuts and Jobs Act, P.L. 115-97, § 11061 (2017).

<sup>139</sup> ELIZABETH DALE, KRUPA OLHA, MARGARET NEITZEL WALKER, *LEAVING A LEGACY: A NEW LOOK AT TODAY’S PLANNED GIVING DONORS* 72 (Giving USA Foundation, 2019).

<sup>140</sup> For further details, see Masayuki Tamaruya, “Koueki Shintaku no Senzairyoku: Amerika no Kifusha Jogen Kikin wo Sankou ni (The Potential of Charitable Trusts: With Reference to Donor-Advised Funds in the United States)”, in Hiroyuki Kansaku (ed.), *Fiduciary Duty no Saizenren (The Front Lines of Fiduciary Duty)*, pp. 216-217 (Yuhikaku, 2023).



On the other hand, a DAF cannot be utilized to seek private benefits. For individuals who prioritize passing the trust income or remainder assets over to themselves or a third party as a non-charitable beneficiary for a specified duration, a split-interest trust would be the preferred choice.

Nevertheless, DAFs and split-interest trusts are not necessarily mutually exclusive choices. It is said to be common practice to establish a charitable remainder trust and designate a DAF as its remainder beneficiary<sup>141</sup>. Even if a DAF is designated as the remainder beneficiary instead of a specific charity, it does not disqualify the settlor from receiving a tax deduction based on IRC Section 7520. Therefore, by combining a charitable remainder trust with a DAF, an individual can secure an income tax deduction, defer capital gains taxation, and receive trust income for their lifetime or for a specified period alongside other non-charitable beneficiaries. Simultaneously, by contributing the remainder assets to a DAF upon the termination of that period, it becomes possible for the settlor and their family to provide ongoing advice regarding the selection of public benefit organizations as the final recipients over many years.

#### 4.3.6 Significance of Split-Interest Trusts

By splitting beneficial interests chronologically, this system accommodates the needs of asset contributors who intend to realize both private interest and public benefit simultaneously. Furthermore, by utilizing methodologies such as standardizing the actuarial evaluation of the beneficial interest portion contributed to public benefit purposes, the system provides measures that offer tax incentives at the time the trust is established. Whether an individual utilizes a charitable remainder trust or a charitable lead trust differs in terms of incentives depending on the interest rate environment and tax deduction amounts; regardless, a rich menu of options—including DAFs—is available to fulfill an asset contributor's private intentions alongside their charitable goals, offering a structured framework that encourages their use through tax benefits. On the other hand, by applying certain regulations governing private foundations to prevent abuse, the system secures a certain level of social trust.

Because establishing and operating a split-interest trust that complies with federal law is complex, setup costs are high, and administration expenses are required, its utilization is not necessarily prevalent or growing among the general public. Nevertheless, viewed as a whole, the utilization of split-interest trusts has remained resilient. Although primarily limited to wealthy individuals, it can be said that they have firmly established themselves in American society as a standard vehicle for estate planning.

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<sup>141</sup> Klaus Gottlieb, *Charitable Remainder Trust vs Donor-Advised Fund: One, the Other, or Both?*, CalCRUT.com (May 16, 2026), <https://www.calcrut.com/post/charitable-remainder-trust-vs-donor-advised-fund-one-the-other-or-both>

## 4.4 Oversight System for Charitable Trusts

Hitoshi Kimura

At the state level, supervising whether the trustees of a charitable trust are appropriately fulfilling their duties and enforcing those obligations is a role primarily demanded of the state attorney general. In addition, although to a limited extent, there are certain cases where the right of enforcement is granted to private individuals.

### 4.4.1 State Attorney General

With respect to charitable organizations, the state Attorney General is generally granted broad authority to represent the general public and to oversee and enforce the proper fulfillment of duties by the officers or trustees of such public benefit entities<sup>142</sup>. For instance, under New York state law, the Attorney General possesses the right to receive the trust instruments and financial accounting reports of charitable trusts<sup>143</sup>; the authority to investigate transactions and relationships among trustees to verify that trust property is being properly administered<sup>144</sup>; the power to issue and enforce subpoenas under penalty<sup>145</sup>; the authority to initiate legal proceedings to ensure the proper management of the trust<sup>146</sup>; and the power to petition a court for the removal of a trustee<sup>147</sup>. Furthermore, the Attorney General holds extensive regulatory authority over fundraising activities conducted by nonprofit organizations<sup>148</sup>. Nevertheless, the scope of authority held by a state Attorney General regarding the enforcement of charitable trusts varies across jurisdictions; for example, the specific content of information regarding trust operations required to be submitted to the Attorney General by trustees varies from state to state<sup>149</sup>.

It is frequently pointed out that the staff and budgets supporting state Attorneys General are insufficient<sup>150</sup>. Moreover, unless there is a malicious breach of duty or a violation of trust that attracts media attention, an Attorney General lacks a strong incentive to rigorously monitor the fulfillment of duties by the trustees of charitable trusts or the officers of nonprofit corporations. Furthermore, in the vast majority of states, the state Attorney General is chosen through popular election<sup>151</sup>, and concerns have been raised that they may prioritize their own political interests—namely the inclinations of the state electorate or the state governor—over the fulfillment of the specific purposes of the charitable trust<sup>152</sup>.

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<sup>142</sup> 5 AUSTIN WILLIAM SCOTT, WILLIAM FRANKLIN FRATCHER, AND MARK L. ASCHER, *SCOTT AND ASCHER ON TRUSTS*, § 37.3.10, at 2431 (5th ed. 2008).

<sup>143</sup> N.Y. EST. POWERS & TR. LAW § 8-1.4(d), (f) (2018).

<sup>144</sup> N.Y. EST. POWERS & TR. LAW § 8-1.4(i) (2018).

<sup>145</sup> N.Y. EST. POWERS & TR. LAW § 8-1.4(j), (k) (2018).

<sup>146</sup> *Id.*

<sup>147</sup> N.Y. EST. POWERS & TR. LAW § 8-1.4(m) (2018).

<sup>148</sup> N.Y. EXEC. LAW Art. 7-A.

<sup>149</sup> UNIFORM TRUST CODE § 110 comment (amended 2010).

<sup>150</sup> James J. Fishman, *Improving Charitable Accountability*, 62 Md.L.Rev.218, 262 (2003)(referenced in the text as *James J. S.*).

<sup>151</sup> The state Attorney General is chosen via popular election by residents in 43 states and the District of Columbia, via gubernatorial appointment in 5 states, via election by the state legislature in Maine, and via appointment by the State Supreme Court in Tennessee.

<sup>152</sup> Jonathan Klick & Robert H. Sitkoff, *Agency Costs, Charitable Trusts, and Corporate Control: Evidence from Hershey's*

#### 4.4.2 Standing of Private Individuals

##### (1) Co-trustees or Successor Trustees

Where co-trustees exist, as is the case with private trusts, one or more co-trustees can demand the performance of trust obligations from other trustees or seek liability for a breach of trust<sup>153</sup>. Additionally, a successor trustee may hold a predecessor trustee liable for a breach of trust. If the validity of a charitable trust or the interpretation of the terms of a trust instrument is disputed, it is generally required to pursue the action as a joint lawsuit with the state Attorney General<sup>154</sup>. In practice, however, it is noted that lawsuits initiated between co-trustees are rare<sup>155</sup>.

##### (2) Persons with a Special Interest

As a matter of principle, private individuals lack standing to file lawsuits to enforce a charitable trust. This is due to the concern that granting broad enforcement rights to private individuals would expose the trust to unreasonable, vexatious litigation brought by parties who possess no actual interest in the trust, thereby causing the trust property to be needlessly depleted<sup>156</sup>.

On the other hand, given that oversight by the state Attorney General faces practical limitations, granting private individuals the right to sue for the enforcement of trust duties within a specific scope enhances the efficacy of charitable trust oversight and increases the likelihood of protecting the reasonable expectations of settlors and donors. However, because it is equally vital to reduce the risk of vexatious litigation and to protect the trust property and trustees, the traditional common law, in balancing these considerations, has exceptionally granted standing to individuals who possess a “special interest” in the enforcement of a charitable trust<sup>157</sup>.

According to the Restatement of the Law of Charitable Nonprofit Organizations, standing is granted to a person with a special interest only when all of the following conditions are met: (first) the Attorney General is not exercising authority to protect the public interest in the charitable property; (second) the charitable property will not be protected unless standing is granted to the individual in question; (third) the alleged misconduct is egregious or the circumstances are severe and urgent; (fourth) the requested relief is appropriate to realize the purposes of the nonprofit organization or the specific purposes for which the charitable property was contributed; and (fifth) the private individual maintains a substantial relationship to the matter at issue and to the nonprofit organization or the property in question<sup>158</sup>. Furthermore, a study indicates that the existence of a special interest regarding a charitable organization is determined based on factors including: (1) the nature of the challenged conduct and the type of relief sought; (2) the blameworthiness of the fiduciary, such as willful misconduct; (3) the

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*Kiss-Off*, 108 Colum. L. Rev. 749, 781 (2008); Evelyn Brody, *Whose Public? Parochialism and Paternalism in State Charity Law Enforcement*, 79 Ind. L.J. 937, 947-48 (2004).

<sup>153</sup> SCOTT, FRATCHER & ASCHER, *supra* note 55, at 2439; RESTATEMENT (THIRD) OF TRUSTS § 94 cmt. f.

<sup>154</sup> SCOTT, FRATCHER & ASCHER, *supra* note 55, at 2439.

<sup>155</sup> Susan N. Gary, *Regulating the Management of Charities: Trust Law, Corporate Law, and Tax Law*, 21 U. Hawaii L. Rev. 593, 625 (1999).

<sup>156</sup> *Sarkeys v. Independent School District No. 40, Cleveland County*, 592 P.2d 529, 534 (Okla. 1979); *Alco Gravure v. Knapp Foundation*, 479 N.E.2d 752, 756 (N.Y. 1985).

<sup>157</sup> SCOTT, FRATCHER & ASCHER, *supra* note 55, at 2440-50; RESTATEMENT (SECOND) OF TRUSTS § 391 (1959); RESTATEMENT (THIRD) OF TRUSTS § 94(2) (2012).

<sup>158</sup> RESTATEMENT OF THE LAW OF CHARITABLE NONPROFIT ORGANIZATIONS § 6.05 (Tentative Draft, 2017).

likelihood of effective oversight by the state Attorney General; (4) the nature of the class of beneficiaries and their relationship to the nonprofit organization; and (5) other subjective or individualized circumstances<sup>159</sup>.

### (3) Settlers (Grantors)

During the 1990s, Professor John Langbein emphasized the contractarian basis of trust law, though his theory primarily envisioned private trusts<sup>160</sup>. Nonetheless, the theory advanced by Professor Langbein, who was one of the drafters of the Uniform Trust Code, also influenced the legal nature of charitable trusts. Consequently, Section 405(c) of the Uniform Trust Code (2000) codified that “the settlor of a charitable trust among others may maintain a proceeding to enforce the trust”<sup>161</sup>, even if the settlor has not retained a property right such as a reversionary interest. Similarly, the *Restatement* (Third) of Trusts recognizes the standing of a settlor<sup>162</sup>.

Even if a settlor is granted standing to enforce a charitable trust, critical legal questions remain as to whether a personal representative (such as an executor or administrator) or the heirs of the settlor can exercise the right to enforce the terms of the charitable trust after the settlor’s death, and whether the settlor can assign this right to a third party. Generally, contractual rights held by a settlor do not automatically descend to heirs upon the settlor’s death unless an agreement to that effect exists between the settlor and the trustee<sup>163</sup>, and the vast majority of judicial precedents hold that the heirs of a settlor cannot exercise the right to enforce the terms of a charitable trust<sup>164</sup>. However, regarding a settlor’s personal representative, the *Restatement* (Third) of Trusts states that it is possible to exercise the settlor’s rights within a reasonable period of administration<sup>165</sup>.

#### 4.4.3 Oversight by the Internal Revenue Service (IRS)

With respect to state corporate income taxes, property taxes, and sales taxes, the vast majority of states prescribe tax-exemption requirements identical to those found under the Internal Revenue Code<sup>166</sup>. However, because whether a state tax exemption is granted is determined primarily via organizational tests at the time of an entity’s formation—and state tax authorities generally do not involve themselves in the operational methods post-formation—it is said that the discipline exerted by state tax authorities over the governance of nonprofit organizations is weaker compared to that of federal tax

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<sup>159</sup> Mary Grace Blasko, Curt S. Crossley, and David Lloyd, *Standing to Sue in the Charitable Sector*, 28 Univ. San Francisco L. Rev. 37, 61–75 (1993).

<sup>160</sup> John H. Langbein, *The Contractarian Basis of the Law of Trusts*, 105 Yale L.J. 625, 631 (1995).

<sup>161</sup> UNIFORM TRUST CODE § 405(c) (amended 2010).

<sup>162</sup> RESTATEMENT (THIRD) OF TRUSTS § 94.

<sup>163</sup> Ronald Chester, *Grantor Standing to Enforce Charitable Transfers Under Section 405(c) of the Uniform Trust Code and Related Law: How Important Is It and How Extensive Should It Be?*, 37 Real Prop. Prob. & Tr. J. 611, 617; *Buchanan v. Buchanan*, 71 A. 745, 746 (N.J. 1909) (A case ruling that rights such as recovering a decedent’s estate or collecting debts can only be exercised by the personal representative of the decedent, and that heirs or similar parties cannot file a lawsuit in their own names).

<sup>164</sup> SCOTT, FRATCHER & ASCHER, *supra* note 55, at 2453.

<sup>165</sup> RESTATEMENT (THIRD) OF TRUSTS § 94 cmt. g(3). This comment notes that a settlor’s rights bear a “personal” nature, and that the parties entitled to exercise these rights are strictly limited to the settlor themselves, an agent if the settlor is incapacitated, or, in the event of the settlor’s death, an administrator or executor within a reasonable period of estate administration.

<sup>166</sup> MARION R. FREMONT-SMITH, *GOVERNING NONPROFIT ORGANIZATIONS* 368 (2008) (referenced in the text as *Fremont-Smith*, *supra* note 2).

authorities<sup>167</sup>. Furthermore, while some states require that the contents of applications for state tax exemptions filed by nonprofit organizations be notified to the state Attorney General<sup>168</sup>, it is generally noted that coordination between state tax authorities and other regulatory agencies remains insufficient<sup>169</sup>.

In the United States, it is said that the role played by the Internal Revenue Service (hereinafter referred to as the “IRS”) in supervising charitable organizations has grown increasingly significant<sup>170</sup>. The IRS exercises its oversight authority over charitable organizations, including charitable trusts, through tax incentives and excise taxes.

### **(1) Trusts Created Exclusively for Charitable Purposes**

Trusts that have been recognized as public charities are subject to the excise taxes applicable to public charities, such as restrictions on transactions that yield excess benefits to disqualified persons. If a trust is not a public charity, the rules governing private foundations apply.

Even for a nonexempt charitable trust to which IRC Section 501(c)(1) [*sic*] does not apply, if it is a trust created exclusively for charitable purposes, it can qualify for individual income tax, estate tax, and gift tax deductions under certain requirements. However, unless it is recognized as a public charity, it is subject to the same rules as private foundations pursuant to IRC Section 4947(a)(1).

### **(2) Split-Interest Trusts**

For split-interest trusts under Section 4947(a)(2) of the Internal Revenue Code (IRC)—namely, trusts that satisfy the following requirements: ① they are not tax-exempt trusts under IRC Section 501(a); ② there are unexpired interests contributed for non-charitable purposes; and ③ amounts in trust exist for which a charitable deduction was allowed<sup>171</sup>—certain rules governing private foundations under Chapter 42 of the IRC apply. The provisions that consistently apply include the self-dealing restrictions (IRC Section 4941), taxable expenditures (IRC Section 4945), termination of private foundation status (IRC Section 507), and governing instrument requirements (IRC Section 508(e))<sup>172</sup>.

Additionally, restrictions on excess business holdings (IRC Section 4943) and investments that jeopardize charitable purpose (IRC Section 4944) apply to split-interest trusts as a general rule, but are excluded under the following two circumstances<sup>173</sup>. The first exception applies when all the remainder interests are devoted to charitable purposes and all the income interests are held by non-charitable beneficiaries, which typically corresponds to a charitable remainder trust. This is because the timing at which assets are devoted to charitable purposes lies far in the future. The second exception applies when all the income interests belong to charitable purposes and the charitable portion is relatively small-scale, accounting for no more than 60% of the total value of the trust assets.

In contrast, IRC Section 4942, which establishes mandatory payout requirements, does not apply to

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<sup>167</sup> Id.

<sup>168</sup> E.g., CAL. GOV. CODE § 12594 (1959); N.Y. EST. POWERS & TR. LAW § 8-1.4(o) (2014); OR. REV. STAT. § 128.730 (2018).

<sup>169</sup> FREMONT-SMITH, *supra* note 2, at 368.

<sup>170</sup> ROBERT H. SITKOFF & JESSE DUKEMINIER, WILLS, TRUSTS, AND ESTATES 808 (11th ed. 2022) (referenced in the text as *Sitkoff & Dukeminier*).

<sup>171</sup> I.R.C. § 4947(a)(2).

<sup>172</sup> Id.

<sup>173</sup> I.R.C. § 4947(b)(3).

split-interest trusts. This is because in a split-interest trust, distributions to charitable purposes are specified within the trust instrument itself, rendering an additional minimum distribution rule unnecessary. The IRS is granted the authority to oversee the proper setup, administration, and management of charitable trusts and split-interest trusts through tax incentives and regulatory taxes according to trust classifications. However, the IRS also faces limitations in human and financial resources. Furthermore, in recent years, critics have noted that the agency has refrained from actively executing its supervisory authority due to heightened considerations regarding political neutrality<sup>174</sup>.

#### 4.4.4 Information Disclosure and Social Monitoring

With respect to nonexempt charitable trusts, they are subject to the same information reporting obligations as tax-exempt organizations under IRC Section 501(c)(3)<sup>175</sup>. Specifically, a charitable trust recognized as a public charity is obligated to report information to the IRS using Form 990, while a charitable trust treated as a private foundation must do so using Form 990-PF. Furthermore, a nonexempt charitable trust subject to IRC Section 4947(a)(1) must file Form 1041 if it has any taxable income, or if it has gross income of 600 dollars or more regardless of whether it is taxable<sup>176</sup>.

Regarding split-interest trusts, information disclosure is required via Form 5227 and Form 1041-A<sup>177</sup>. However, if all of the trust's net income is distributed currently to the beneficiaries, Form 1041-A is not required. On Form 5227, the trust must disclose its financial data, information regarding charitable deductions, and details on asset distributions.

Forms 990 and 990-PF can be accessed as machine-readable data through the IRS's Tax Exempt Organization Search and are also compiled in *Candid*'s database, making them generally highly accessible. In contrast, while Form 5227 is technically subject to public inspection as a matter of principle, information identifying non-charitable beneficiaries, grantors, and specific contributed property is strictly withheld from public disclosure<sup>178</sup>. Furthermore, neither the IRS nor *Candid* includes Form 5227 data in their readily accessible digital databases. Anyone seeking to inspect a Form 5227 must identify the specific target trust and submit a written request directly to the IRS<sup>179</sup>. Consequently, it can be said that it is substantially difficult for an ordinary citizen unrelated to the trust to request and view Form 5227 information.

For trusts created exclusively for charitable purposes, public disclosure is standardized via Form 990 or Form 990-PF. This infrastructure ensures transparency and allows social monitoring to guide appropriate trust administration. In contrast, for split-interest trusts, the necessity to safeguard private, non-charitable information is heavily factored in, and because these documents are excluded from public databases, accessing Form 5227 remains difficult. From the standpoint of enabling social monitoring over the public benefit portion of these vehicles, the current disclosure mechanism can be evaluated as somewhat insufficient.

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<sup>174</sup> Based on an interview with Professor Roger Colinvax of The Catholic University of America (October 27, 2025).

<sup>175</sup> I.R.C. § 6033(d).

<sup>176</sup> I.R.C. § 6012.

<sup>177</sup> Treas. Reg. § 53.6011-1(d); I.R.C. § 6034.

<sup>178</sup> IRS, *Instructions for Form 5227* (2025), <https://www.irs.gov/instructions/i5227>

<sup>179</sup> Treas. Reg. § 301.6104(b)-1.

## 4.5 Conclusion

Hitoshi Kimura

Regulations governing trusts created exclusively for charitable purposes are fundamentally aligned with those applicable to public charities and private foundations. Due to its simplicity, a trust is considered well-suited not as an operating entity that directly conducts public benefit activities itself, but rather as a mechanism to simply manage and dispose of certain property for charitable purposes.

Although the utilization of split-interest trusts has been on a gradual decline, it remains resilient overall, and it can be said that they have become firmly established as a standard component of estate planning among wealthy individuals in the United States. Under federal tax law, split-interest trusts that qualify for tax incentives are subject to meticulously detailed requirements, and certain regulations governing private foundations are applied to them as measures to prevent abuse.

Simultaneously, information regarding donors and non-charitable beneficiaries is excluded from public disclosure, thereby safeguarding their privacy and ensuring that disclosure obligations do not act as a disincentive to establishing a split-interest trust. On the other hand, the data submitted to the IRS regarding the charitable portion of these trusts cannot be described as widely accessible to the general public, suggesting that there may be room for improvement from the perspective of enabling social monitoring.

In order to introduce and popularize split-interest trusts in Japan, determining the extent to which information reporting and public disclosure should be mandated—while successfully preventing abuse—could emerge as a key point of contention. The trends in U.S. law are poised to serve as a valuable reference. While the author does not possess the expertise to evaluate the Japanese tax system, it has been noted that promoting public benefit activities via split-interest trusts would necessitate a revision of current taxation rules concerning multi-layered beneficial interest trusts, including the special tax treatments applied to trusts with successive beneficiaries<sup>180</sup>. If demonstrating an active demand is a prerequisite to achieving a revision of the tax rules for trusts with successive beneficiaries, the initial step required may be to increase the total number of wills executed and the frequency of charitable bequests in Japan.

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<sup>180</sup> Takeshi Fujitani, “Dai 4-kai Kenkyukai: Koueki no Jitsugen no Tame no Shintaku—Bunkatsu Rieki Shintaku wo Chuushin ni (The 4th Study Group: Trusts for the Realization of Public Benefit—With a Focus on Split-Interest Trusts)”, in Shintaku to Philanthropy Kenkyukai (Study Group on Trusts and Philanthropy), *Shintaku to Philanthropy (Trusts and Philanthropy)*, p. 80 (Public Resource Foundation, 2025).

## 5. Financial Management and Fundraising

### 5.1 Funding Sources and the Ideals

Kuniko Imaizumi

In the United States, nonprofit organizations exempt from taxation under Internal Revenue Code (hereinafter IRC) § 501(c), § 527, or § 4947(a)(1) submit annual financial reports to the Internal Revenue Service (hereinafter IRS) using Form 990. Organizations file Form 990 to maintain their tax-exempt status, as failure to do so results in the revocation of their tax-exempt privileges.

Form 990 contains extensive financial data along with qualitative and quantitative information. The IRS makes the Form 990 filings received from nonprofit organizations public through tools such as the Tax Exempt Organization Search. Consequently, much empirical research on nonprofit organizations is conducted using these financial reports as primary data. However, since the Form 990-EZ used by smaller nonprofits provides less information, these organizations are often excluded from empirical studies.

In Form 990 Part I Revenue, a nonprofit's funding sources are categorized into contributions and grants (IRC § 170; Treasury Regulation § 1.170A), program service revenue, and other revenue, with further breakdowns provided in Part VIII. Program service revenue includes income from unrelated trade or business activities. Other revenue includes investment income (IRC § 512(b)(1)–(5)), gross rent, the gross amount from sales of assets other than inventory, gross income from fundraising events, gross income from gaming activities, and gross sales of inventory, less returns and allowances (2025 Instructions for Form 990 Return of Organization Exempt From Income Tax 37–42.).

According to the Urban Institute's Research Report October 2025, the average nonprofit organization's revenue sources consist of 50% private funding from individual donations and philanthropic institutes, 28% government funding, 18% earned income (business revenue), and 4% from other sources (Laura Tomasko, Hannah Martin, Katie Fallon, Mirae Kim, Lewis Faulk and Elizabeth T. Boris, Urban Institute, Research Report How Government Funding Disruptions Affected Nonprofits in Early 2025, October 2025 at vi. <https://www.urban.org/research/publication/how-government-funding-disruptions-affected-nonprofits-early-2025> last visit on 20251127). Research reports indicate that organizations more reliant on government funding were more severely affected by the federal government's hesitation to provide financial assistance in early 2025 (Laura Tomasko, Hannah Martin, Katie Fallon, Mirae Kim, Lewis Faulk and Elizabeth T. Boris, Urban Institute, Research Report How Government Funding Disruptions Affected Nonprofits in Early 2025, October 2025 at vi. <https://www.urban.org/research/publication/how-government-funding-disruptions-affected-nonprofits-early-2025> last visit on 20251127).

When revenue sources are diversified, financial health can be maintained even during economic fluctuations. In particular, during crises such as the COVID-19 pandemic, organizations capable of shifting their revenue streams recovered more quickly. Many nonprofits conduct their own profit-making



activities, such as museum gift shops, library-run used bookstores, facility rentals by community organizations, and ticketed events (Kara Young Ponder and Rick Kohen at National Council of Nonprofits.).

Accordingly, during the 2025 U.S. study mission, representatives from the nonprofit sector explained that the more diversified a nonprofit's revenue sources are, the better (Prof. Mirae Kim at George Mason University; Matt Moore at International Center for Not-for-Profit Law; Rick Kohen at National Council of Nonprofits: Kara Young Ponder and Rick Kohen at National Council of Nonprofits.).

#### References

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- Tomasko, L., Martin, H., Fallon, K., Kim, M., Faulk, L. and Boris, E. T. (2025) How Government Funding Disruptions Affected Nonprofits in Early 2025. Research Report. Washington, DC: Urban Institute. Available at: <https://www.urban.org/research/publication/how-government-funding-disruptions-affected-nonprofits-early-2025> (Accessed: 27 November 2025).

## 5.2 Use of Funds and Budgeting

Yoshiharu Shiraishi

### 5.2.1 Basic Structure and Philosophy of the Use of Funds in Nonprofit Organizations

In the U.S. nonprofit sector, the use of funds and the budgeting process that determines it are positioned not merely as routine accounting procedures, but as the most critical strategic acts to demonstrate an organization's *raison d'être* (mission) to society. While for-profit enterprises formulate budgets with the ultimate goals of maximizing profits and providing shareholder dividends, nonprofit organizations are judged on how efficiently and effectively they deploy all acquired resources toward resolving social challenges and generating the public good. At the core of the taxation principles for nonprofit organizations in the United States lies the “non-distribution constraint”, which strictly prohibits the private distribution of net earnings to internal stakeholders, such as founders, directors, or officers. Therefore, all funds flowing into an organization must ultimately be directed either toward programs aimed at fulfilling the mission or toward maintaining and reinforcing the organizational infrastructure necessary to sustain those programs (*Independent Sector*; The Japan Association of Charitable Organizations, 2009).

To guarantee compliance with this principle, American nonprofit corporations are required to maintain an exceptionally high degree of transparency regarding their use of funds. In the U.S. model, which does not rely on prior government approval or uniform administrative audits, it is the donors, grantmaking foundations, the media, and the general public who monitor whether the use of funds is appropriate. The common language that enables these stakeholders to evaluate an organization's budgeting and its execution results is the Form 990 (Annual Information Return), which is submitted to the Internal Revenue Service (IRS) and made widely accessible to the public on the internet. On Form 990, the use of funds must be categorized and reported based on rigid rules, and this reporting format itself strongly dictates the budgeting practices within U.S. nonprofit organizations (Shiraishi, 2026).

### 5.2.2 Functional Expenses

The core concept when American nonprofit organizations formulate budgets and report their use of funds is “Functional Expenses”. Organizations above a certain financial threshold that file Form 990, as well as those preparing financial statements in compliance with the standards of the Financial Accounting Standards Board (FASB), are required to classify all expenditures into three broad categories based not only on their “nature” (such as salaries, rent, or supplies) but also on the “function” (purpose) for which they were utilized. These three functions are: Program Service Expenses, Management and General Expenses, and Fundraising Expenses (The Japan Association of Charitable Organizations, 2023).

**Program Service Expenses:** The first category consists of funds deployed to directly advance the organization's tax-exempt purpose (mission). Examples include the cost of providing meals or operating shelters by a homeless support organization, the expenses incurred by an educational organization to run scholarship programs or workshops, or the grants distributed by a grantmaking foundation to other

organizations. In U.S. nonprofits, the ratio of program service expenses to total expenditures has historically been viewed as the most straightforward indicator of how effectively an organization directly contributes to its mission.

**Management and General Expenses:** The second category covers expenditures for back-office functions that sustain the overall operation and administration of the organization but are not directly tied to a specific program or fundraising activity. This includes board of directors' operational costs, the preparation of annual reports, centralized services such as accounting and human resources, organization-wide legal and audit fees, and the salaries of the Chief Executive Officer (CEO) and administrative staff.

**Fundraising Expenses:** The third category represents a distinct use of funds that is highly emphasized in the U.S. system and isolated as a major independent classification. This refers to all costs incurred to induce (solicit) contributions of cash, in-kind donations, or grants from outside sources. Specifically, it encompasses the planning and advertising costs of fundraising campaigns, the maintenance and management of donor rosters, compensation for specialized fundraising staff or external consultants, and the expenses of hosting fundraising events such as gala dinners.

A frequent point of discussion in budgeting practices is the allocation of "Joint Costs" that span across these three functions. For example, if a CEO conducts an on-site inspection to advance the mission, participates in a board meeting to discuss organizational governance, and meets with a major donor to solicit funding all on the same day, the CEO's salary must be appropriately prorated according to the time and effort devoted to each of these three functions. Similarly, if an organization's newsletter contains a mixture of program activity reports and appeals for donations (fundraising), the costs are allocated based on a reasonable methodology adapted to the actual circumstances of the corporation (The Japan Association of Charitable Organizations, 2023).

A key characteristic of the U.S. system is that it is highly flexible regarding this allocation of joint costs, allowing broad autonomous discretion to the corporation. According to tax professionals at KPMG, while organizations receiving large-scale federal grants that trigger a "Single Audit" must follow detailed government regulations, the IRS does not rigidly demand a dollar-for-dollar, flawless allocation from the vast majority of organizations that do not receive such government funds. Tax experts indicate that as long as an organization adopts a "reasonable method that's consistently used", the unique methodologies of individual corporations are widely permitted and not scrutinized (KPMG). Because there are no meticulous administrative regulations or excessive government interventions, the classification of the use of funds becomes highly sensitive information that influences donor decisions. Consequently, clearly documenting the logic of cost allocation from the budgeting stage is indispensable to the autonomous governance of the organization.

### **5.2.3 Overcoming the "Overhead Myth" and Budgetary Allocation for Infrastructure Investment**

Within the aforementioned classification of functional expenses, a challenge that has plagued the U.S. nonprofit sector for decades is the phenomenon known as "The Overhead Myth". This refers to the

societal misconception that an organization is highly efficient and superior simply because it suppresses non-program expenditures—namely, the aggregate of management and general expenses plus fundraising expenses (collectively referred to as “overhead”)—to the absolute minimum.

In the past, third-party rating agencies such as Charity Navigator adopted a low “overhead ratio” as a primary evaluation criterion. Media outlets also tended to make simplistic comparisons of these metrics, criticizing organizations with a high percentage of administrative expenses for “wasting donation money.” As a result, fearing public backlash, many nonprofit organizations fell into a “starvation cycle” during budget planning, drastically compressing their administrative and fundraising expenses (Candid).

However, this rigid approach to budget allocation severely compromised the long-term sustainability and program quality of nonprofit organizations. Essential expenditures required to strengthen the backbone of the organization—such as paying appropriate salaries to recruit and retain talented professionals, modernizing IT systems, implementing cybersecurity measures, introducing platforms for efficacy measurement, and making strategic fundraising investments to expand future donor bases—were systematically excised from budgets as “wasteful overhead”.

Addressing this issue, experts from the National Council of Nonprofits have raised strong alarms, warning that the misconception favoring the elimination of overhead has severely hindered organizational infrastructure investment and talent development. They point out that this trend ultimately left organizations extremely vulnerable when faced with unexpected crises like global pandemics (National Council of Nonprofits).

Today, reflecting on these adverse effects, a major paradigm shift is underway across the entire sector. Major rating agencies have reformed their overemphasis on simple financial ratios, shifting their evaluative focus toward multidimensional metrics that measure how much social outcome (impact) an organization actually generates and whether it maintains highly transparent information disclosure (The Japan Association of Charitable Organizations, 2013).

Concurrently, the autonomous judgment of corporations is being respected more deeply in the budgeting processes of modern, progressive nonprofit organizations. Rather than viewing indirect or administrative costs as an inherent evil, there is an established movement to proactively budget these expenses under the organization’s own discretion as an “indispensable infrastructure investment” required to achieve the mission on a larger and more sustainable scale. This flexible mindset has also spread among grantmaking foundations that supply funds. Foundations are moving away from traditional styles that strictly bind funding to the direct costs of specific projects, significantly expanding grants in the form of “General Operating Support” (unrestricted funds) that corporations can allocate freely, including for administrative costs and personnel expenses.

This trend is part of a broader movement known as “Trust-Based Philanthropy”, an approach that completely trusts the autonomous discretion and management decisions of grantee organizations rather than binding their activities with granular restrictions. By being provided with such flexible, low-constraint financial environments, nonprofit organizations are able to agilely deploy funds to areas they

deem most critical, successfully achieving true capacity building (The Japan Association of Charitable Organizations, 2013).

#### **5.2.4 Strategic Budgeting and the Fiduciary Duty of the Board**

In the U.S. nonprofit sector, the use of funds and budgeting are not bound by prior administrative approvals or standardized government criteria; instead, they are widely entrusted to the autonomous management decisions of the organizations themselves. Within this highly autonomous environment, the ultimate authority and responsibility for determining the use of funds rests not with the CEO or staff executing daily operations, but with the highest decision-making body of the organization: the Board of Directors or Board of Trustees. The board owes a “fiduciary duty” to oversee whether funds are appropriately allocated in alignment with the organization’s mission and strategic goals, and the deliberation and approval of the annual budget is positioned as one of the most critical governance functions the board must perform (The Japan Association of Charitable Organizations, 2009).

Budgeting in U.S. nonprofit organizations is explicitly not intended to be a perfunctory exercise to align appearances with external regulatory frameworks, nor should it be an incremental task that merely makes minor adjustments to figures based on the previous year’s performance. The budget represents the concrete financial translation of the organization’s mid-to-long-term Strategic Plan, functioning as a “blueprint for resource allocation” that clearly demonstrates project priorities through the free will of the corporation. Therefore, the budgeting process necessitates strategic debates directly tied to the corporate mission, such as deciding which programs to expand or downsize and determining how much funding to direct toward emerging social challenges.

During this process, the board—specifically its Finance Committee—rigorously scrutinizes the budget draft submitted by the executive management. It evaluates the realism of projected donation and program revenues, the appropriateness of expenditures, and whether Operating Reserves have been adequately secured to prepare for unexpected shortfalls. Even after the budget is approved, rather than waiting for administrative guidance, the board itself voluntarily and continuously monitors whether actual fund usage is being executed according to the approved budget through regular meetings using “Budget vs. Actual” reports (The Japan Association of Charitable Organizations, 2009).

Furthermore, a critical legal and ethical challenge faced by the board regarding the use of funds is the management of “Conflicts of Interest”. It is strictly forbidden for nonprofit funds to be improperly funneled back to internal stakeholders, such as through awarding contracts to businesses operated by board members or their relatives. If a transaction with a vendor connected to a board member arises during budget execution, the interested director must recuse themselves from the decision-making process. Independent directors must then review and approve the transaction based on objective data to ensure it truly benefits the organization (such as verifying the fairness of pricing). Rather than having a government agency pre-screen and permit every transaction, it is only when the board itself autonomously executes this rigorous internal procedure that the use of funds is legally protected as legitimate.

### **5.2.5 Management and Accounting Treatment of Restricted Funds**

A factor introducing technical complexity into the flexible budgeting and fund management of nonprofit organizations is the existence of “restrictions” imposed by donors. According to the accounting standards for nonprofit organizations (ASC 958) prescribed by the Financial Accounting Standards Board (FASB), funds accepted by an organization must be rigidly separated and reported based not on standardized program classifications set by the government, but on whether the use or timing has been specified by the donor. This requires a strict division into two categories: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions (The Japan Association of Charitable Organizations, 2023).

For example, if a donor contributes \$100,000 under the condition that “this money must be used exclusively for the renovation of a homeless shelter in a specific district”, those funds are recognized as restricted assets. The organization is legally and accounting-wise prohibited from diverting these funds to cover general staff salaries or other programs. Consequently, during budget planning, organizations are required to solve a complex cash-flow puzzle, constantly monitoring the balance between unrestricted funds that can be deployed freely for general operations and restricted funds that cannot be used for any purpose other than the designated objective.

While donor-restricted funds are valuable resources, they can also severely strip away budgeting flexibility. A classic dilemma faced by many nonprofits is a situation where a specific, popular program is flooded with donations and flush with cash, yet the organization suffers from a shortage of unrestricted funds to cover core operational pillars like office rent or system maintenance utilities. For this reason, visionary nonprofit leaders and fundraisers persistently communicate the importance of “unrestricted giving” (donations to general operations) in dialogues with major donors, explaining that it supports the mission and autonomy of the organization as a whole, thereby working daily to secure the budget flexibility necessary to navigate their operations under their own discretion (The Japan Association of Charitable Organizations, 2023).

### **5.2.6 Use of Funds and the “Payout Requirement” in Private Foundations**

For private foundations, which act as the suppliers of funds, the rules governing the use of funds and budget formulation operate under a different legal framework than those applicable to service-providing nonprofit organizations. U.S. tax law mandates that private foundations must distribute a minimum of 5% of their net investment assets annually as “Qualifying Distributions” for charitable purposes (the Payout Requirement).

This 5% rule was introduced by the Tax Reform Act of 1969 to prevent immense charitable capital accumulated under tax incentives from stagnating inside foundations without being returned to society. Consequently, the annual budget formulation of a private foundation is structured around the baseline of how to satisfy this 5% minimum requirement. Yet, here too, the U.S. system widely respects the flexible management decisions of the foundations. While the target of expenditures consists primarily of direct grants to other public charities, foundations are permitted to count not only the direct costs of

operating their own public benefit programs but also the reasonable administrative expenses necessary to execute their grantmaking programs toward this 5% mandatory payout (Ota, 2016).

Regarding this payout obligation, profound philosophical debates have naturally and voluntarily taken place within the U.S. philanthropic community for many years. One school of thought prioritizes “Perpetuity”. This perspective argues that a foundation’s core endowment should be preserved without reduction, controlling expenditures within the range of investment returns (effectively around 5% when accounting for inflation) so that the organization can exist indefinitely to continue grantmaking for future generations. The W.K. Kellogg Foundation stands as an iconic representative of this position (The Japan Association of Charitable Organizations, 2013).

Confronting this view is the philosophy that advocates “Spend-down” or “Sunsetting”. This camp asserts that when dealing with active, ongoing crises such as climate change or severe poverty, it is superior to deploy massive capital immediately to achieve fundamental solutions (system change) rather than hoarding funds for the future. In recent years, an increasing number of foundations are intentionally designing large-scale expenditure budgets that far exceed the statutory 5% threshold, operating under the premise that all assets will be fully returned to society during the founders’ lifetimes—as exemplified by the Bill & Melinda Gates Foundation’s declaration to spend down its entire asset portfolio and dissolve the organization within a specified timeframe following the founders’ passings.

Furthermore, from the perspective of the “use” of funds, recent years have seen significant attention shift toward utilizing Program-Related Investments (PRIs) and Mission-Related Investments (MRIs) as methods to direct foundation assets toward solving social issues via mechanisms other than traditional grants. A PRI is a loan or investment made to a nonprofit organization or social enterprise where the primary objective is to advance the foundation’s mission, even if the financial terms are below market rates. Under tax law, PRIs are exceptionally permitted to be counted toward the aforementioned 5% payout requirement. An MRI refers to aligning a foundation’s entire asset investment portfolio with fields congruent with its mission (such as green technology or community development).

Rather than having the government meticulously restrict the use of funds, these mechanisms permit foundations to expand their use of capital from simple “donations” to sustainable “social investments” utilizing financial techniques. This represents an exceptionally free and innovative trend that merges the boundary lines between budgeting and asset management in the United States (The Japan Association of Charitable Organizations, 2013).

#### **5.2.7 The Issue of Fund Hoarding in DAFs and Transparency of Use**

In connection with the 5% payout requirement imposed on grantmaking foundations, the most prominent contemporary controversy surrounding the use of funds centers on the treatment of Donor-Advised Funds (DAFs). Under a DAF, donors receive immediate, maximized tax deductions at the exact moment they contribute capital to a sponsoring organization (such as a community foundation or a financial institution-affiliated charity). Conversely, regarding when and to which specific organizations those funds are distributed (payout), the mechanism is exceptionally flexible and grants a high degree of

freedom, allowing donors to defer disbursements indefinitely under their own discretion while retaining substantial advisory privileges.

Due to this institutional design that maximizes the intentions of the donor, DAFs are free from statutory “annual minimum payout requirements” like those imposed on private foundations. Consequently, intense criticism has erupted, questioning whether massive funds that have already enjoyed substantial tax benefits are being continuously hoarded (“warehoused”) inside DAF accounts over long periods rather than flowing directly to the front lines of social problem-solving (nonprofit organizations) (Shiraishi, 2026).

Addressing this challenge, experts at Issue One sharply point out that commercial DAF sponsors managed by for-profit financial institutions tacitly permit the stagnation of capital in order to collect asset management fees. They argue that this represents unfair competition against the broader nonprofit sector, distorts the original intent of the system, and assert that a definitive payout requirement should be legislated for DAFs as well. Conversely, experts at Baker & Hostetler maintain that capital augmented through compound interest inside a DAF has the potential to generate a far greater social impact in the future.

Consequently, they do not necessarily view the delayed deployment of funds as an abuse and oppose uniform, legally mandated payout requirements. In this manner, rather than relying on standardized administrative regulations from government authorities, the U.S. nonprofit sector is in the midst of a profound internal debate over a temporal and functional paradigm regarding how far donors’ rights to autonomous asset building and decision-making should be respected, and “when” and “how” funds ought to be used.

### **5.2.8 Realities of Budgeting in Small-Scale Organizations and “Face-to-Face” Resource Management**

Thus far, the mechanisms governing the use of funds and budget formulation have been overviewed primarily from the perspectives of foundations and organizations above a certain financial scale. However, among the overwhelming majority of small-scale organizations that support the bedrock of the U.S. nonprofit sector, the reality of budgeting is a far more pressing and deeply autonomous, bottom-up process.

For grassroots organizations with annual budgets ranging from tens of thousands to hundreds of thousands of dollars, the use of funds is directly linked to the daily practice of “how to sustain the immediate mission” rather than being shaped by sophisticated financial strategies. The critical point here is that because government authorities do not intervene in granular details regarding budget allocation ratios or specific uses, organizations can manage their resources with extreme flexibility to match on-the-ground needs.

Interviews with organizations dedicated to urban wildlife rehabilitation (City Wildlife) and those responsible for the maintenance and management of local parks (Friends of Mitchell Park) reveal that under their free discretion, their budgeting is made viable through an exquisite combination of limited



cash revenues (small-scale donations and event proceeds) and in-kind resources—specifically, the uncompensated labor of volunteers—which is not quantified as monetary figures on budget sheets.

In small-scale organizations, the primary use of funds in most instances consists of expenditures that underpin the foundation of the entity, such as facility maintenance fees and personnel expenses for a minimum number of specialized staff (such as wildlife experts, legal counsels, or accountants). Under the U.S. system, expenditures aimed at maintaining this organizational infrastructure are never restricted by government authorities, and a free allocation of budgets tailored to the actual circumstances of the corporation is fully permitted. Because these entities cannot afford to hire expensive fundraising professionals, board members themselves mobilize their personal networks to collect donations and secure in-kind donations from local businesses, agilely covering budget shortfalls through “face-to-face relationships” (City Wildlife).

Furthermore, as pointed out by the Nonprofit Association of Washington, an intermediary organization supporting nonprofits in Washington State, recent inflation and rising prices have directly impacted the budgeting of these small-scale entities. While the costs required to execute programs have skyrocketed due to rising wages and high commodity prices, revenues have stagnated as small-scale donors lose their financial flexibility, forcing many organizations to downsize programs or fundamentally restructure their budgets. Yet, even under such harsh conditions, a core strength of the U.S. model is that organizations do not need to wait for prior administrative approval from the government to reallocate budgets or alter programs; instead, each organization can immediately revise its plans based on its own responsibility and judgment.

For small-scale organizations to formulate budgets and sustain their operations, what is required above all else is not passive accounting skills to merely comply with administrative rules, but autonomous leadership to persuasively communicate the necessity (impact) of their activities to local society and mobilize the resources of the entire community (Nonprofit Association of Washington).

Table 18 Comparison of Expense Classifications between U.S. Form 990 and Japanese Accounting Standards for Public Benefit Corporations (Conceptual Diagram)

| Classification                         | U.S. Form 990<br>(Functional Expense Allocation)                                                                                                                            | Japanese Accounting Standards for Public<br>Benefit Corporations<br>(Statement of Changes in Net Assets)                                                                                           |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Program /<br>Purpose-<br>Related       | Program Service Expenses<br>(Expenses directly related to achieving<br>the mission. May include expenses<br>from UBIT-taxable activities in certain<br>cases.)              | Operating Expenses<br>(Classified separately for public benefit<br>activities, revenue-generating activities,<br>etc.; encompasses expenses directly<br>associated with each respective activity.) |
| Operations /<br>Management-<br>Related | Management and General Expenses<br>(Back-office expenses supporting the<br>entire organization, such as board<br>operations, accounting, human<br>resources, and auditing.) | Administrative Expenses<br>(Expenses related to the general<br>management and administration of the<br>corporation as a whole.)                                                                    |
| Fundraising-<br>Related                | Fundraising Expenses<br>(All costs incurred to solicit donations<br>or grants, including campaigns, events,<br>and compensation for specialized<br>professionals.)          | * No independent major classification<br>(In practice, these are frequently treated<br>as line items within “Operating Expenses”<br>or “Administrative Expenses”.)                                 |

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## 5.3 Securing Financial Health

Yoshiharu Shiraishi

### 5.3.1 Redefining Financial Health in Nonprofit Organizations

In the U.S. nonprofit sector, securing financial health (Financial Health) is positioned not merely as a narrow accounting goal such as “avoiding deficits” or “maintaining a balanced budget”, but as the most fundamental requirement for achieving an organization’s stated mission over the long term and sustainably. While for-profit enterprises set financial goals aimed at market competitive advantage and the maximization of shareholder value, a nonprofit organization’s ultimate indicator of financial health is its “resilience”—its capacity to maintain institutional activities and sustain service delivery to beneficiaries in the face of unpredictable social challenges and economic crises. A major characteristic of the U.S. institutional design is that it does not bind organizations with granular, prior administrative regulations regarding capital accumulation or asset management methods to maximize this resilience, but instead widely permits the autonomous discretion of the corporations.

In the United States, nonprofit organizations are recognized as a distinct industry possessing substantial economic reality, and they serve as a massive employer accounting for approximately 10% of the labor market (*Independent Sector*). Consequently, the financial collapse of a nonprofit organization does not merely mean the disappearance of a single entity, but directly links to severe societal damage, such as the suspension of public service delivery to local communities and large-scale job losses. Against this backdrop, rather than relying on external guidance from administrative authorities, American nonprofit corporations position strategic financial management—how to suppress financial volatility and solidify the organizational foundation under autonomous internal governance—as the highest priority for the board of directors and executive management.

### 5.3.2 Diversification of Revenue and Risk Dispersion

The first line of defense for securing financial health is the “diversification of revenue”, ensuring that an organization does not rely excessively on any specific funding source. Exceptional nonprofit organizations in the United States deeply recognize the danger of depending entirely on large-scale grants from a single foundation or specific government contracts for all of their activities. Even if one funding source is suddenly cut off due to political or economic reasons, autonomously constructing a portfolio capable of sustaining the organization through alternative funding mechanisms serves as the most fundamental means of risk dispersion. In the United States, when building such fundraising portfolios, government authorities do not impose upper limits on the ratios of funding sources or intervene meticulously in operational methodologies, completely permitting the free discretion of the corporation (The Japan Association of Charitable Organizations, 2023).

According to a study by the Urban Institute, the revenue sources of an average nonprofit organization in the United States consist of 50% from private funds (including individual donations and foundation grants), 28% from government funding, 18% from earned income (Earned Income), and 4% from

alternative revenue streams (Urban Institute, 2025). As this data demonstrates, U.S. nonprofit organizations do not rely solely on pure donations; instead, they skillfully combine government fee-for-service contracts with fees charged for their own services or products (earned income) based on their own management decisions. The expansion of revenue-generating activities by nonprofit organizations to achieve their missions is never unjustifiably restricted, and flexible, diverse paths for capital acquisition to resolve social issues are institutionally guaranteed.

For instance, City Wildlife, an organization dedicated to urban wildlife protection, stabilizes its fiscal foundation by drawing the vast majority of its financial base from private funds—such as individual donations, foundation grants, and corporate sponsorships—while partially receiving government support as well (City Wildlife). Similarly, Friends of Georgetown Waterfront Park, a small-scale organization responsible for maintaining a park in Washington, D.C., generates annual revenues ranging from tens of thousands to hundreds of thousands of dollars. It strengthens its finances by broadly collecting individual donations from the local community, utilizing performance-linked fundraisers, and leveraging a “public-private partnership” that draws in government matching funds (Friends of Georgetown Waterfront Park).

In this manner, organizations that disperse their revenue streams through unique strategies without being confined by administrative frameworks exhibit strong resistance against macroeconomic crises such as pandemics and inflation. Experts from George Mason University and the National Council of Nonprofits also emphasize that the diversification of revenue sources driven by the voluntary creativity and ingenuity of corporations is the cornerstone of financial health (George Mason University / National Council of Nonprofits).

### **5.3.3 Strategic Significance of Operating Reserves and Unrestricted Funds**

Alongside the diversification of revenue streams, a key barometer of financial health is the level of “Operating Reserves” maintained by an organization. Operating reserves refer to highly liquid, available cash-on-hand that an organization can deploy freely to sustain operations when confronted with a sudden interruption of revenue or unexpected expenditures. Within the U.S. nonprofit sector, maintaining cash sufficient to cover at least six months of operating expenses is recommended as a best practice for ensuring organizational sustainability (National Council of Nonprofits, 2024).

In the United States, a nonprofit organization’s accumulation of appropriate reserves to prepare for future risks is viewed positively as a responsible financial action to perpetuate the organization’s mission, provided it does not constitute an improper private distribution of earnings (Inurement). Administrative authorities do not place standardized limitations on corporate internal reserves to tie up their utilization; instead, importance is placed on the flexibility of executive judgment regarding “how to construct a financial buffer and autonomously build an organization resilient to changes in the external environment”.

Crucial to forming these operating reserves is the acquisition of “Unrestricted Funds”. Many funds provided by grantmaking foundations or major donors carry donor restrictions (Restricted Funds) dictating that they “must be used exclusively for a specific project”. However, these restricted funds cannot be allocated to cover the indirect costs required to execute the project (such as rent, utilities,

or administrative staff salaries) or to build savings for future crises. Therefore, for organizational leaders, a paramount mandate in securing financial health is to amass unrestricted funds—either by gathering small-scale general donations or by persistently convincing major donors of the importance of contributing to “General Operating Support” to sustain the organizational backbone—thereby allowing the allocation of budgets to be decided through their own management judgment (Kimura, 2026).

#### **5.3.4 Cash Flow Management and the Safety Net of Intermediary Organizations**

No matter how effectively an organization diversifies its revenue sources and maintains reserves through unique strategies, inadequate management of daily “Cash Flow” exposes the entity to the risk of forced operational suspension, akin to a profitable bankruptcy. In the United States, one of the primary drivers severely compressing the cash flow of nonprofit organizations is the “delay in payments associated with government contracts” (Urban Institute).

While many U.S. nonprofit entities are contracted by state or local governments to deliver vital public services such as homeless support or vocational training, situations frequently arise where funds are not transferred until months after the services have been rendered due to delays in government budget enactments or cumbersome bureaucratic procedures. The Urban Institute points out that these delays in government funding serve as a primary factor severely straining the finances of small-scale nonprofit organizations.

Faced with this structural cash flow crisis, rather than passively waiting for administrative relief from the government, private intermediary organizations in the United States utilize their free discretion to construct independent safety nets, defending the financial health of the sector as a whole. The initiative of the International Institute for Community Solutions Inc. (IICS), which is connected to funds in New York City, stands as an iconic example. Operating under its own management judgment, IICS administers a “Short-Term Loan Program (Cash Management System)” designed to stabilize the cash flow of local nonprofit organizations when municipal contract payments are delayed.

This framework enables grassroots organizations with limited financial capacity to maintain payroll for staff and sustain service delivery without fearing an immediate cash shortfall. This system—where private intermediary organizations autonomously and agilely complement institutional limitations and bureaucratic rigidity through financial functions—serves as an exceptionally sophisticated financial defense supporting the resilience of the highly autonomous U.S. nonprofit sector (International Institute for Community Solutions).

#### **5.3.5 Asset Preservation and Investment**

In the U.S. nonprofit sector, the financial health of large-scale nonprofit organizations and grantmaking foundations is directly linked to the efficacy of their “Asset Investment”. Rather than having government authorities meticulously restrict investment vehicles to enforce safety, the board of directors—as the highest decision-making body of the organization—bears an autonomous “Fiduciary Duty” to manage assets safely and efficiently. This duty does not simply demand that capital be left

dormant in a bank account for safety; rather, it requires that the board exercise corporate discretion to take appropriate risks and invest assets in the market to generate returns, preventing the erosion of asset value due to inflation and ensuring the mission can be sustained for future generations (Imaizumi, 2026).

The legal foundation for this highly flexible asset investment is the UPMIFA (Uniform Prudent Management of Institutional Funds Act), which has been adopted across various states. When directors of a nonprofit organization manage an endowment (fund), UPMIFA legally codifies that they should evaluate the risk and return of the portfolio as a whole rather than viewing the risk of a single financial instrument in isolation. Furthermore, it explicitly grants the board the management flexibility to make expenditures from the principal portion of a fund (the spending of an “underwater endowment”) within a reasonable scope based on economic conditions and inflation rates (Council on Foundations).

In recent years, the interpretation of this fiduciary duty has evolved significantly through voluntary innovation within the sector. According to experts at Exponent Philanthropy, an organization supporting small-scale foundations, many directors mistakenly believe that fiduciary duty refers solely to maximizing financial returns. However, under contemporary U.S. legal interpretations, autonomously selecting investment vehicles aligned with the organization’s mission, ethical values, and long-term risks like climate change (such as ESG investing) is recognized as a legitimate component of “Prudent Management” (Exponent Philanthropy).

Based on this framework, numerous grantmaking foundations have begun to autonomously implement Mission-Related Investments (MRIs), aligning their asset portfolios directly with their core missions. By aiming not only for financial returns but also for the resolution of social challenges through the act of investment itself, this methodology is positioned as an exceptionally advanced and autonomous financial strategy that bridges the boundaries between budgeting and asset management in the United States, without waiting for government intervention or standardized rules (The Japan Association of Charitable Organizations, 2013).

### **5.3.6 Internal Controls and Rigorous Management of Conflicts of Interest**

The greatest threat capable of destroying financial health from within is fraudulent behavior, such as the private diversion of capital or embezzlement. The legal oversight framework for nonprofit organizations in the United States does not involve government authorities meticulously intervening in internal operations to impose rules. Due to the high degree of freedom granted, the construction of robust “Internal Controls” is demanded strictly as an autonomous responsibility of the organization itself.

An iconic example of an internal control failure plunging an organization into a catastrophic crisis is the “Smithsonian Institution Scandal”. The Smithsonian Institution was a massive organization boasting a board of regents composed of the nation’s highest authorities, including the Chief Justice of the U.S. Supreme Court and the Vice President. However, it was uncovered that the CEO at the time was utilizing the Institution’s funds for private diversions, including the construction and renovation of a

swimming pool at his private residence. This incident forced the entire U.S. sector to deeply realize that no matter how authoritative the individuals sitting on a board may be, if internal control mechanisms—such as routine expense reviews and the monitoring of conflicts of interest—become perfunctory, an organization can easily fracture, losing societal trust (and the funding that accompanies it) in an instant (Issue One).

To prevent such occurrences, U.S. nonprofit organizations do not wait for administrative guidance; instead, they voluntarily enforce a strict “Segregation of Duties” within their financial operations. This manifests as practical operational rules, such as separating the individual who signs checks from the individual who records ledger entries, and mandating approvals from multiple board members for expenditures exceeding a certain threshold. Furthermore, as tax experts at KPMG point out, questions such as “Does the board have a written conflict of interest policy?” and “Does the organization regularly and consistently monitor compliance with this policy?” are embedded directly within the federal information return (Form 990). Because organizational leaders must answer these questions under penalty of perjury, this disclosure process itself functions effectively as an autonomous check, compelling the board to inspect vulnerabilities in its internal controls even in the absence of a direct, individualized government audit.

There is a powerful philosophy embedded here: financial health must be guarded primarily by internal organizational ethics and rigorous management systems that do not depend on the state, well before relying on external fundraising capacities.

### **5.3.7 Adaptation to External Environmental Changes and Strategic Planning**

Factors threatening the financial health of a nonprofit organization arise not only from internal management but also from unpredictable changes in the external environment. Shocks such as a public health crisis like a pandemic, rapid inflation, or a change in government administration resulting in budget cuts to specific policy areas can instantaneously destabilize an organization’s fiscal foundation.

Faced with these fluctuations, rather than waiting for administrative relief from the government, U.S. nonprofit organizations practice proactive management by formulating autonomous “Strategic Plans”. Interviews with the Nonprofit Association of Washington, an intermediary organization in Washington State, similarly report that in order to counter rising costs driven by inflation and other economic factors, individual corporations are independently and swiftly executing management improvements, such as streamlining fundraising through digitalization and reducing expenditures by adopting cloud-based accounting systems (Nonprofit Association of Washington).

Strategic planning aimed at securing financial health involves forecasting changes in the business environment and making pain-inducing decisions—such as “which programs to concentrate investments in and which programs to downsize or terminate”—in advance as a corporate management judgment. This strategic management is also bolstered by flexible partnerships with grantmaking foundations.

In recent years, to make it easier for nonprofit organizations to formulate strategies from a mid-to-long-term perspective, there is an accelerating movement among foundations to shift their support styles

from single-year project grants to continuous, multi-year funding. Consequently, grantee organizations can reduce the time spent scrambling for annual cash flows, allowing them to independently concentrate their resources on essential financial planning geared toward achieving mid-to-long-term missions (The Japan Association of Charitable Organizations, 2013).

As detailed above, measures for securing financial health in the U.S. nonprofit sector are exceptionally multilayered and highly systematized, spanning from the diversification of revenue sources and the accumulation of operating reserves to the utilization of safety nets provided by intermediary organizations, strategic asset investment based on fiduciary duty, and rigorous internal controls. The thread common to all of these initiatives is a stark realism: “finance is the most powerful shield to protect the organization’s mission from unforeseen circumstances”.

In order for a nonprofit organization to earn societal trust and continuously generate public value, it requires not only the nobility of its ideals, but also an environment and the capacity to practice cool-headed, rational financial management under its own responsibility, entirely free from granular, prior restrictions imposed by administrative authorities—a reality that American practices vividly demonstrate.

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## 5.4 Information Disclosure and Financial Transparency

Yoshiharu Shiraishi

### 5.4.1 Historical Background of Transparency and “Institutional Design Premised on Disclosure”

In the U.S. nonprofit sector, financial transparency and information disclosure are positioned not merely as a facet of regulatory compliance, but as the most fundamental infrastructure for the sector as a whole to secure societal legitimacy and ensure its survival. The formation of this powerful philosophy, which is “premised on disclosure”, is rooted in historical American crises and the sector’s subsequent self-defense mechanisms. According to experts at Candid, a leading intermediary organization, the major turning point for strengthening transparency in U.S. nonprofits dates back to the era of McCarthyism (the Red Scare) that swept the nation during the Cold War following World War II (Candid).

During that period, prominent, large-scale American foundations—such as the Carnegie Corporation, the Ford Foundation, and the Rockefeller Foundation—faced unjustified suspicions of covertly financing communist activities and were subpoenaed to testify before congressional hearings. Through this historic event, the U.S. philanthropic community learned a bitter lesson: opacity regarding an organization’s funding sources and use of funds breeds unnecessary suspicion and endangers the very existence of the entire sector (Candid).

As a direct response to this lesson, major foundations joined forces in 1953 to establish the Foundation Center (the predecessor to modern-day Candid) to collect and publish data on foundation grantmaking (Candid). They recognized that thoroughly visualizing their financial flows and making them accessible to anyone in society was the ultimate shield to prevent unwarranted government intervention and safeguard the independence of civil society. Subsequently, the Tax Reform Act of 1969 legally mandated the submission and public disclosure of the Annual Information Return (Form 990) for all tax-exempt entities, transforming the U.S. nonprofit sector into the most transparent ecosystem in the world (Kimura, 2026).

As this historical trajectory demonstrates, information disclosure in the United States is not a punitive obligation coerced by the state; rather, it is the product of a “democratic contract” constructed by the nonprofit sector itself to earn autonomy and trust.

### 5.4.2 Evolution of Form 990 and “Substitution of Oversight” Brought by Digital Transparency

In the contemporary United States, the core mechanism that practically guarantees the financial transparency of nonprofit organizations is the Form 990, an annual information return submitted to the Internal Revenue Service (IRS). Form 990 is far from a mere tax document used to calculate corporate liabilities; instead, it functions as an “information showcase” that exposes the inner workings of an organization—including its mission, programmatic achievements, financial statements, board governance structures, and individual compensation metrics for key executives (Shiraishi, 2026).

Pursuant to Section 6104 of the Internal Revenue Code (IRC), tax-exempt entities are legally obligated to make their Form 990 filings from the past three years available for public inspection, and

financial penalties are imposed if a request is refused without a legitimate justification (Kimura, 2026). However, more than 1.5 million 501(c)(3) tax-exempt entities exist in the United States, making it physically and financially impossible for a single government agency like the IRS to directly audit and supervise all of them.

Professor Roger Paul Colinviaux, a former IRS official who teaches at The Catholic University of America, points out structural limitations, noting that the IRS conducts annual audits on only a few thousand tax-exempt entities, which creates a framework where incentives for routine, individualized audits rarely operate (The Catholic University of America). This massive void in administrative oversight is effectively filled by the mechanism of “digital transparency” accompanied by the complete digitalization of Form 990.

With the enactment of the Taxpayer First Act of 2019, electronic filing for the Form 990 series became fully mandatory, mutating the submitted data from basic image files (PDFs) into machine-readable data (XML format) that can be instantaneously analyzed by programs and artificial intelligence (Kimura, 2026). This shift allowed private intermediary organizations like Candid to immediately aggregate and analyze vast streams of data provided by the IRS, constructing a massive database searchable by anyone free of charge.

As Professor Colinviaux emphasizes, rather than having a government authority directly crack down on individual groups, the true supervisory function in the United States operates through a “polycentric governance” system, where digitalized open data is unlocked for markets, media outlets, researchers, and donors themselves to autonomously monitor and filter organizations (The Catholic University of America).

#### **5.4.3 Disclosure of Executive Compensation and the Privacy Dilemma**

Among the items required for disclosure, the one that exerts the greatest practical and psychological pressure on U.S. nonprofit organizations is the “complete individual disclosure of compensation” for key officers and highly compensated employees. On Form 990 (and its abbreviated version, Form 990-EZ), organizations must individually itemize the name, title, average weekly hours worked, and detailed breakdown of compensation—ranging from base salary to employee benefits and deferred allowances—for all officers, directors, and top-earning employees or independent contractors receiving more than \$100,000 (*Independent Sector*). Because this information is published worldwide via the internet, it represents a domain where the dual values of personal privacy and organizational transparency sharply collide.

The internal friction generated by this disclosure requirement was vividly expressed during field interviews conducted for a study mission to the United States in 2022. A financial officer at Doctors Without Borders USA (MSF USA) compared the American system to the strict privacy protection frameworks in Europe, revealing that staff members working in the U.S. frequently express dissatisfaction and resistance, asking why their names and salaries must be published for anyone to see. The officer confessed that this dynamic forces a very difficult balance upon the organization. Yet, simultaneously,

the officer articulated a firm conviction that a donor’s “right to know how funds are deployed” must supersede an individual’s need for privacy, and that this transparency is absolutely indispensable when managing public benefit initiatives (The Japan Association of Charitable Organizations, 2023).

Furthermore, during interviews with the U.S.–Japan Council and the World Food Program USA (WFP USA) conducted as part of the same 2022 study mission, participants emphasized that from a donor’s perspective, verifying that the bulk of their contributed capital is not being consumed by exorbitant compensation for a handful of executives serves as an exceptionally valuable indicator to evaluate whether an organization is being managed soundly (The Japan Association of Charitable Organizations, 2023). Nonprofit leaders accept the risk of having their salaries subjected to critical public scrutiny on websites, steeling themselves with the understanding that this is the price of “glass-box management” required to maintain a relationship of trust with donors.

A historical lesson illustrating the vital importance of this executive compensation disclosure is the Smithsonian Institution scandal mentioned in Section 5.3.6. At the time, the CEO of the Institution improperly diverted organizational budgets under the guise of donor cultivation, engaging in self-dealing that included constructing a luxurious swimming pool at his private residence (*Issue One*). To prevent such private diversions and governance collapses, or to ensure their early detection, the Form 990 disclosure system—which forcefully visualizes the use of funds and exposes any opaque flow of capital back to internal stakeholders—is indispensable. This framework operates not merely as a filing obligation, but as a powerful deterrent against institutional corruption.

#### **5.4.4 Transparency as a “Market Mechanism” and the Role of Third-Party Evaluation Organizations**

In the United States, financial transparency has evolved past the dimension of simple compliance to function as a source of competitive advantage within the donation market. When donors decide which entities to support among millions of nonprofits, they do not solely decode the raw data of published Form 990 filings. Instead, a decisive role is played by private, third-party rating agencies, epitomized by Candid (formerly GuideStar) and Charity Navigator.

Utilizing data acquired from the IRS, Candid constructs individual profiles for each nonprofit organization, awarding four tiers of “Seals of Transparency”—Bronze, Silver, Gold, and Platinum—based on the depth of information disclosed (Candid). Research data disclosed by representatives at Candid demonstrates a clear correlation: organizations that secure these Seals of Transparency attract, on average, 62% more grant funding compared to those that do not (Candid). This illustrates that a highly robust “donation market mechanism” functions in American society, where organizations that conceal information are phased out by the market while capital concentrates toward those that proactively open their books.

Conversely, this evaluative mechanism has not been without its flaws. As experts from the National Council of Nonprofits point out, rating agencies like Charity Navigator previously exhibited a strong tendency to rely strictly on a low “overhead ratio”—the percentage of administrative and fundraising expenses reported on Form 990—as an absolute baseline for evaluation (National Council of Nonprofits).

This trend induced the adverse effect of the “overhead myth”, causing nonprofit organizations to hesitate to invest in their own infrastructure.

Today, however, rating agencies have corrected this misstep, pivoting their metrics away from simplistic comparisons of financial ratios toward a “qualitative, outcome-oriented evaluation” that measures how much social outcome (impact) an organization actually achieves relative to its stated mission (*National Council of Nonprofits*). Information transparency has been redefined: it is no longer about competing to show the lowest expenditures, but about honestly reporting organizational achievements—including failures—to society, thereby exposing the processes of learning and improvement to public view.

#### **5.4.5 The Proportionality Principle for Small-Scale Organizations and the “Educational Function” of the Reporting Framework**

Demands for transparency apply equally to the overwhelming majority of small-scale organizations that support the bedrock of the U.S. nonprofit sector. However, if a grassroots organization with a budget of a few hundred thousand dollars were required to produce complex financial reports at the same tier as a massive university or hospital, compliance expenditures (fees for accountants and attorneys) would cannibalize program budgets, threatening the very survival of their activities. To resolve this challenge, the U.S. information disclosure framework strictly adheres to a “proportionality principle”, structurally adjusting the reporting burden in accordance with the scale of an organization’s annual gross receipts and total assets (Baker & Hostetler / Candid).

For small-scale organizations with annual gross receipts of \$50,000 or less, an exceptionally streamlined method known as Form 990-N (the e-Postcard) is available. This allows entities to log basic data, such as organization and officer names, online while exempting them from submitting detailed financial statements (The Japan Association of Charitable Organizations, 2023). As Candid experts observe, an underlying philosophy in American society dictates that entry barriers should be kept as low as possible for citizens attempting to do good for their communities; subsequently, as an organization grows and its social influence (financial capacity) expands, the level of accountability demanded should scale up correspondingly (Baker & Hostetler / Candid). This flexible institutional design is the secret to sustaining a diverse ecosystem of 1.5 million organizations.

Furthermore, Exponent Philanthropy, an intermediary network supporting small-scale organizations, provides guides and checklists written in plain language to decode complex tax filings and compliance mandates for “lean funders”—entities operating without specialized administrative staff (Exponent Philanthropy, 2025). By providing support that demystifies legal requirements, turning them from things to be “excessively feared” into things that can be “appropriately managed”, they offer practical accompaniment to help small-scale organizations clear the hurdles of information disclosure (Exponent Philanthropy).

Additionally, according to tax professionals at KPMG, the compilation and submission of Form 990 serves a powerful “educational function” that extends far beyond a routine reporting obligation to the

state (KPMG, 2025). Form 990-EZ and the full Form 990 feature numerous questions probing governance best practices, such as the existence of a conflict of interest policy, document retention rules, and the process used by independent directors to determine executive compensation (Kimura, 2026).

In the process of checking boxes and signing a legal document that carries penalties for perjury, organizational leaders are forced to confront their own fiduciary duties, compelling them to “stop and think” (KPMG). This process itself functions exceptionally well as a preventative governance device to mitigate unwitting regulatory violations or lax management before they manifest.

#### **5.4.6 The Media as a Watchdog and Societal Self-Purification**

Ultimately, the most profound effect generated by information disclosure is the activation of a “sector-wide self-purification mechanism” that covers the inherent limitations of state administration. In the United States, the role of the “watchdog” that uncovers fraud or negligence within nonprofit organizations and sounds the alarm to society is occupied not by government entities, but by journalists and the media. In dialogues with experts at Issue One, it was pointed out that the American media exhibits a strong appetite for investigating and reporting on nonprofit scandals.

This motivation is not driven solely by a lofty sense of justice, but also by the cold reality that “scandals sell newspapers” (Issue One). However, regardless of the underlying motive, when media outlets utilize published Form 990 data as a starting point to trace illicit financial flows and turn them into national news, it constructs a scenario where administrative authorities have no choice but to take action. Consequently, an organization subjected to severe public backlash is cut off from donor capital and naturally exits the market, well before formal legal proceedings are finalized (Independent Sector / ICNL).

As detailed above, information disclosure and financial transparency in the U.S. nonprofit sector do not rely on vertical control by administrative authorities; instead, they serve as the absolute foundation to activate a network of “horizontal checks and balances” woven together by citizens, donors, rating agencies, and the media. The dynamism of the U.S. model stands out starkly when compared to the current situation in Japan’s public benefit corporation system, where periodic financial filings are utilized primarily for internal reviews and guidance by administrative secretariats, leaving opportunities for public inspection extremely restricted (The Japan Association of Charitable Organizations, 2023).

Enhancing transparency is explicitly not a burden or a cost for an organization. It represents nothing less than an investment in a “trust infrastructure” to demonstrate an earnest commitment to the mission, attract capital from aligned donors, and ultimately defend institutional independence from unjust political interference. If Japan’s nonprofit sector is to achieve further evolution and establish itself as a resilient pillar of civil society, it will be essential to study these practical lessons from the American philosophy of transparency, which is fundamentally premised on disclosure and fearlessly embracing the evaluation of society.

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## 6.The Role and Challenges of the Information Disclosure System –Focusing on Form 990–

### 6.1 Introduction

Hitoshi Kimura

In the United States, the disclosure and utilization of information regarding nonprofit organizations are said to play a vital role in governance checks, securing public trust, improving operations, and fostering research and advocacy. While the fulfillment of the duty of loyalty and the duty of care by directors of nonprofit organizations is generally achieved through compliance with appropriate internal codes of conduct<sup>181</sup>, there are cases where internal governance may not function properly due to factors such as a lack of knowledge among directors<sup>182</sup>. Furthermore, while the State Attorney General possesses broad oversight authority over nonprofit organizations, there is a general consensus that one cannot expect too much from state-level supervision due to a lack of human and financial resources<sup>183</sup>.

Tax-exempt nonprofit organizations (hereinafter “exempt organizations”) that are exempt from federal income tax and eligible to receive tax-deductible contributions under Section 501(c)(3) of the Internal Revenue Code are, with certain exceptions, fundamentally obligated to provide information to the Internal Revenue Service (hereinafter “IRS”) using a standardized format known as Form 990<sup>184</sup>. The IRS exercises oversight authority based on these filings; however, it has been pointed out that the IRS does not always actively exercise its supervisory powers due to resource constraints or considerations regarding political neutrality<sup>185</sup>.

Information provided via Form 990 is now widely available to the public. The fact that ordinary citizens, such as donors, can easily access Form 990 information enables informal monitoring of nonprofit organizations, which leads to the fostering of social trust<sup>186</sup>. Additionally, evaluations by private rating agencies based on this public information create incentives for nonprofit organizations to improve their operations. Furthermore, because the information is provided in a unified format, it is utilized as data to underpin various types of research and policy recommendations.

On the other hand, the burden of providing this information becomes heavier the smaller the organization is. Moreover, in the 2021 case of *Americans for Prosperity Foundation v. Bonta*<sup>187</sup>, the U.S. Supreme Court issued a ruling restricting information disclosure obligations to the state from the perspective of protecting the freedom of association. There is a possibility that this legal precedent may

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<sup>181</sup> JAMES J. FISHMAN, STEPHEN SCHWARZ AND LLOYD HITOSHI MAYER, *NONPROFIT ORGANIZATIONS CASES AND MATERIALS* 220 (6th ed. 2021).

<sup>182</sup> Based on interview research with Professor Mary K. Gugerty and Professor David F. Suarez of the University of Washington (November 3, 2025).

<sup>183</sup> E.g., James J. Fisherman, *Improving Charitable Accountability*, 62 Md. L. Rev. 218, 262 (2003); Garry W. Jenkins, *Incorporation Choice, Uniformity, and the Reform of Nonprofit State Law*, 41 Ga. L. Rev. 1113, 1128 (2007).

<sup>184</sup> Internal Revenue Code, 26 U.S.C. § 6033 (a) (3) (2026).

<sup>185</sup> Based on interview research with Professor Roger Colinvaux of the Catholic University of America (October 27, 2025).

<sup>186</sup> Based on interview research with Mr. Matt Moore of the International Center for Not-for-Profit Law (October 29, 2025) and Professor Roger Colinvaux of the Catholic University of America (October 27, 2025).

<sup>187</sup> 594 U.S. 595, 141 S.Ct. 2373 (2021).

impact the information provided to the IRS via Form 990.

Since the mid-20th century, the scope of information provided via Form 990, the range of entities subject to reporting obligations, and the level of public accessibility have all expanded. On what principles was this expansion based, through what historical process did it occur, and what is its overall significance? Furthermore, how do evaluations by private rating agencies based on public information contribute to the operational improvement of nonprofit organizations, and what challenges do they face?

Finally, how will recent U.S. Supreme Court rulings regarding the freedom of association impact the information disclosure obligations under Form 990? This chapter examines, first, the evolution of information disclosure rules based on federal law and the shifting underlying philosophies; second, the current status and challenges of evaluations by Charity Navigator, a representative private rating agency; and third, the potential legal issues regarding information disclosure obligations to the IRS in relation to the freedom of association.



## 6.2 Information Disclosure Obligations Under Form 990

Hitoshi Kimura

### 6.2.1 Evolution of Information Disclosure Rules Under Federal Law

Federal laws mandating information disclosure for tax-exempt organizations date back to the Revenue Act of 1943<sup>188</sup>. During this era, there was rising concern that many organizations were engaging in profit-making activities while enjoying tax-exempt status, effectively using nonprofit status as a loophole for tax avoidance. Consequently, the Revenue Act of 1943 was enacted with the aim of providing Congress with information regarding the necessity of imposing restrictions on tax-exempt organizations through tax reporting<sup>189</sup>.

Under this Act, the information to be reported on Form 990 consisted only of answers to three questions, income, and a balance sheet. However, the accompanying schedules required information regarding individuals receiving income above a certain amount and those making contributions exceeding a specific threshold. On the other hand, religious organizations, educational institutions, and charitable organizations receiving public support or government assistance were excluded from the reporting obligations under Form 990<sup>190</sup>.

In 1950, the scope of financial information to be provided was expanded to address concerns regarding private foundations, where individuals maintained control over operations and engaged in abusive practices such as conflict-of-interest transactions. Specifically, reports were now required to include total income, expenses, disbursements, accumulated income for the year, accumulated income at the beginning of the year, amounts disbursed from principal for charitable purposes during the current and preceding years, and a balance sheet<sup>191</sup>.

Furthermore, transparency was required for the first time by allowing the general public to inspect Form 990 filings from subject organizations upon written request to the IRS<sup>192</sup>. Despite these changes, religious organizations, educational institutions, and charitable organizations supported primarily by the public or government remained basically exempt from Form 990 reporting obligations. This was based on the assumption that such organizations were unlikely to engage in prohibited transactions due to internal governance provided by boards of directors independent of the donors<sup>193</sup>.

However, the Tax Reform Act of 1969 shifted the focus toward strengthening the oversight function of tax-exempt organizations based on Form 990 data<sup>194</sup>. Under the recognition that the IRS needed more information from a broader range of organizations to ensure compliance with tax laws, the Act mandated

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<sup>188</sup> **Revenue Act of 1943, Pub. L. No. 78-235, ch. 63, sec 117, 58 Stat. 21, 36-37.** Provisions regarding information disclosure were introduced as an amendment to the Revenue Act of 1939.

<sup>189</sup> 2 Staff of the Joint Comm. on Tax'n, Study of Present-Law Taxpayer Confidentiality and Disclosure Provisions as Required by Section 3802 of the Internal Revenue Service Restructuring and Reform Act of 1998 – Study of Disclosure Provisions Relating to Tax-Exempt Organizations 122 (2000).

<sup>190</sup> Revenue Act of 1943, Pub. L. No. 78-235, ch. 63, sec 117 (f), 58 Stat. 21, 37.

<sup>191</sup> Revenue Act of 1950, Pub. L. No. 81-814, § 153 (a), (b), 64 Stat. 960.

<sup>192</sup> Revenue Act of 1950, Pub. L. No. 81-814, § 153 (c), 64 Stat. 960.

<sup>193</sup> Thomas A. Troyer, The 1969 Private Foundation Law: Historical Perspective on Its Origins and Underpinnings, 27 Exempt Org. Tax Rev. 52, 62-63 (2000).

<sup>194</sup> Tax Reform Act of 1969, Pub. L. No. 91-172, § 508, 83 Stat. 487, 494-95 (1969); S. Rep. No. 91-552, at 53.

that, in principle, all tax-exempt organizations—including charitable organizations receiving government aid or primary support from the public—were obligated to provide information via Form 990<sup>195</sup>. Nevertheless, churches, church-related organizations, organizations with gross receipts of less than \$5,000, and other entities designated by the Secretary of the Treasury were exempt from these obligations<sup>196</sup>. Small organizations were exempt in consideration of the administrative burden. Additionally, the Act required the disclosure of the names and addresses of primary managers<sup>197</sup> and the reporting of information regarding major donors<sup>198</sup>.

The Omnibus Budget Reconciliation Act of 1987 further enhanced transparency by requiring tax-exempt organizations (excluding private foundations) to make their Form 990 filings from the most recent three years and their approved tax-exemption application materials available for inspection at their business offices<sup>199</sup>. This allowed the general public to view Form 990 without having to request it from the IRS.

This change was based on the consideration that it is necessary to ensure tax-exempt organizations use their assets solely for public interest purposes. Moreover, since these organizations solicit donations from and are supported by the general public, it was determined that the public should be guaranteed prompt access to information regarding the organization's activities<sup>200</sup>. This evolution was driven not only by the philosophy of social oversight of activities receiving tax incentives but also by the principle that organizations supported by the public should increase their transparency toward that public.

Federal laws enacted in 1996 mandated that, upon request from the general public, organizations provide copies of their Form 990 filings from the most recent three years, tax-exempt application documents, and supporting evidence. However, the law stipulated that organizations need not fulfill individual requests for copies if these documents are already “widely available”<sup>201</sup>. Disclosure on the internet satisfies this “widely available” requirement, although the documents must still be made available for inspection at the nonprofit organization's office. Furthermore, 1998 federal legislation imposed an obligation on the IRS to make information submitted via Form 990 and approved tax-exemption applications available to the public<sup>202</sup>.

Today, the contents of Form 990 for public charities and Form 990-PF for private foundations are publicly accessible through GuideStar (now part of Candid)<sup>203</sup> and the IRS's own website<sup>204</sup>. This allows citizens to access this information easily without having to file an information request with either the exempt organization or the IRS. In 2008, the IRS fundamentally redesigned Form 990 to reflect the

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<sup>195</sup> Juniper Katz, Tood L. Ely, and Thad D. Calabrese, Who Determines Where the Sun Shines: Nonprofit Sector Stakeholders and the IRS Form 990 Redesign, 54 *Nonprofit and Voluntary Sector Quarterly* 981, 982 (2025).

<sup>196</sup> Tax Reform Act of 1969, Pub. L. No. 91-172, § 508, 83 Stat. 487, 495.

<sup>197</sup> Id. at § 6684, 83 Stat. 487, 521.

<sup>198</sup> S. Rep. No. 91-552, at 53. Note that for organizations other than private foundations, information on major donors is not disclosed to the public. See Tax Reform Act of 1969, Pub. L. No. 91-172, § 6056, 83 Stat. 487, 523.

<sup>199</sup> Omnibus Budget Reconciliation Act of 1987, Pub. L. No. 100-203, § 10702, 101 Stat. 1330, 1330-459-60.

<sup>200</sup> H.R. Rep. No. 100-391, at 1612 (1987).

<sup>201</sup> Internal Revenue Code, 26 U.S.C. § 6104 (d)(4) (2019); Treas. Reg. § 301.6104(d)-2.

<sup>202</sup> Internal Revenue Code, 26 U.S.C. § 6104 (b) (2019).

<sup>203</sup> <https://www.guidestar.org/> (last visited Feb 26, 2026)

<sup>204</sup> <https://www.irs.gov/charities-non-profits/tax-exempt-organization-search> (last visited Feb 26, 2026).

diversity and complexity of tax-exempt organizations, better ensure compliance with tax laws, and enhance transparency and accountability<sup>205</sup>.

The guiding principles were: ① promoting transparency by providing the IRS and stakeholders with actual information about exempt organizations; ② enabling the IRS to efficiently identify risks of non-compliance by accurately reflecting an organization's operations and use of assets, thereby promoting compliance; and ③ minimizing the reporting burden<sup>206</sup>. The current Form 990 consists of 12 parts (totaling 12 pages), supplemented by 16 schedules that may require reporting on an organization's exempt status, donor information, political activities, foreign activities, fundraising activities, and compensation for certain individuals.

Part I now provides a summary of the organization's primary mission, financial data, governance, and operational information, allowing for a concise overview of the entire entity.

Part VI revamped the governance section, requiring answers to questions regarding board composition, governance and management policies (such as the existence of written conflict-of-interest and whistleblower policies), and whether the compensation process for the CEO and key officers is approved by independent persons. Overall, the obligation to provide governance-related information has been significantly strengthened.

Additionally, space is provided for descriptions of the organization's mission and program service accomplishments<sup>207</sup>. Some small and medium-sized nonprofits view these narrative sections as an opportunity to showcase the significance of their work<sup>208</sup>. On the other hand, the IRS has sought to alleviate the reporting burden by establishing exceptions to reporting requirements and eliminating unnecessary attachments<sup>209</sup>.

The principle of public disclosure has seen further advancements. Noveck and Goroff argued that Form 990 information should not merely be public, but should be available as open data, which is useful not only for nonprofit organizations but also for researchers and entrepreneurs<sup>210</sup>. Specifically, they stated that making information available online in a standardized, free, and copyright-free format for the entire nonprofit sector is beneficial for improving the sector's efficiency.

Furthermore, in the 2014 case of *Public Resource Org. v. United States Internal Revenue Service*<sup>211</sup>, a request for Form 990 data in a machine-readable open data format was granted based on the Freedom of Information Act. Following this trend, in 2019, Congress enacted legislation mandating the electronic filing of all information prescribed under Section 6033 of the Internal Revenue Code (including Form 990) and requiring the Secretary of the Treasury to make this information available to the public in a

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<sup>205</sup> Katz, Ely & Calabrese, *supra* note 15, at 983.

<sup>206</sup> IRS, Background Paper Redesign Draft Form 990 2 (2007), [https://www.irs.gov/pub/irs-tege/form\\_990\\_cover\\_sheet.pdf](https://www.irs.gov/pub/irs-tege/form_990_cover_sheet.pdf).

<sup>207</sup> E.g., Form 990 Part III Statement of Program Service Accomplishments

<sup>208</sup> Based on interview research with Mr. Jim Monsma of City Wildlife (October 28, 2025)

<sup>209</sup> IRS, Background Paper Summary of Form 990 Redesign Process 4 (2008), [https://www.irs.gov/pub/irs-tege/summary\\_form\\_990\\_redesign\\_process.pdf](https://www.irs.gov/pub/irs-tege/summary_form_990_redesign_process.pdf).

<sup>210</sup> Beth Simone Noveck & Daniel L. Goroff, *Information for Impact: Liberating Nonprofit Sector Data 2* (Aspen Inst. 2d ed. 2013), [https://www.aspeninstitute.org/wp-content/uploads/2015/07/Information\\_for\\_Impact\\_Report\\_FINAL\\_REPORT\\_9-26-13.pdf](https://www.aspeninstitute.org/wp-content/uploads/2015/07/Information_for_Impact_Report_FINAL_REPORT_9-26-13.pdf)

<sup>211</sup> 50 F. Supp. 3d 1212 (N.D.Cal. 2014).

machine-readable format as soon as possible<sup>212</sup>.

It should be noted that even under current law, churches, their integrated auxiliaries, and conventions or associations of churches are not subject to the information reporting obligations under Form 990<sup>213</sup>.

### 6.2.2 Significance of Information Disclosure Obligations

The content and scope of information disclosure obligations under Form 990 have consistently expanded. While the purpose of the Revenue Act of 1943 was to provide information to Congress, its role has since expanded to serve as a means of strengthening oversight of tax-exempt organizations and as a form of “quid pro quo” for receiving support from individual donors and the general public.

The current requirement to not only provide Form 990 information to the IRS but also to disclose it to the public is rooted in a fundamental principle: it is necessary to ensure that tax-exempt organizations utilize their assets solely for public interest purposes. Since these organizations solicit and receive support from the public, citizens should be guaranteed prompt access to information regarding their activities.

This allows for the governance and appropriateness of an exempt organization’s activities to be monitored and evaluated from multiple perspectives; additionally, it enables donors to make informed choices when selecting recipients for their contributions<sup>214</sup>. In particular, if one interprets one of the purposes of granting tax-exempt status to nonprofits as protecting the freedom of association of citizens or groups from arbitrary government regulation, then the role of Form 990 disclosure shifts its emphasis: it becomes less a tool for government regulation and more a vital mechanism for ensuring transparency toward donors and the general public<sup>215</sup>.

Furthermore, because information is disclosed as open data in a unified format, rating agencies are able to compare and analyze the financial health and operational efficiency of exempt organizations. This, in turn, encourages the exempt organizations themselves to implement reforms. Form 990 data also assists researchers and academic institutions in conducting various studies on the nonprofit sector. Additionally, information obtained through rating agencies such as Candid is utilized by nonprofit organizations to approach foundations that are potential donors<sup>216</sup>.

Overall, by increasing the transparency of exempt organizations, the disclosure of information in a unified format plays an extremely important role in guiding the nonprofit sector toward appropriate development.

### 6.2.3 Information Disclosure Obligations by Organizational Size

Completing and filing Form 990 properly requires a significant degree of specialized knowledge. Since

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<sup>212</sup> Taxpayer First Act of 2019, Pub.L.No.116-25, § 1(a), 133 Stat. 981.

<sup>213</sup> Internal Revenue Code, 26 U.S.C. § 6033 (a) (3) (2026).

<sup>214</sup> George K. Yin, Reforming (and Saving) the IRS by Respecting the Public Right to Know, 100 Va. L. Rev. 1115, 1148-51 (2014); Peter Molk and D. Daniel Sokol, The Challenges of Nonprofit Governance, 62 B.C. L. Rev. 1497, 1535 (2021).

<sup>215</sup> Based on interview research with attorney Alexander Reid of Baker & Hostetler (November 4, 2025).

<sup>216</sup> Based on interview research with Mr. Arif Ekram of Candid (November 1, 2025).

this burden is heavy for small organizations, tax-exempt entities with annual gross receipts of less than \$200,000 and total assets of less than \$500,000 are permitted to file the simpler Form 990-EZ (consisting of 6 parts and 4 pages). Furthermore, organizations with annual gross receipts of less than \$50,000 are only required to provide minimal information, such as the organization's name, address, website URL, and taxpayer identification number (Form 990-N).

One of the major characteristics of federal law is that it creates distinctions in the content of information disclosure obligations and the degree of accountability required based on financial scale and social influence, in consideration of the administrative burden<sup>217</sup>. However, empirical research has shown that even among organizations permitted to file Form 990-EZ, those that voluntarily file the more detailed Form 990 acquire more donations and government grants compared to those that file the simpler form<sup>218</sup>. For small organizations wishing to obtain ratings from organizations like Charity Navigator and secure more donations, voluntarily providing information via Form 990 can serve as an effective means to achieve that objective.

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<sup>217</sup> Yoshiharu Shiraishi, "Kaigai Repōto: Beikoku Hieiri Sekutā no Seido Un'yō to Un'ei Jittai ni Kansuru Chōsa Hōkoku" [Overseas Report: Survey Report on the Institutional Operation and Actual Management of the U.S. Nonprofit Sector], *Kōeki Hōjin* No. 642, p. 5 (2026), describes this as a mechanism of accountability and oversight based on the principle of proportionality according to an organization's size and social influence

<sup>218</sup> Wei Hsu and Brian P. McAllister, The Impact of Voluntarily Filing Form 990 on Donations, Government Grants, and Total Contributions, 13 *J. Governmental & Nonprofit Accounting* 28 (2024).

### 6.3 Evaluation by Charity Navigator

Hitoshi Kimura

It is generally difficult for donors to appropriately evaluate a nonprofit organization's financial information, governance, or program-related data. In the United States, several organizations evaluate or certify nonprofits in a manner that is easy for the public to understand; among these, Charity Navigator is said to be the most frequently utilized by donors<sup>219</sup>. This section aims to clarify the evaluation criteria, significance, and challenges of Charity Navigator's system.

Charity Navigator was established in 2001 as a tax-exempt organization subject to Section 501(c)(3) of the Internal Revenue Code with the objective of providing information to donors. It evaluates the activities of approximately 225,000 nonprofit organizations using a five-level scale of zero to four stars<sup>220</sup>. While it receives financial support from individuals, corporations, and foundations, it does not accept donations from the nonprofit organizations it evaluates in order to maintain its independence.

Until 2020, evaluations were primarily based on indices of ① Financial Health and ② Accountability and Transparency. However, it was observed that in order to improve their evaluation rankings, some organizations suppressed investments in organizational infrastructure, such as human resource development, to reduce administrative costs and increase their program expense ratios. Furthermore, there were scattered instances of misreporting where expenses that should clearly have been classified as administrative costs were reallocated to program expenses<sup>221</sup>. In addition, there was criticism that the multi-faceted aspects of nonprofit organizations were not being adequately evaluated<sup>222</sup>.

Since 2020, Charity Navigator has adopted the Encompass Rating System. Based on data disclosed in Form 990 and information found on each nonprofit's website, it now evaluates organizations according to the following weightings: ① Accountability & Finance (31.5%), ② Impact Assessment (39%) and Measuring Outcomes (16%), ③ Leadership & Adaptability (8%), and ④ Culture & Community (5%)<sup>223</sup>.

Regarding Accountability, the following factors are considered: the presence of an independent audit, the composition of the board of directors, the status of segregated management of assets, the availability of board meeting minutes, the existence of a whistleblower policy, a conflict-of-interest policy, and a records retention and destruction policy. It also considers the presence of a website, whether there are any loans to or from related parties, the existence of a board-approved budget, and whether Form 990 was presented to the board prior to its submission to the IRS.

Additionally, it evaluates whether the names of directors and key staff, audited financial reports, and Form 990 are accessible on the website, along with the process for determining CEO compensation and whether the CEO list, compensation, and directors are properly disclosed in Form 990. Financial status is assessed based on the program expense ratio, liabilities-to-assets ratio, working capital ratio, and

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<sup>219</sup> Jennifer Mayo, Navigating the Notches: Charity Responses to Ratings, 3 J. Political Economy Microeconomics 98, 99 (2025)

<sup>220</sup> <https://www.charitynavigator.org/about-us/> (last visited 3 March 2026).

<sup>221</sup> Mayo, *supra* note 39, at 124.

<sup>222</sup> Molk & Sokol, *supra* note 34, at 1539.

<sup>223</sup> The following description is based on the Methodology Guidebook (Last updated Feb. 2026) published by Charity Navigator. <https://www.charitynavigator.org/about-us/our-methodology/ratings/>

fundraising efficiency, among other metrics.

The Impact & Measurement indicators evaluate a nonprofit organization's ability to verify its achievement of goals and predict the efficiency of its programs. Regarding Measurement, factors such as strategic planning, program development, data collection and analysis, reporting of results, and the utilization of those results are considered.

As for Program Impact, the evaluation is conducted using a methodology that begins by identifying core outcome indicators. Next, the outcomes attributable to the specific program and the costs of that program are estimated. Then, the ratio of outcomes to costs is calculated, and the resulting cost-effectiveness estimate is compared against pre-established cost-effectiveness benchmarks for each program category. While various challenges have been pointed out regarding the impact and measurement indicators in terms of their objectives, application standards, evidence, and methodology<sup>224</sup>, the adoption of a multi-faceted evaluation system is fundamentally considered useful for the appropriate operational improvement of nonprofit organizations.

Regarding Leadership & Adaptability, evaluations are based on factors such as the existence of programs that support employee growth, collaboration with external organizations, the promotion of the organization's mission through public awareness campaigns, the review of strategic plans, and the diversification of revenue.

In the Culture & Community indicator, the utilization of feedback from beneficiaries and the overall health and sustainability of the organization are taken into consideration.

While research based on the period when Charity Navigator evaluated primarily on financial health and accountability/transparency indicators, it has been found that an improvement in a nonprofit organization's Charity Navigator rating is linked to an increase in donations the following year. For large-scale nonprofit organizations, an improvement in the rating from three to four stars results in a 9% increase in donations, while a shift from two to three stars leads to a 12% increase<sup>225</sup>. For small organizations, the increase is limited to 3%, which is analyzed as being due to large organizations having greater resources to appeal their rating improvements to donors<sup>226</sup>.

In any case, a significant correlation has been shown between improved ratings and subsequent increases in donation amounts, suggesting that nonprofits have an incentive to work toward improving their rankings. It can be said that third-party evaluations of nonprofits, such as those by Charity Navigator, provide information in a way that is easy for donors to understand; by influencing changes in donor behavior, this leads to nonprofits improving their programs, internal governance, and information disclosure.

On the other hand, there are recommendations that more information should be included in Form 990 to appropriately evaluate impact, results, culture, and community<sup>227</sup>. However, it is said that smaller

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<sup>224</sup> Lehn M. Benjamin, Alnoor Ebrahim, and Mary Kay Gugerty, *Nonprofit Organizations and the Evaluation of Social Impact: A Research Program to Advance Theory and Practice*, 52 *Nonprofit and Voluntary Sector Quarterly* 3135 (2023).

<sup>225</sup> Mayo, *supra* note 39, at 118.

<sup>226</sup> *Id.*

<sup>227</sup> David M. Schixer, *Enhancing Efficiency at Nonprofits with Analysis and Disclosure*, 11 *Colum. J. Tax L.* 76 (2020) suggests that in order for nonprofit organizations to promote operational reform and efficiency, Form 990 should include information

organizations lack the human resources not only to collect information but also to analyze information and evaluations to utilize them for operational improvements<sup>228</sup>. For small nonprofit organizations, one possible approach would be to reduce the burden of working on evaluation improvements by receiving support from research institutions such as universities<sup>229</sup>. Furthermore, a potential challenge would be how to ensure the quality of evaluations in the event of an increasing monopoly by specific third-party evaluation agencies<sup>230</sup>.

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on program analysis, such as the organization's mission, efficiency, and the appropriateness of the organization in achieving its goals. Additionally, Atinuke O. Adediran, *Disclosures for Equity*, 122 Colum. L. Rev. 865 (2022) recommends the disclosure of the race and ethnicity of directors and others.

<sup>228</sup> See Interview Research, *supra* note 2.

<sup>229</sup> The University of Washington reportedly conducts evaluation projects in collaboration with nonprofit organizations. See Interview Research, *supra* note 2.

<sup>230</sup> Molk & Sokol, *supra* note 34, at 1540–41.



## 6.4 Impact of the AFPP Decision on Form 990

Hitoshi Kimura

In the 2021 case of *Americans for Prosperity Foundation v. Bonta*<sup>231</sup>, the U.S. Supreme Court ruled that a state law requirement for nonprofit organizations to disclose donor information was unconstitutional, as it violated the freedom of association guaranteed by the First Amendment (hereinafter referred to as the “APF ruling”). Below is a brief examination of how this ruling might impact the obligation to provide information to the IRS based on Form 990.

### 6.4.1 Overview of the AFPP Decision

The factual summary of the APF ruling is as follows: California state law required charitable organizations soliciting donations within the state to submit a copy of their Form 990 to the State Attorney General, which included major donor information in Schedule B. The two plaintiff charitable organizations refused to submit Schedule B and subsequently received warnings from the state regarding the revocation of their registration and the imposition of fines. The plaintiffs filed a lawsuit against the State Attorney General, asserting that the obligation to provide Schedule B information infringed upon the freedom of association of both the plaintiffs and their donors, thereby violating the First Amendment. The plaintiffs argued that the disclosure requirement would cause donors to hesitate to contribute and create a risk of harassment. It should be noted that Schedule B information is not subject to public disclosure.

The Federal District Court ruled in favor of the plaintiffs, stating that the requirement to disclose donors via Schedule B was not narrowly tailored to the state’s interest in investigating misconduct by charitable organizations, and issued an injunction against the collection of information based on Schedule B. The U.S. Court of Appeals for the Ninth Circuit vacated the District Court’s injunction, holding that the collection of donor information met the standard of exacting scrutiny, as it promoted the efficiency and effectiveness of state investigations.

The majority opinion of the U.S. Supreme Court held that the compelled disclosure of donor information was unconstitutional on its face under the First Amendment, stating the following: Compelled disclosure of information regarding affiliation with an organization can constitute a restriction on the freedom of association as a government action under the precedent of *NAACP v. Alabama*<sup>232</sup>, and is subject to exacting scrutiny. Under this scrutiny standard, there must be a substantial relation between the disclosure requirement and a sufficiently important governmental interest, and the disclosure requirement must be narrowly tailored to the interest the government seeks to promote<sup>233</sup>.

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<sup>231</sup> *Americans for Prosperity Foundation*, 594 U.S. 595, 141 S.Ct. 2373.

<sup>232</sup> 357 U.S. 449, 78 S.Ct. 1163 (1958). In this case, it was ruled that the Alabama Attorney General’s request for the disclosure of a membership list of an organization promoting racial integration—with the aim of ousting the group—infringed upon the freedom of association.

<sup>233</sup> *Americans for Prosperity Foundation*, 141 S. Ct. 2373, 2385. This portion of the ruling cites *Shelton v. Tucker*, 364 U.S. 479, 488 (1960). In that case, the constitutionality of Arkansas requiring applicants for public school teaching positions to disclose the names of organizations to which they belonged was contested. The Supreme Court held that even if the government’s purpose of ensuring teacher competence was legitimate, it must not use means that broadly stifle fundamental

However, in this case, there was no evidence showing that the collection of information via Schedule B was necessary for the California Attorney General's investigations into charitable organizations; furthermore, the state had not considered alternative means (such as subpoenas or requests for audit information) other than collection via Schedule B. Therefore, there is a significant mismatch between the disclosure requirement and the interest the state seeks to promote<sup>234</sup>.

Additionally, if a substantial number of applications are unconstitutional in light of a clearly legitimate scope, the requirement is considered facially unconstitutional as being overbroad. In this case, it is clear that the information disclosure obligation is not narrowly tailored to the state's investigative purposes and carries the risk of creating a chilling effect on the freedom of association. Since a substantial number of applications do not meet the exacting scrutiny standard, the information disclosure obligation is unconstitutional on its face. The Supreme Court ruled accordingly, vacating the original judgment and remanding the case.

#### 6.4.2 Impact on Information Disclosure Obligations to the IRS

The APF ruling is significant in that it applied, for the first time, the exacting scrutiny standard to a state's requirement for charitable organizations to disclose donor information, mandating that such requirements must be narrowly tailored to a sufficiently important governmental interest. While Schedule B of Form 990 filed with the IRS requires the names and addresses of major donors, this information is not subject to public disclosure, except in the case of private foundations<sup>235</sup>. How, then, will the APF ruling impact the information reporting obligations to the IRS based on Form 990.

The IRS differs from state functions in that its role is not limited to monitoring misconduct; it is also responsible for ensuring that exempt organizations operate solely for their prescribed purposes, thereby protecting the financial support provided by taxpayers<sup>236</sup>. Therefore, even if the exacting scrutiny standard is applied, it may be argued that it is essential for the IRS to obtain various types of relevant information to achieve the important government objective of enforcing tax laws, and that most of the current information reporting obligations under Form 990 are narrowly tailored for that purpose. Some viewpoints suggest that because major donors, alongside directors and others, pose a risk of receiving improper benefits through their control over a nonprofit organization, information regarding major donors is indispensable for investigating and deterring misconduct, and that alternative means would not be effective<sup>237</sup>.

On the other hand, information in Form 990 regarding donors, directors, their compensation, beneficiaries, interested persons, and independent contractors indicates an affiliation with the nonprofit organization. If the scope of the APF ruling extends to these disclosure obligations, then the content of

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liberties when that end can be more narrowly achieved; thus, the state's disclosure regulation was found unconstitutional. <sup>234</sup> Americans for Prosperity Foundation, 141 S. Ct. 2373, 2385.

<sup>235</sup> <https://www.irs.gov/charities-non-profits/public-disclosure-and-availability-of-exempt-organizations-returns-and-applications-contributors-identities-not-subject-to-disclosure#:~:text=Is%20a%20tax%2Dexempt%20organization,public%2C%20including%20the%20contributor%20information.>

<sup>236</sup> In *Regan v. Taxation with Representation of Washington*, 461 U.S. 540, 103 S.Ct.1997 (1983), the U.S. Supreme Court held that tax exemptions for nonprofit organizations are a form of government subsidy.

<sup>237</sup> Philip Hackney, Dark Money Darker? IRS Shuttles Collection of Donor Data, 25 Fla. Tax Rev. 140 (2021).

the reporting requirements must be narrowly tailored to the IRS's regulatory objectives for information disclosure. In such a case, if the IRS is required to demonstrate that it actually makes sufficient use of the Form 990 information, it remains uncertain whether the exacting scrutiny standard can be met.

Furthermore, while the governance information in Part VI of Form 990 does not directly indicate an individual's affiliation with an organization, some point out that if it is viewed as a means of indirectly forcing IRS policies onto organizations, it could affect the freedom of expressive association. Since such information has a relatively low relevance to ensuring compliance with tax laws, it has been suggested that it may fail to clear the exacting scrutiny standard<sup>238</sup>. It is necessary to closely monitor future developments to see how far the scope of the APF ruling will extend.

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<sup>238</sup> Roger Colinvaux, *Associational Rights Versus Nonprofit Transparency: Information Reporting in the Internet Age*, 2025 U. Ill. L. Rev. 1353, 1396 (2025).

## 6.5 Conclusion

Hitoshi kimura

In the United States, the content of information disclosure obligations to the IRS and the scope of tax-exempt organizations subject to these obligations have historically and gradually expanded, and the information acquired by the IRS has, in principle, come to be required for public disclosure. At the core of this development lies the philosophy that since these organizations' activities are supported by the general public, information disclosure is necessary to ensure transparency toward the public.

By utilizing this disclosed information, private agencies such as Charity Navigator evaluate nonprofit organizations; because these ratings influence donor behavior, they encourage nonprofits to improve their operations. It can be said that the disclosure of information concerning nonprofit organizations plays an extremely significant role in ensuring multi-faceted governance, improving operational management through ratings from evaluation agencies, and advancing practical and theoretical research within the nonprofit sector.

According to the theories established in recent U.S. Supreme Court rulings regarding the balance between the freedom of association and information disclosure obligations, there is a possibility that the obligation to provide information to the IRS via Form 990 may be forced to undergo a transformation. Nevertheless, the American system—which avoids strict prior administrative screening of nonprofits receiving tax exemptions and instead ensures the multi-faceted governance of exempt organizations through standardized information disclosure proportional to their financial scale—fosters social trust and promotes operational improvements, research, and advocacy.

As a whole, this system contributes significantly to the healthy development of tax-exempt organizations. Such a framework provides profound implications for the future institutional development of the nonprofit sector in Japan.

## 7. Summary of the Study

Yoshiharu Shiraishi

This research project was conducted to explore the organizational models and operational practices that can enable “third-sector” entities—such as public benefit and nonprofit corporations—to stand as an independent “third pillar” alongside the state and private market, responding flexibly to Japan’s increasingly complex social issues driven by a declining birthrate and a shrinking population. Through direct dialogues with local policymakers, practitioners, intermediary organizations, and academic researchers in Washington, D.C. and Seattle, we gained insights that offer critical clues for fundamentally rethinking Japan’s corporate legal framework, which has historically relied heavily on prior administrative regulations.

This concluding chapter synthesizes the key findings detailed throughout the report, capturing the underlying essence of the U.S. model to outline a comprehensive vision for the future development of civil society in Japan.

### 7.1 The Essence of the “Core Philosophy” Supporting the Growth of the U.S. Nonprofit Sector

Tax-exempt organizations in the United States—such as public charities and private foundations under Section 501(c)(3) of the Internal Revenue Code—exceed 1.62 million in number. They are deeply rooted in society on an overwhelming scale, boasting 55.5 tax-deductible public benefit and nonprofit corporations per 10,000 residents (compared to just 3.2 in Japan). At the foundation of this vitality lies a clear rule: thoroughly respecting the “autonomy” of organizations while the state refrains from “unnecessary interference”.

As emphasized during our field research, U.S. tax exemption is not a “subsidy” designed for the government to control the private sector. Rather, it is based on the “principle of non-taxation”—the concept that to protect constitutionally guaranteed rights such as “freedom of association” and “freedom of religion”, the government must not tax public benefit activities. As illustrated by the legal maxim “the power to tax involves the power to destroy”, eliminating whimsical government intervention and establishing a system where citizens can freely incorporate entities (incorporation-by-rule) serves as the foundational infrastructure enabling diverse and agile activities.

This institutional design is the exact opposite of Japan’s approach, where administrative authorities examine public benefit in detail beforehand to grant official approval. In the United States, a rational mindset prevails: “keep entry barriers at the founding stage as low as possible, but strictly maintain quality through society as a whole once operations begin”. This oversight mechanism is driven by a “quartet of surveillance” (polycentric governance) comprising four key actors:

- Board of Directors: The core of governance and the primary line of defense for ensuring proper self-management.
- State Attorneys General: Guardians of public assets who monitor the misuse of property and

regulatory violations.

- Internal Revenue Service (IRS): Mandates the submission and public disclosure of information returns (Form 990) as a condition of tax-exempt status.
- Civil Society & Markets: Donors and rating agencies evaluate and filter organizations based on publicly disclosed data.

Rather than having the state issue top-down commands, opening information allows diverse stakeholders to laterally observe, evaluate, and check one another. This very framework is the core of the U.S. model, harmonizing free civic initiative with sound, corruption-free operations at a high level.

## 7.2 Physical Reality as a “Major Economic Sector” in Macroeconomics and the Labor Market

As statistical analysis clearly demonstrates, the U.S. nonprofit sector is far more than an abstract concept associated merely with “well-intentioned volunteer work”. It is firmly established as an “independent economic sector” possessing economic muscle that stands shoulder-to-shoulder with massive major industries, along with a underlying resilience to weather economic downturns. Its economic presence, when viewed through key data points, can be summarized as follows:

Table 19 Presence and Social Impact of the U.S. Nonprofit Sector Seen Through Key Economic Indicators

| Economic Indicator Item        | Current Status / Financial Scale in the U.S.                                                                                                     | Macroeconomic & Social Impact                                                                                                                               |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employment Scale               | Paid staff count: Approx. 12.77 million (9% of total employment)                                                                                 | Surpasses manufacturing (approx. 12.75 million), a core U.S. industry. Serves as a major employer providing stable jobs for highly skilled professionals.   |
| Financial & Asset Scale        | Public Charities total revenue: Approx. \$2.4 trillion<br>Total assets: Approx. \$4.8 trillion (more than a threefold increase compared to 1997) | Expanding at a pace exceeding nominal GDP growth rate. Value added reaches \$1.5 trillion, accounting for 5.4% of GDP.                                      |
| Plurality of Funding Structure | Private funds: 50% / Government funds (contracts & grants): 28%<br>Autonomous earned income (Fee-for-service): 18%                               | Avoids excessive reliance on a single funding source (such as subsidies) and ensures high resilience to economic fluctuations by combining “earning power”. |
| Economic Value of Volunteers   | Paid labor equivalent value: \$33.49 per hour (2023 estimate)                                                                                    | Substantial labor supply on a national scale amounting to approximately \$200 billion annually. An indispensable labor infrastructure in the macroeconomy.  |

As nonprofit employment data is officially analyzed in government labor statistics, this sector plays a crucial role in maintaining a stable economic cycle and delivering high-quality public services. It is precisely because of this solid financial and employment foundation that, even in times when public trust in the government or media trembles, the sector can maintain its independence as a “firm stronghold of expertise” untainted by specific political factions, thereby reinforcing the underlying resilience of society as a whole.

### 7.3 The Practical Utility of “Negative Rules” and Risk-Based Regulation

What proved most instructive in examining the legal framework was the stance of “strictly defining only what must not be done (negative rules)” and the rationality of tailored regulatory design aligned with organizational risk.

The conditions for maintaining 501(c)(3) tax-exempt status do not involve the government scrutinizing the public benefit of programs item by item; rather, they focus specifically on upholding two fundamental boundaries: “prohibiting the distribution of profits to insiders (non-distribution constraint)” and “refraining from political campaign activity that supports specific candidates”.

Furthermore, to prevent unfair competition with commercial enterprises, a framework is established to tax earnings from activities unrelated to the entity’s exempt purpose in the ordinary manner (Unrelated Business Income Tax: UBIT). Consequently, nonprofit organizations can incorporate business methodologies through their own management decisions and build stable financial foundations without living in fear of legal uncertainty or engaging in sterile debates over “interfering with private business”.

In addition, organizational governance and tax oversight strictly enforce an approach that categorizes organizations based on “where their funding originates” to regulate them according to risk (risk-based approach). For “private foundations”, which are funded by specific individuals or families and carry a high risk of personal enrichment, the law strictly prohibits opaque self-dealing transactions among insiders and imposes a mandatory obligation to payout a fixed percentage of assets (5% annually) to society (Payout Requirement). Conversely, “public charities”, which collect donations broadly from the general public, are granted significant freedom and discretion.

Moreover, the mechanism of “intermediate sanctions” (Section 4958 of the Internal Revenue Code), which penalizes misconduct, is exceptionally rational. Rather than abruptly revoking the entire entity’s tax-exempt status and destroying the organization, heavy excise taxes are levied directly on the individuals who received excess benefits and the board members who knowingly approved them. This framework enables highly effective risk management that accurately holds wrongdoing individuals accountable while preserving essential community services.

### 7.4 Social Oversight Ecosystem Driven by Digital Transparency and the “Proportionality Principle”

In the United States, there are inherent limits to the state directly auditing and monitoring every organization. What compensates for these limitations and maintains the integrity of the entire sector is the combination of a system premised on full public disclosure of information and digital technology. This central architecture can be summarized in the following three key points:

#### **(1) Measures for Small-Scale Entities Through Strict Adherence to the Proportionality Principle:**

A “proportionality principle” is incorporated to adjust the reporting burden according to an organization’s economic scale and social impact. For small, grassroots entities with annual gross receipts of \$50,000 or less—which account for roughly 70% (72.3%) of the sector—only an extremely simple online

notification (Form 990-N: e-Postcard) is required. This prevents small-scale civic activities from being crushed by heavy administrative burdens.

## **(2) Digital Transparency and Machine-Readable Data:**

Following the full mandate for electronic filing in 2019, data from annual information returns (Form 990 series) evolved from basic images (PDFs) into machine-readable data (XML format) that computers can instantaneously read and analyze. This enabled private organizations like Candid to process and analyze vast streams of data in an instant, creating an environment where anyone can search and compare executive compensation, the existence of conflicts of interest, and organizational policies online.

## **(3) Market Principles and Turnover Driven by Automatic Revocation (“Death Penalty”):**

Publicly disclosed data serves as a vital benchmark for donors choosing where to allocate their support. A “virtuous cycle of trust” is generated, where honest organizations that open their information attract greater contributions and grants. On the other hand, for organizations that fail to file reports for three consecutive years, an “automatic revocation system” operates mechanically under the law without administrative leniency from government officials to strip them of their tax-exempt status. It is precisely this rigor that cleanly sweeps away dormant organizations lacking actual operations, maintaining the reliability of data across the entire sector.

## **7.5 Practical and Organizational Management Insights Gained from Field Interviews**

Our field research in Washington, D.C. and Seattle demonstrated how nationwide legal frameworks and systems function empirically within the actual operational settings of individual organizations. Two key practical insights, in particular, offer invaluable references for strengthening the foundation of Japanese nonprofit organizations:

First, intermediary support organizations serve as a financial safety net protecting the sector. In the New York case, when delayed government contract payments triggered cash flow crises for small entities, private intermediary organizations (such as IICF) proactively operated short-term loan programs, acting as a crucial rampart against the collapse of grassroots groups.

Additionally, we confirmed an emerging trend known as “Trust-Based Philanthropy”, where grantmaking foundations move away from imposing micromanaged spending restrictions and instead extend unrestricted funding grounded in full confidence in local management decisions. Thanks to this flexibility, organizations can aggressively direct resources toward infrastructure investments—such as modernizing IT systems and securing top talent—that strengthen their core organizational capacity.

Second, a bottom-up management style that prioritizes face-to-face relationships and actively engages local communities proves essential. What stood out in interviews with small grassroots entities like City Wildlife and Friends of Georgetown Waterfront Park was a leadership approach that went far beyond mere paper compliance dictated by government agencies. Instead, these leaders actively involved community members and volunteers in hands-on activities, cultivating a profound sense of ownership and a shared community of interest over local public goods.



For these organizations, maintaining open operational and financial records is not a passive, mandatory reporting obligation to bureaucrats; rather, it is embraced positively as an offensive management strategy—a fundraising opportunity—to demonstrate the legitimacy of their mission to the community and generate new waves of empathy and grassroots donations.

## **7.6 Conclusion: Structural Guidelines for Reform of Japan’s System**

The outcomes of this research project go beyond merely introducing advanced case studies from the United States. They offer a calm, concrete roadmap for breaking through the rigid conditions confronting Japan’s nonprofit sector.

Fundamental background differences exist between Japan and the United States, including the presence or absence of ex-post monitoring mechanisms to strictly audit operations, as well as a public mindset that prioritizes administrative approvals above all else. Consequently, simply transplanting American regulations directly into Japan carries the risk of inviting widespread confusion and a surge in misconduct.

However, two core pillars derived from this investigation represent highly effective approaches that can be implemented immediately—even while maintaining the overarching framework of Japan’s current legal and administrative systems:

- (1) Application of the Proportionality Principle Aligned with Scale (Easing the Burden on Small-Scale Corporations)
- (2) Overwhelming Improvement of Ex-Post Transparency via Digital Technology (Transitioning Financial Data into Fully Machine-Readable, Open Formats)

In the coming era, where the government’s capacity to deliver public services will inevitably contract due to a declining birthrate and an aging, shrinking population, the third sector must grow into a central pillar sustaining social resilience. To achieve this, our legal framework must evolve from a “tool of control and regulation” into an “infrastructure that positively fosters free private vitality”.

A decisive shift must be executed: moving away from prior administrative screening and vertical control, and transitioning toward ex-post evaluation and selection by civil society built upon comprehensive digital disclosure—a true paradigm shift toward autonomy and transparency. This represents the surest guideline for reinforcing the democratic foundation of society as a whole and constructing an autonomous, vibrant civil society where diverse solutions to pressing social issues emerge continuously from the private sector. It is our hope that the concrete findings of this research mission will serve as a solid foundation for actionable discussions on upcoming reforms to Japan’s public benefit corporation system and the cultivation of a robust culture of donation.

## Part 2. Report on the U.S. Field Research Mission

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### 1. International Institute for Community Solutions Inc

**Date and Time:** Monday, October 27, 10:00-11:30

**Location:** Online (Organization Address: 121 Avenue of the Americas, 6th Floor, New York, NY 10013)

**Interviewees:** Aldrin Bonilla (Executive Vice President)  
Jill Borrero (Chief Operating Officer)

**URL:** <https://www.fcny.org/>

**Author:** Yoshiharu Shiraishi

#### 1.1 Organization Profile

The International Institute for Community Solutions Inc. (hereinafter IICS) is an organization associated with the Fund for the City of New York (FCNY) and is a historic intermediary support and innovation-focused entity established in 1968. Its mission is to improve the quality of life for New Yorkers while enhancing the effectiveness of the city government and its nonprofit partners.



The organization primarily develops its activities in three major areas:

- ① innovation in public services (designing and testing new methodologies)
- ② operational support for nonprofit organizations (management, technology, and financial services)
- ③ recognition of excellence in public interest activities and capacity building (leadership development)

Serving as a bridge between government, nonprofit organizations, and philanthropy, IICS plays a hybrid role aimed at improving efficiency and transparency across sectors.

#### 1.2 Summary of Exchange of Views

In this exchange, a dialogue was conducted regarding the collaboration model between the government and nonprofit organizations, financial strategies that support organizational sustainability, and the importance of leadership development.

##### (1) Equal Public-Private Partnerships and an “Innovation Proving Ground”

The most prominent feature of IICS lies in its close collaboration with the city government, based on a track record spanning several decades. Approximately 50% of its budget is derived from service contracts with the city government, and the organization directly manages various public programs and services on behalf of the city. Of particular note is the fact that the organization functions as an “innovation testbed” for the city government. A cycle has been established wherein IICS takes the lead

in designing and testing new policy approaches that might be too high-risk for the government to implement directly, subsequently feeding the results back to the administration.

While the relationship between the government and nonprofit organizations in Japan tends to fall into a vertical hierarchy of “client and subcontractor”, IICS views the government as a “partner with shared goals”. It is precisely because of this relationship of mutual trust between equals that it becomes possible to offer objective and constructive criticism to the government; furthermore, a culture has been fostered in which the government respects such insights as essential knowledge for improving



## **(2) Financial Sustainability and Cash Flow Support for the Entire Sector**

In terms of finance, the emphasis was placed on diversifying revenue streams to avoid dependence on a single funding source. IICS strategically combines multiple channels, including government contract fees, donations from private foundations, corporations, and individual donors, as well as fees for service derived from IT and management support.

Of particular note is their unique “Cash Management System”, which enhances the resilience of the local nonprofit sector as a whole. This is a short-term lending program designed to stabilize the cash flow of nonprofit organizations when payments from government contracts are delayed. This allows even small-scale organizations to continue their activities without the fear of cash shortages, functioning as a practical safety net.

## **(3) Digitalization of Transparency and Evaluation for “Learning”**

Regarding transparency, which supports the foundation of governance, the accessibility of data based on the IRS Form 990 was discussed. In the United States, platforms such as Candid (formerly GuideStar, etc.) allow anyone to search and compare financial status and executive compensation online. This “searchable public data” serves as the source of social trust and is directly linked to the promotion of donations. Furthermore, regarding program evaluation, methodologies are thoroughly implemented not merely for reporting obligations (accountability), but for the purpose of organizational “learning” and “quality improvement”.

By combining qualitative feedback from the community with quantitative data such as participation numbers, the organization communicates a compelling story to supporters about “why this project is necessary”, thereby fostering a diverse sense of understanding and consensus.

## **(4) Advocacy and Leadership Development to Accelerate Social Change**

IICS positions “advocacy” (policy recommendation) to solve structural issues as a legitimate role of nonprofit organizations, rather than just service delivery. In the United States, advocacy is not viewed as political conflict, but rather as an extension of “civic engagement” that reflects frontline expertise in

policy. In connection with this, the organization focuses on recognition programs such as the “Public Service Awards” and the “Leadership Fellows Program”, which cultivates next-generation leaders in the government and nonprofit sectors.

By providing common management skills and networks to leaders across the entire sector, beyond the framework of individual organizations, IICS demonstrates a commitment to strengthening the very ecosystem for solving social issues. Moving forward, the policy is to accelerate cross-sector collaboration to address new challenges, such as closing the digital divide and ensuring equity in decision-making processes.

### **1.3 Conclusions**

The greatest insight gained through the dialogue with IICS is that for nonprofit organizations to function not merely as service providers but as “innovators” driving social change, an equal partnership with the government is indispensable. As Japan shifts its institutional focus from “prior regulation” by the administration to “ex post facto monitoring” by civil society, the “autonomous governance utilizing transparency as a strength” embodied by IICS serves as an important model.

In particular, the perspective of reframing advocacy (policy recommendation) not as political conflict but as “civic engagement through the provision of specialized expertise” is extremely crucial for elevating the social standing of the Japanese nonprofit sector. Furthermore, the role of intermediary support organizations—providing “infrastructure support in finance and management” rather than just grants to small-scale organizations struggling with funding—presents a concrete and highly effective reference case for considering the strengthening of the foundation of public interest corporations in Japan.

## 2. Issue One / W.K. Kellogg Foundation

**Date and Time:** Monday, October 27, 13:00-14:30

**Location:** 1401 K Street NW, Suite 350,  
Washington, DC 20005

**Interviewees:** Diana Aviv (President, Issue One)  
Sterling Speirn (President, W.K. Kellogg Foundation)

**URL:** <https://issueone.org/>

**Author:** Yoshiharu Shiraishi

### 2.1 Organization Overview

Issue One is an advocacy organization based in Washington, D.C., with a primary mission focused on the health of democracy and strengthening the foundations of civil society. In an era where the political and institutional environment in the United States is becoming increasingly unstable, the organization serves as a critical leader in discussions regarding how the public role of civil society—including nonprofit organizations—should be maintained. Led by President Diana Aviv (former President and CEO of Independent Sector), the organization develops activities to enhance the resilience of America's democratic institutions through nonpartisan initiatives aimed at political reform and improving the transparency of governance.



### 2.2 Summary of Exchange of Views

In this exchange, a dialogue was held regarding the contemporary challenges facing the U.S. nonprofit sector, the debates surrounding Donor-Advised Funds (DAFs), and the essential nature of governance.

At the beginning of the discussion, Mr. Sterling Speirn, who has been involved in the field of philanthropy for many years, provided a detailed explanation of the reality of DAFs—which have expanded rapidly in the U.S. in recent years—and the associated controversies. A DAF is a flexible mechanism that allows donors to receive an immediate tax deduction at the time of their contribution while deciding on the actual grant recipients at a later date.



While acknowledging that DAFs are excellent tools for increasing convenience and anonymity for

donors, Mr. Speirn strictly pointed out current institutional flaws. Specifically, because DAFs are not subject to the 5% payout requirement imposed on private foundations, funds can become “warehoused”, generating management fees without being redistributed to society; this current state has become a target of criticism from within the nonprofit sector. Furthermore, deep concern was expressed regarding the entry of affiliated entities of for-profit corporations, such as Fidelity and Vanguard, into the DAF market. This shift has caused the “advisory function based on local needs”, originally performed by community foundations, to transform into a “management function as a financial product” that prioritizes efficiency, thereby hindering healthy competition.

In response, Diana Aviv spoke about the ideal form of governance in the nonprofit sector and the lessons learned from past scandals. Citing the scandal involving the private misappropriation of funds by the CEO of the Smithsonian Institution as an example, Aviv emphasized that no matter how prestigious the members of a board may be, an organization can easily collapse if its oversight function becomes a mere formality. The fact that even an organization whose board included the Chief Justice of the U.S. Supreme Court and the Vice President overlooked self-dealing by the CEO serves as a stark reminder that a board of directors must never be a mere “honorary position”. Aviv preached the importance of directors functioning as the organization’s “skunk” (one who voices dissent)—individuals who are not afraid to be disliked and are willing to say “no”.

Regarding the theoretical framework of governance, Mr. Speirn presented the concept of “Governance as Leadership”. This framework categorizes board functions into three levels: first, the fiduciary level, responsible for compliance and financial oversight; second, the strategic level, which formulates plans for the future; and third, the generative level, which provides deep insight and meaning to the current situation. Aviv emphasized the importance of this generative level, adding that the true driving force for leading an organization toward social transformation is when directors and staff work together to redefine social issues and build a shared understanding.

The dialogue also touched upon the fundamental theme of the development factors of the U.S. nonprofit sector. Aviv pointed out that the strength of the sector in the U.S. is rooted in a historical and cultural background where individuals voluntarily solve problems, as observed by Tocqueville. Unlike models in Europe and Japan where the government bears full responsibility for welfare and education, nonprofit organizations in the U.S. have developed as an indispensable foundation of civil society within a balance between the ideologies of “minimal government” and “individual responsibility”. However, she noted that this independence is currently being threatened by political polarization and the negative impacts of digital technology.

While the progress of digitalization expands the culture of giving among younger generations, it also creates new risks, such as fake charities and the spread of misinformation via AI. Aviv expressed concern that as impulsive and anonymous donations increase, donors investing funds without sufficient “learning” could ultimately damage the credibility of the entire sector. Furthermore, mention was made of the chilling effect on speech due to political pressure and threats using tax-exempt status as a weapon against organizations with specific beliefs, highlighting the difficult situation civil society currently faces

in maintaining its independence and integrity.

## **2.3 Conclusions**

The greatest lesson derived from the exchange of opinions with Issue One is that the resilience of the U.S. nonprofit sector is supported not by prior administrative control, but by a system of “decentralized oversight and trust” rooted in transparency.

In the United States, trust in an organization is secured through the twin pillars of ethics and transparency, extending beyond mere legal compliance. Fiduciary responsibility in governance is not limited to verifying account books; it demands an internal quality—the extent to which directors can make sincere and independent judgments regarding the mission.

As demonstrated by the Smithsonian Institution case, a robust ecosystem is at work, where even scandals serve as fuel for restoring trust through the self-cleansing mechanisms of information disclosure and public scrutiny. Furthermore, the debate surrounding the mandatory payout requirements for DAFs reinforces the principle that organizations receiving public benefits in the form of tax incentives bear an accountability to return funds to society promptly. The sense of urgency—that if this balance is lost, the very justification for tax-exempt status for the entire sector could be undermined—serves as a vital lesson for Japan as well.

In conclusion, the essence of the U.S. model lies in an “oversight ecosystem” where each stakeholder remains actively engaged, using transparency as their primary tool. This represents the starting point of a democracy where society is built by the will of its citizens rather than through dependence on the government. The insights from this research will serve as a guideline for fundamentally rethinking organizational structures during the reform of the public interest corporation system and the cultivation of a donation culture in Japan.



### 3. Columbus School of Law, The Catholic University of America

**Date and Time:** Monday, October 27, 15:30-17:30

**Location:** The George Washington University (Organization Address: 3600  
John McCormack Rd NE, Washington, DC 20064)

**Interviewee:** Dr. Roger Paul Colinviaux (Law Professor, Former IRS Officer)

**URL:** <https://www.catholic.edu/>

**Author:** Yoshiharu Shiraishi



#### 3.1 Organizational Profile

The Columbus School of Law at The Catholic University of America is a historic law school with its campus located in Washington, D.C. Professor Roger Paul Colinviaux, whom we interviewed this time, is an expert in nonprofit corporation law and tax law with practical experience as a former officer (Tax Officer) of the Internal Revenue Service (IRS).



Moving beyond the mere study of legal theory, the law school serves as a hub of expertise deeply involved in tax policy and policymaking for the nonprofit sector, playing a crucial role in supporting the legal framework of nonprofit organizations in the United States.

#### 3.2 Summary of the Exchange of Views

In this exchange of views, a dialogue was conducted regarding the differences in career paths among legal scholars in Japan and the United States, the two-tiered structure of nonprofit corporations under federalism, the philosophy of negative rules, and the structural challenges faced by tax oversight (IRS).



At the beginning of the dialogue, regarding the backgrounds of law professors in the United States, it was introduced that the general pattern is to

either obtain a PhD after graduating from law school or to transition to a university at an early stage after gaining about one to two years of practical experience at a law firm or similar institution; thus, cases of becoming a professor after many years of practical experience are rather rare.

While noting that entering academia after engaging in practice directly linked to policy—as is the case with the interviewee—is an exceptional case, interest was expressed in the contrast with the tradition of Japanese legal scholars (such as Professor Imaizumi and Professor Kimura), the majority of



whom hold teaching positions for nearly 30 years through a PhD track without having practical experience Professor Colinvaux pointed to “Federalism” as the key to understanding the essence of the U.S. nonprofit system.

He explained in detail the “two-tiered structure” wherein all nonprofit organizations and charities are first established based on local “state law (or the laws of D.C.)” and subject to the legal oversight of the state Attorney General (AG), and subsequently granted tax-exempt and charitable contribution deduction status (qualification) by the federal Internal Revenue Service (IRS) based on “Section 501(c)(3) of the Internal Revenue Code (IRC)” of the federal government. It was also explained in detail that exemptions from state taxes (such as property tax and sales tax) basically rely on the federal 501(c)(3) qualification.

Furthermore, as factors supporting the depth of the sector, the dialogue shared the philosophy of the negative rules (prohibitive norms) where the government does not screen the content of activities in advance, and the fact that the establishment of nonprofit corporations at the state law level adopts a quasi-legislative principle (a liberal approach) that permits “any lawful purpose”. Only boundaries such as “restrictions on political activities” and the “prohibition of private inurement” (which bans the sharing of profits) are drawn for organizations, and as long as they do not cross these lines, maximum freedom is guaranteed.

On the other hand, the discussion touched upon a serious structural limitation unique to the United States: whether or not the IRS, which is a tax authority, is an appropriate regulatory body for charities. The primary role of the IRS is “Revenue Collection”, but since nonprofit organizations do not pay taxes, it is difficult for economic incentives to function for conducting routine, individual audits. Furthermore, the difficulty of substantively evaluating the public interest value of “educational organizations” or “hospitals” solely from a tax perspective was pointed out, as well as the political risks such as facing political pressure from federal lawmakers who advocate for charities when audits are conducted. Professor Colinvaux expressed his view that “the IRS might be the wrong agency for regulating charities”.

To complement these limitations, the mechanism of “digital transparency” through the annual information return (Form 990) was explained. Because Form 990 is disclosed to the public in a completely transparent manner, anyone can now instantly search financial details and chief executive officer (CEO) compensation via the internet. It became clear that, based on this open data, a market mechanism functions wherein the media and civil society autonomously monitor and screen organizations.

Finally, deep discussions were exchanged regarding contemporary challenges faced by the U.S. system, including financial techniques that encourage large-scale donations (such as Charitable Remainder Trusts: CRT), “valuation problems” that arise when taxpayers overestimate the fair market value of donated tangible assets (such as paintings and unlisted shares), and the pros and cons of the tax-exempt privilege whereby churches (Churches) are completely exempted from the obligation to submit Form 990.

### 3.3 Conclusions

The greatest lesson obtained from the exchange of views with The Catholic University of America (Professor Colinviaux) is that the U.S. nonprofit corporation system is designed around the core axes of “autonomous governance and ex-post information disclosure” based on the constitutional right to freedom of association, rather than “prior screening and uniform management” by the administration.

The essence of the U.S. model lies in a mechanism that opens the entrance extremely wide, while forcing organizations to explain the reality of their activities to society using a “completely transparent, standardized format” called Form 990. Precisely because there are physical limits to direct auditing by the administration, data is opened up in a “machine-readable open format”, allowing a “social oversight ecosystem” to function wherein the donation market, civil society, and the media actively screen organizations. Furthermore, the philosophy of clarifying only prohibited items (negative rules) and widely guaranteeing freedom beyond those lines functions as an infrastructure to draw out the free ideas and vitality of the private sector.

In conclusion, the healthiness and overwhelming scale of the U.S. sector are systematically maintained not by vertical control from the administration, but by “horizontal checks, balances, and evaluations” by multi-stakeholders weaponized with information transparency. The insights obtained through this study serve as an extremely important guideline for reforming Japan’s nonprofit and public interest corporation system—specifically for breaking away from a rigid, prior-management model and evolving from a “means of regulation” into an “infrastructure that positively fosters activities”.

## 4. City Wildlife

**Date and Time:** Tuesday, October 28, 10:00-12:00

**Location:** 15 Oglethorpe Street, NW, Washington, DC 20011

**Interviewees:** Ms. Lorraine Docherty (Executive Director)

Mr. Jim Monsma (Administrative Director)

**URL:** [www.citywildlife.org](http://www.citywildlife.org)

**Author:** Kuniko Imaizumi

### 4.1 Organization Profile

Established in 2013, this is a small-scale 501(c)(3) nonprofit organization dedicated to rescuing and treating distressed wildlife—such as those that are injured or orphaned—and rehabilitating them for return to the wild. Alongside these efforts, the organization conducts educational activities for citizens to promote peaceful coexistence between urban wildlife and humans. As the only facility in Washington, D.C. providing wildlife rehabilitation, it plays a vital role in animal rescue within the region.



### 4.2 Summary of Exchange of Views

Every year, the organization admits approximately 2,000 animals, ranging from small birds and birds of prey to small mammals and turtles. Since animal care is required regardless of the calendar, the organization operates 365 days a year, including holidays.

Within Washington, D.C., this organization is the only center providing wildlife rescue and rehabilitation, though multiple facilities exist in Maryland and Virginia. Before the establishment of City Wildlife, injured animals had to be transported across state lines, which was ideal for neither the animals nor the rescuers.



The co-founders, Anne Lewis and Lisa LaFontaine, who had been involved in animal protection for many years, noticed the absence of a dedicated wildlife facility in D.C. They collaborated with the Department of Energy & Environment (DOEE) and the National Park Service to move the project forward. Following a process of fundraising, obtaining permits (from the DOEE and the U.S. Fish and Wildlife Service (USFWS)), and renovating a building—which was originally a school maintenance facility—the

center opened in 2013. It took approximately six years from conception to opening, a process in which the support of local residents, volunteers, and partner organizations was indispensable.

Since its opening, the organization has been supported by approximately 120 local volunteers. After receiving training, these volunteers engage in animal care, transport, facility management, and educational activities. However, it was noted that they occasionally provide compensation to volunteers as an incentive.

Regarding the rescue process, citizens who find injured animals primarily contact the organization through a 24/7 hotline. Staff provide appropriate instructions over the phone, and volunteers are dispatched to the site as necessary. Upon arrival at the facility, an initial diagnosis is performed; animals then receive care for a period ranging from several days to several months depending on their condition, and are returned to the wild once they have recovered. Because specialized expertise is required, the organization collaborates with local veterinary hospitals specializing in wildlife medicine for surgeries and X-rays, while the staff handles basic medical procedures.

Educational activities include workshops for schools and community groups on how to coexist with wildlife. The organization also operates the “Lights Out D.C.” program to prevent migratory birds from colliding with buildings. Through data collection, they promote architectural designs that consider light pollution’s effect on birds and engage in policy advocacy, such as involvement in the enactment of bird-safe building ordinances.

The primary funding sources are private funds (mostly individual donations, foundation grants, and corporate sponsorships), with some government support. Because wildlife moves across administrative boundaries and wide-area cooperation is essential, the organization maintains collaborative relationships with various entities, including the DOEE, the National Park Service, Humane Rescue Alliance, Georgetown University, George Washington University, and the Regional Rehabilitation Consortium (covering D.C., Maryland, and Virginia).

The main indicators used to measure the organization’s results include the number of animals treated and released (with a release rate of approximately 55%), the number of hotline calls, and the number of event participants.

### **4.3 Conclusions**

There was initially some anxiety about whether a nonprofit organization dedicated to wildlife conservation—rather than a shelter for pets like dogs or cats—could be sustained in D.C., as public opinion on the necessity of such a mission can be divided. Today, however, the organization receives a stable level of funding and feels a clear mission to continue its work.

What was particularly impressive was their proactive attitude toward Ratings, which influence the donation amounts from wealthy donors, and Form 990, which is a legal obligation; they view both not merely as compliance tasks but as powerful tools for organizational promotion and fundraising opportunities.

However, Mr. Monsma pointed out a challenge: certain criteria in nonprofit ratings (for example, the racial diversity of the board) are difficult for small-scale organizations to improve, which causes some distress. Mr. Monsma offered the valuable advice that the most important factor for a nonprofit is community participation, and that it is essential to start small and nurture the organization over the long term.



## 5. Friends of Georgetown Waterfront Park

**Date and Time:** Tuesday, October 28, 14:00-15:00

**Location:** 2700 Virginia Avenue NW, Apartment 901, The home of Jonda McFarlane

**Interviewees:** Meg Hardon (President)

Mary Lee Warren (Vice President)

Tom Birch (Member of the Board of Directors)

**URL:** <https://georgetownwaterfrontpark.org/>

**Author:** Kuniko Imaizumi

### 5.1 Organization Profile

This is a small-scale civic organization that supports the protection, beautification, and maintenance of the Georgetown Waterfront Park in Washington, D.C., and files Form 990-EZ. The waterfront park itself is federal land managed and preserved by the National Park Service (NPS), a U.S. government agency.



Through donations from local residents and volunteer activities, the organization promotes landscape improvement and nature conservation efforts, enhancing the park's value as a public space open to both the local community and tourists.

### 5.2 Summary of Exchange of Views

In the United States, there is a tendency to leave parks for about 20 years after their initial development, only reinvesting once they have significantly deteriorated. Consequently, communities often step up when government involvement is insufficient. Residents begin to engage when a park falls into disrepair, and in the U.S., it is very typical for this engagement to evolve into a formal partnership.



The National Park Service (NPS) acquired the title to the land for Georgetown Waterfront Park in 1979 and planned to create a park along the Potomac River, but the project stalled due to a lack of funding. Subsequently, three other organizations attempted and abandoned the development for the same reason. In 1997, this corporation was established specifically for the park project.

After several years of successful fundraising, the groundbreaking ceremony took place in 2006, and the park was completed in 2011. In other words, this organization was formed because the NPS

management of the waterfront area was inadequate.

In Georgetown, residents living near the park felt that things “could be better” when they saw poorly maintained lawns, aging tennis courts, or pools that had been closed for years. Consequently, the community—and particularly the residents of Georgetown—gathered to create a plan for the kind of park they wanted. They shared this plan with the entire region to ensure everyone’s voice was reflected, forming a common vision that everyone could take pride in.

During this process, the D.C. Government, the NPS, private donors, and small organizations such as garden clubs and Nature Sacred collaborated. The D.C. Government is often proactive in investing in spaces that improve quality of life, and Congress or local governments frequently provide funds for land acquisition, park development, and maintenance, rooted in the philosophy that such spaces better society. This partnership created social cohesion, and people began to engage with the area as “their park”.

Even today, the organization maintains political connections in Georgetown and receives support from city council members and senators. Various groups, such as the rowing community and library programs for children’s storytelling, are involved with the park. A project to install nesting boxes for Purple Martins also attracted the interest of the bird-watching community. Essentially, a “community of interest” has been formed around the park. The role of this corporation is to maintain interest in the park, monitor its condition, and coordinate with relevant agencies as needed. During the visit, topics such as mosquito prevalence in the park and beavers gnawing on cherry blossom trees were also discussed.

The corporation was founded as a very small entity and remains small today, with an annual income from donations, events, and book sales typically ranging from \$40,000 to \$200,000. Two factors were crucial in successfully completing the development plan where three other organizations had failed: first, fundraising; and second, government support. These two are closely linked. While the government is usually the largest source of funds, private donations are equally important.

The corporation hired a performance-linked fundraiser to reach out to local donors and utilized the influence of board members with political connections. It was noted that without people who can communicate with government officials, it is difficult to navigate regulations, obtain permits, and secure public budgets. Inviting politicians to the site is considered the most effective way to gain government understanding.

The board of directors reportedly requires the presence of lawyers, financial experts, and certified public accountants. Fulfilling the reporting obligations as a 501(c)(3) is handled by experts and is not considered a major burden.

### **5.3 Conclusions**

For an American nonprofit public interest organization to engage in activities for the local community means, as seen in this case, a private organization collaborating with the D.C. Government and the NPS to raise funds and realize a plan to turn public land into a park.



Philanthropic entities that support national parks include partners commonly referred to as “Friends Groups”. They support national parks and related programs in diverse ways, including fundraising, volunteer recruitment, donating various supplies, and providing educational programs.

In many cases, Friends Groups focus their support on a single specific park or region. Additionally, the NPS receives support from

“Cooperating Associations”. The primary purpose of these associations is to provide educational products and services through retail activities in bookstores within the parks. While not their primary role, Cooperating Associations may be authorized to conduct fundraising for the NPS. Funds raised by these associations are limited to supporting the “educational, scientific, historical, and interpretive activities” of the National Park Service.

These partners collaborate with each other to enhance the experience for millions of visitors annually while contributing to the conservation of the parks. Friends of Georgetown Waterfront Park belongs to the aforementioned category of “Friends Groups”. (<https://www.nps.gov/subjects/partnerships/our-partners.htm>).





## 6. Exponent Philanthropy

**Date and Time:** Tuesday, October 28, 15:30-17:00

**Location:** Eaton DC Hotel (Organization Address: 1720 N St NW, 4th floor, Washington, DC 20036)

**Interviewees:** Andy Carroll (Senior Advisor)

Brian Bates (Member Relations Specialist)

**URL:** <https://exponentphilanthropy.org/>

**Author:** Yoshiharu Shiraishi

### 6.1 Organization Profile

Exponent Philanthropy (hereinafter EP) is the largest network organization in the United States dedicated to “Lean Funders”. The term “lean funders” refers to relatively small-scale foundations or individual donors operated by a small number of dedicated staff (five or fewer), or exclusively by volunteers and family members.



In the U.S. foundation sector, small foundations with fewer than five staff members constitute an overwhelming majority, accounting for approximately 98% of all foundations. EP’s mission is to maximize the social impact of these small yet agile funders by providing them with educational resources, practical tools, and opportunities for peer learning. Currently, the organization has approximately 1,700 members across the nation, primarily consisting of family foundations (about 70%), along with individual donors, Donor-Advised Fund (DAF) holders, community foundations, and small corporate foundations.

### 6.2 Summary of Exchange of Views

In this exchange, a dialogue was conducted regarding the unique strengths and challenges of small-scale foundations and the ideal form of intermediary support required to sustain them.

#### (1) Strategic Value and Agility of Being “Small”

EP representatives identified “flexibility” and “nimbleness” as the primary advantages of lean funders. Since approximately 98% of U.S. foundations are small organizations with five or fewer staff members, they are not hindered by the multi-layered bureaucracy found in large-scale foundations, allowing for rapid decision-making. Furthermore, these funders are deeply rooted in their local communities, making it easier to build peer-like relationships of trust with grantees based on personal connection.



This “human-centered philanthropy” serves as a driving force for creating deep impact that goes beyond mere funding. Under the message “Small doesn’t mean alone”, EP encourages strategic activities where small organizations transform their constraints into strengths by leveraging external expertise and peer networks.

## **(2) “Demystification” of Practical Compliance and Governance**

Many small foundations are operated by volunteers or family members who perceive legal requirements, such as filing the federal tax return (Form 990-PF), as a significant psychological and practical burden. To address this, EP provides guides and checklists that explain technical terminology in plain language, assisting in the “demystification” of compliance—shifting it from something to be “unduly feared” to something that is “appropriately manageable”.

Regarding governance, an important perspective was shared on the interpretation of “fiduciary duty”. While many directors mistakenly believe their sole responsibility is the “maximization of financial returns”, U.S. law interprets “prudent management” to include investments that consider mission, ethics, and long-term risks (e.g., Mission-Related Investment: MRI). EP supports the alignment of asset management with organizational missions by promoting such legal interpretations.

## **(3) Interdependence and Collaboration in the Philanthropic Ecosystem**

EP’s activities are highly regarded even by large-scale foundations. Approximately 15% of the organization’s budget is derived from grants provided by giant foundations such as the Hewlett Foundation, the Packard Foundation, and the Bill & Melinda Gates Foundation.

This indicates that the sector as a whole recognizes the vital role small funders play in addressing grassroots issues that large-scale funders cannot reach directly. “Big philanthropy” and “small philanthropy” exist in a complementary relationship; the coexistence of diverse actors of all sizes enhances the resilience of the entire philanthropic ecosystem.

## **(4) Organizational Sustainability and Addressing Generational Change**

One of the greatest challenges facing small foundations is succession planning and the transition to the next generation. In family foundations, philanthropy is often deeply tied to family identity, which can lead to emotional conflict during leadership transitions. EP provides frameworks to facilitate intra-family dialogue, helping organizations inherit the founder’s values while flexibly adapting to contemporary demands, such as racial equity and systems change.

Additionally, a model was presented for maintaining a “lean” structure while ensuring expertise by outsourcing specific tasks—such as accounting, communications, and grant management—instead of hiring full-time staff. This provides members with concrete options for achieving sustainable organizational management while preventing “burnout” in operations.

## **6.3 Conclusions**

The dialogue with EP reaffirmed that even small-scale foundations with limited staff can engage in highly strategic activities if they have access to appropriate networks and tools. In Japan as well, the

vast majority of public interest corporations are small organizations with few staff members. Rather than allowing these entities to scale back their activities due to “labor shortages” or “institutional complexity”, establishing peer networks and intermediary support specialized in “lean management”—as modeled by EP—will be an essential step in revitalizing Japan’s entire public interest sector.



Furthermore, EP’s emphasis on “building trust through transparency and self-reflection” provides an important management guideline for Japanese foundations. While these organizations often hesitate to share information due to a cultural tendency to view modesty as a virtue, adopting this perspective is key to deepening collaboration and trust with external stakeholders.

## 7. National Council of Nonprofits

**Date and Time:** Wednesday, October 29, 10:00-11:30

**Location:** 1001 G Street, NW, Suite 700 East, Washington, DC 20001

**Interviewees:** Rick Cohen (Chief Operating Officer)

Kara Young Ponder (Vice President of Knowledge, Impact, and Strategy)

**URL:** <https://www.councilofnonprofits.org/>

**Author:** Yoshiharu Shiraishi

### 7.1 Organization Profile

The National Council of Nonprofits (NCN) is the largest intermediary support and policy advocacy organization in the United States, providing comprehensive support to the nation's nonprofit sector.

The vast majority of the U.S. nonprofit sector is comprised of small-scale organizations. During the exchange of opinions in this section, the focus was placed on the practical mechanisms for developing an efficient support infrastructure for this immense number of organizations with limited resources.

The most distinctive feature of NCN is its multi-layered network. In addition to its role as a national-level command center, it maintains close collaboration with “state and regional associations of nonprofits” across the country. During the dialogue, we received an explanation of the correlation between NCN's federal-level policy advocacy and the practical support and capacity building provided by regional associations on the ground, and how these efforts work in tandem to maintain the foundation of the entire sector.



### 7.2 Summary of Exchange of Views

In the exchange of opinions with the National Council of Nonprofits (NCN), the largest nonprofit network in the U.S., we discussed the “design of entry barriers” that support the sustainable growth of the U.S. nonprofit sector, as well as the “multi-layered oversight and evaluation structure” that complements the limitations of government administration.

First, the Japanese delegation reported that under the current public interest corporation system in Japan, the administrative burden on small-scale organizations seeking public interest certification is extremely heavy, which consequently hinders the expansion of the sector. In response,



Mr. Rick Cohen (COO of NCN) explained that the reduction of entry barriers played a major role in allowing the U.S. nonprofit sector to grow to its overwhelming scale of 1.5 million organizations. Previously, the process for obtaining tax-exempt status (501(c)(3)) was highly complex; however, the introduction of the simplified application form, “Form 1023-EZ”, around 2014 ignited the vitality of civil society. This simplification created an environment where anyone with a vision could immediately begin activities, driving the explosive diversification and development of the sector.

While affirming the revitalization brought about by this simplified version, Mr. Cohen also mentioned “measures for maturity” to make such growth more sustainable. Lowering entry barriers has led to some challenges, such as revocations of status due to a lack of basic knowledge in governance, but this is viewed as an opportunity for further improvement rather than a reason to reject the system. He stated that the key to building a stronger civil society lies in designing a “Middle Ground”—maintaining the excellent “entrance” provided by the simplified form while balancing education and simplification to supplement foundational knowledge on what is necessary for organizational management prior to certification.

Next, there was an explanation regarding the oversight system that maintains discipline and credibility among such a vast number of organizations. Mr. Cohen pointed out that federal-level agencies like the IRS suffer from staffing shortages; while they can investigate scandals after the fact, routine monitoring of every single entity is impossible. Therefore, the practical roles are fulfilled by state-level regulations from State Attorneys General (AG) and Secretaries of State (SOS), and above all, by social oversight from investigative journalism and the media. In the U.S., it is common for journalists to uncover misappropriation of funds or fake charities before the authorities, who then take action based on those reports. This “social oversight” is supported by information transparency—specifically, the public disclosure system for financial reports (Form 990) required of all nonprofits.

Furthermore, the nature of third-party evaluations to measure the “quality” of nonprofits was discussed. While prominent evaluation agencies like Charity Navigator and Candid (formerly GuideStar) exist in the U.S., the excessive emphasis these agencies previously placed on “low administrative cost ratios” reportedly caused serious harm to the sector. This so-called “Overhead Myth” (the misconception that the more an organization cuts administrative costs, the better it is) hindered nonprofit investment in IT infrastructure, cybersecurity, and human resource development, leaving organizations vulnerable during crises such as the pandemic.

Evaluation agencies have acknowledged this mistake and have recently evolved their metrics to emphasize “levels of information disclosure” and “results (impact)”. Mr. Cohen stressed the danger of one-size-fits-all metrics and spoke on the necessity of evaluations tailored to the scale and nature of activities.

Regarding NCN’s role as an intermediary support organization, a unique method was



introduced. NCN, which unites 33,000 organizations, maintains autonomous discipline not through top-down regulations, but by concluding a “Network Agreement” annually among state associations. This is based on mutual trust and commitment among peers rather than legal enforcement, and it serves as a tool for conflict resolution and building cooperation in opaque situations.

### 7.3 Conclusions

The insight gained through the dialogue with NCN is that the “strength” of the U.S. nonprofit sector lies in a dynamic balance: maximizing the vitality of civil society through ease of entry, and making that growth sustainable through subsequent “autonomous discipline” and a “multi-layered evaluation structure”.

The fact that the introduction of the simplified application form (Form 1023-EZ) in the U.S. drove explosive diversification provides extremely important implications for Japan as it aims to revitalize small-scale organizations. Dramatically lowering entry barriers serves as a powerful catalyst to “ignite” civil society by creating an environment where those with a mission can start immediately.

Meanwhile, governance challenges arising during the growth process should be viewed as “opportunities for maturity” rather than a failure of the system. In Japan, the key to supporting the next generation of civil society will be for intermediary support organizations to take the lead in designing a “Middle Ground” that ensures an “excellent entrance” through simplified procedures while educating and supplementing foundational management knowledge.

Furthermore, the disclosure of financial information should be positioned as an indispensable social foundation (public infrastructure) that allows diverse actors—citizens, the media, and evaluation agencies—to function as “external eyes”, going beyond a mere reporting obligation to the government. Given the physical limits of centralized government supervision, thoroughly increasing information transparency fosters an “Evaluation Ecosystem” where society as a whole actively assesses and selects healthy organizations. This autonomous mechanism is the true driving force for promoting long-term sector development and establishing unwavering social trust.

In particular, the approach toward administrative costs (overhead) leaves room for reconsideration in the Japanese public interest corporation system. Rigid evaluations that only compete for high business-to-administrative cost ratios lead to the neglect of organizational foundations and, in the long run, decrease the quality of public interest activities. As advocated by NCN, shared recognition among donors, the government, and the corporations themselves that appropriate administrative spending is an “investment for better mission achievement” will lead to improved governance capabilities equipped with true resilience.

Finally, the fact that U.S. tax-exempt measures are justified by the powerful logic that “one dollar of tax loss returns four dollars of public value” serves as a compelling model for redefining the significance of the nonprofit sector in Japan. Rather than being entities that merely “need protection”, nonprofits should be positively recognized as engines of the regional economy and efficient providers of public services. This recognition should be the greatest force driving institutional reform forward.



## 8. International Center for Not-for profit Law

**Date and Time:** Wednesday, October 29, 13:00-14:30

**Location:** 1660 L Street NW, Suite 600, Washington, DC 20036

**Interviewee:** Matt Moore (Legal Advisor)

**URL:** <https://www.icnl.org/>

**Author:** Kuniko Imaizumi

### 8.1 Organization Profile

The International Center for Not-for-Profit Law (ICNL) operates in collaboration with civil society, governments, and the international community across 80 countries to promote and strengthen civil and political rights, as well as philanthropic activities, on a global scale. In doing so, the organization places particular emphasis on laws concerning the freedoms of assembly, association, and expression, as well as public and civic participation and charitable endeavors.



### 8.2 Summary of Exchange of Views

First, we inquired about the factors contributing to the development of the nonprofit sector in the United States. This was to explore ways to increase the number of small-to-medium-sized nonprofit organizations in Japan and to find an appropriate balance between respecting the autonomy of nonprofit organizations and government oversight.

Under the Trump administration, several issues have emerged: ① a reduction in international grants; ② the issuance of executive orders restricting Diversity, Equity, and Inclusion (DEI) activities, which led to increased federal oversight of nonprofit grant-making and created legal uncertainty regarding permissible nonprofit activities; and ③ the traditional interpretation of the principle that “nonprofit organizations lose tax-exempt privileges if they engage in illegal activities or illegal purposes” has been to apply it “restrictively and objectively”. However, there is concern that the definition of “illegal” under this principle could be redefined based on political preferences, becoming a tool to target nonprofit organizations that are not politically supported. Consequently, ④ organizations such as the National Council of Nonprofits and Independent Sector, which represent the interests of the nonprofit sector, are filing lawsuits against policies that restrict nonprofit activities.



A common issue shared with the Japanese system for nonprofit organizations is how to balance the freedom of civil society activities with government regulation. A prominent example in the U.S. is the Foreign Agents Registration Act (FARA), a law that stigmatizes nonprofit organizations and constrains their activities.

Regarding the current situation of nonprofit organizations in the U.S., the following points were noted: ① while trust in nonprofit organizations remains higher than trust in the government, it is declining; and ② the younger generation is demanding transparency, measurable change, impact, and effectiveness, as well as involvement in decision-making processes.

### **8.3 Conclusions**

An organization that provides international legal development support for the nonprofit sector has presented the challenges that Japan must address regarding its legal system in the near future.



## 9. Friends of Mitchell Park

**Date and Time:** Wednesday, October 29, 15:30-17:00

**Location:** 2222 S St NW, Washington, DC 20008

**Interviewees:** Conor Wolchesky (President)

Robert Nevitt (Member of the Board of Directors)

**URL:** <https://www.mitchellparkdc.org/>

**Author:** Kuniko Imaizumi

### 9.1 Organizational Profile

Because the Washington, D.C. government budget is insufficient, the maintenance and management of parks are gradually becoming the responsibility of residents.

The Washington, D.C. Department of Parks and Recreation (DPR) defines organizations with “Friends of” included in their names as Park Partners as follows, and solicits applications from motivated groups (<https://dpr.dc.gov/page/partners-1>).

- Being a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code
- Being established for the purpose of supporting a specific park or facility under the jurisdiction of the DPR
- Being primarily engaged in the following activities:
  - Maintenance and management
  - Fundraising
  - Conducting community events
  - Promoting resident participation
- Furthermore, bearing the following obligations:
  - Holding meetings for citizens
  - Submitting reports regarding activities



For this reason, neighborhood residents operate Friends of Mitchell Park as a 501(c)(3) organization. All activity funds are covered by donations, amounting to approximately \$50,000 annually. As internal organs of the corporation, it has established maintenance, activities, website, and fundraising committees. Specific activities include planting, garden management and maintenance, and repairs for the entire park. The surrounding area is a beautiful residential neighborhood.

### 9.2 Summary of Exchange of Views

The park land was originally part of a 600-acre tract of land granted to George Calvert, but in the late 18th century, the land was divided, and the remaining land was called the Holmead-Kall Estate. Following the American Civil War, the land was further subdivided, and in 1901, Elizabeth and Morton Mitchell acquired a portion of it. In 1918, Elizabeth donated the land to Washington, D.C., on the condition that the graveyard of her pet dog be maintained. Along the way, the German government

purchased a part of the Holmead-Kall Estate in 1906 to use as an embassy, but the U.S. government requisitioned it during World War II and made it part of the park. In 1980, an archaeological survey discovered the foundation of the Holmead-Kall mansion, and in 1995, it was designated as a National Register of Historic Places.

The land ownership of Friends of Mitchell Park resides with Washington, D.C., and the Department of Parks and Recreation (DPR),

a Washington, D.C. government agency, performs certain management activities.

In cooperation with the DPR, their activities include the planning and operation of recreational activities for local residents, in addition to the park's maintenance and management, which encompasses the planting of trees, herbs, shrubs, and flowers, as well as cleaning, weeding, and beautification. As a major event, there is the "Fall Fun Day" held every year on the last weekend of October, which usually draws more than 300 neighborhood residents. Furthermore, during the period from June to September, they hold an outdoor movie screening event (the Summer Films in the Field series) on the third Thursday of every month. They also conduct fundraising activities every year, and all of those revenues are allocated to the maintenance, management, and preservation of the park.

The park is partitioned for various uses. It is equipped with a court for enjoying Pickleball—a sport originating in the United States that combines elements of table tennis, tennis, and badminton—a building that appears to be a stylish residence as shown in the third photograph but is normally used as a storage shed, flower beds, large trees, a dog run, and benches. It is said that these uses of the park reflect the opinions of the residents. While the general rule in public parks managed by the Washington, D.C. government is that dogs must be kept on a leash, this park is said to be the only one where dogs are allowed to be off-leash.

While it cannot be definitively identified whether it is because Friends of Mitchell Park is a resident-driven organization, it is said that the majority of the members who execute the activities of the group belong to the middle-aged and elderly demographics. The exception is the representative, who is in their 30s. Based on the American proverb "If you want something done, ask a busy person", those around them recognized their potential and requested that they take office. Despite it being a weekday, they genially accommodated us in the middle of their workday, after which they returned to work on foot.

Inside the park, a highly designed bench installed by the donor of the park land has decayed and is banned from use; although they are raising funds for its repair, it is anticipated that it will take several years to cover the repair costs.

However, in addition to neighborhood residents, multiple nearby real estate agencies support the



corporation's activities. Because land located near a well-maintained park is highly valued, real estate agencies handling nearby properties are also involved in the operation of the corporation, specifically in the maintenance and management of Mitchell Park. Needless to say, it is presumed that this involvement is kept to an appropriate degree so as not to conflict with the private inurement doctrine. Furthermore, an accounting firm is also involved.

### 9.3 Conclusions

Friends of Mitchell Park is a community-led organization established primarily for the purpose of supporting a specific park under the jurisdiction of the Washington, D.C. DPR and representing its interests. When an issue is found in the park, the point of contact is the city's responsible service desk, 365 days a year.

These organizations, whose primary objective is the maintenance and management of parks, usually perform advocacy activities, fundraising, maintenance and management, and support for the planning process regarding the parks. Furthermore, they also play a role as a liaison between the city and the local community to provide opinions regarding issues and priorities concerning neighborhood parks.

While it has been confirmed that maintenance, activities, website, and fundraising committees are established as internal organs of the corporation, it could not be confirmed whether there is an organ equivalent to a general meeting of members. It is presumed that an organ equivalent to a general meeting of members is likely not established, that the board of directors is a self-perpetuating board, and that the directors, who are board officers, execute the operations.



## 10. George Mason University

**Date and Time:** Thursday, October 30, 10:00-12:00

**Location:** Arlington Campus, Van Metre Hall, 5th floor, Room 502, 3351 Fairfax Drive, Arlington, VA 22201

**Interviewees:** Dr. Stefan Toepler (Professor of Nonprofit Studies)

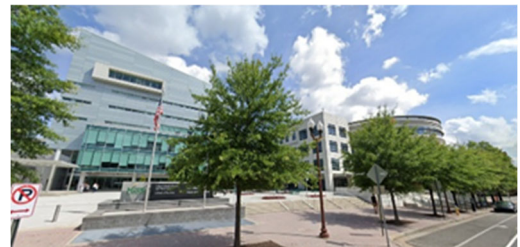
Dr. Mirae Kim (Associate Professor of Nonprofit Studies)

**URL:** <https://www.gmu.edu/>

**Author:** Hitoshi Kimura

### 10.1 Organizational Profile

It is a Virginia state university located in the suburbs of Washington, D.C. It is highly regarded in the fields of economics, public policy, law, and international relations. In particular, its graduate school of public policy receives some of the highest evaluations in the nation and actively makes policy recommendations through cooperation with think tanks.



### 10.2 Summary of Exchange of Views

#### (1) Culture and Background of Philanthropy

The nonprofit sector in the United States has a long history of citizen-led initiatives, which rely heavily on religion and the moral concept of serving others. Churches and Christian-affiliated charitable organizations have been important actors in fields such as welfare, education, and healthcare.

Regarding trends in corporate giving, corporations aim to identify donation recipients that align with their values and long-term goals and to construct strategic partnerships. Furthermore, in the United States, including individual giving, recognition of the donor serves as an incentive for philanthropy. For example, it is common for buildings or project programs to be named after donors, and there is a culture that appreciates having one's patronage remain visible to society.





In particular, younger generations of donors tend to place greater emphasis not merely on providing funds, but on the measurement of social impact and direct engagement with beneficiaries, which can be said to share commonalities with trends among the young entrepreneurial generation in Japan.

## **(2) Ensuring Transparency and the Issue of DAFs**

Ensuring transparency in the nonprofit sector is extremely important, and organizations such as Candid play a crucial role as information databases for the nonprofit sector. They serve as platforms that centrally aggregate and disclose the financial information and activity details of nonprofit organizations, creating a mechanism accessible to any citizen, researcher, or policymaker. The development of this type of data infrastructure greatly enhances the credibility and accountability of the sector as a whole.

On the other hand, regarding DAFs (Donor-Advised Funds), there are ongoing debates in the United States surrounding minimum payout rates and transparency. How to maintain a balance between the development of the nonprofit sector and regulation is an important challenge for any country.

### **10.3 Summary**

Throughout the entirety of the interview, we were able to gain insight into the circumstances surrounding the U.S. nonprofit sector, specifically how it has developed on a foundation of elements such as citizen leadership, religious motivations, public recognition, and data transparency.



## 11. Urban Institute

**Date and Time:** Thursday, October 30, 15:00-17:00

**Location:** 500 L'Enfant Plaza SW, Washington, DC 20024

**Interviewees:** Dr. Benjamin Soskis (Senior Research Associate in the Center for Nonprofits and Philanthropy)

Hannah Martin (Policy Associate)

**URL:** <https://www.urban.org/>

**Author:** Kuniko Imaizumi

### 11.1 Organizational Profile

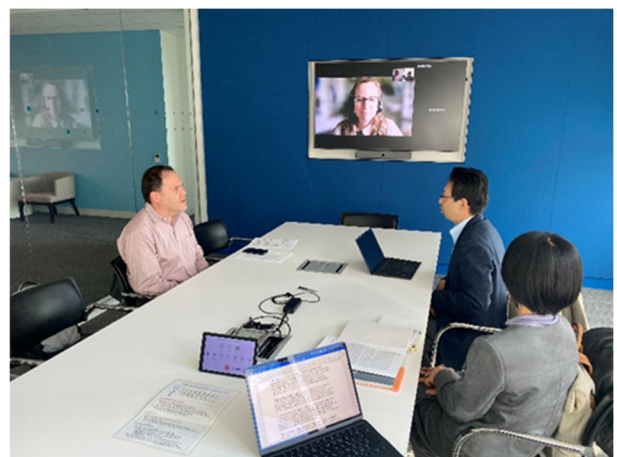
The Urban Institute was established in 1968, during a tumultuous period in American history, by President Lyndon B. Johnson with the objective of providing “power through knowledge” to help solve the problems weighing heavily on the hearts and minds of the nation. Given that there was a lack of clear understanding and a prevailing trial-and-error approach regarding whether policies against discrimination and poverty were actually functioning and who they were benefiting, it was founded as an independent research institution to provide direction to policy and pursue timely and effective solutions to the challenges facing families and communities across the United States.



Even today, specializing in research on social and economic policy, it addresses a wide range of fields including anti-poverty measures, welfare, housing, education, and healthcare, and makes data-driven policy recommendations. Its research findings are widely utilized in the decision-making processes of Congress and administrative agencies.

### 11.2 Summary of Exchange of Views

The activities of the team involving Ms. Hannah Martin and her colleagues at the Urban Institute focus on strengthening charitable organizations through the provision of research, data, and resources. Their largest and best-known project is the National Center for Charitable Statistics (NCCS), which is a primary data source regarding the U.S. nonprofit sector. It maintains the IRS Form 990 database, enabling researchers, policymakers, and practitioners to analyze financial conditions, trends, and organizational characteristics.



A defining feature of the U.S. nonprofit organization system lies in the IRS Form 990 (Annual Information Return). It is disclosed to the public for most organizations and includes information regarding missions, board composition, officer compensation, financial information, program details, fundraising, and expenses. For this reason, the United States possesses a sector with an extremely high level of transparency on a global scale, and researchers conduct analyses based on this data. While organizations with an annual revenue of \$10 million or more constitute only a small minority, they account for the vast majority of total revenues. On the other hand, approximately 80% are small-scale organizations with less than \$500,000. This disparity is crucial for understanding the impact of policy.

Furthermore, they publish reports on the following themes:

- (1) Nonprofit organization finances
- (2) Governance structures
- (3) Trends in giving and volunteering
- (4) Regulatory changes
- (5) Policy challenges

In addition, they work in cooperation with state governments, foundations, and intermediary support organizations to improve data quality and access.

The U.S. nonprofit sector is extremely diverse, encompassing everything from small-scale volunteer groups to massive organizations such as universities and hospitals. For the purpose of analysis, they classify organizations based on the following perspectives:

- (1) Scale
- (2) Region
- (3) Mission
- (4) Revenue streams
- (5) Workforce composition

In research concerning the COVID-19 period, attention was focused on service adaptability, the financial burden on small-scale organizations, funding disparities, the role of philanthropy, and the digital divide. While small-scale and community-based organizations were trusted and effective, they faced a shortage of resources. Given these circumstances, policy challenges include (a) government contract reform, (b) DAF regulation, (c) data transparency, (d) financial reporting reform, (e) equity, (f) labor shortages, and (g) digitalization.

Regarding (a) government contracts, issues that do not pose a struggle for large-scale nonprofit organizations—such as delayed payments from the government, complex reporting requirements to the government, strict compliance standards, and funding shortages—become problematic for small-scale organizations.

Regarding (b) DAFs (Donor-Advised Funds), although they have achieved significant results in the United States because donors can receive immediate tax deductions and retain the right to recommend donation recipients, there is an issue in that once the donation is actually made, the funds are not immediately deployed into charitable activities.

Regarding (g) digitalization, because it is difficult for small-scale organizations to invest in IT, they face constraints in their capacity to apply for grants and conduct evaluations; furthermore, because volunteers compose their boards of directors and part-time workers serve as staff, their internal controls tend to be loose.

Regarding (e) equity, there is a reality where nonprofit organizations operated by people of color receive less funding from the government and charitable organizations compared to nonprofit organizations with the same objectives operated by white individuals; as responses to this, considerations include selecting funding recipients based on trust, multi-year funding periods, full-cost funding, unrestricted funding, and the simplification of outcome reporting.

As factors in the development of nonprofit organizations in the United States, they list U.S. growth factors, a culture of philanthropy, the legal system (ease of establishment), preferential tax treatment, large-scale foundations, government outsourcing, and decentralized regulation.

### 11.3 Conclusions

Based on the value that “lives cannot be improved and civil society cannot be strengthened without effective practices and policies”, the Urban Institute conducts activities to research and verify the effectiveness of policies. Form 990 (Annual Information Return) is a document that tax-exempt organizations are obligated to submit to the IRS to maintain their tax-exempt privileges, but at the same time, it is positioned as crucial data for this nonprofit organization that researches policies for a better civil society, constituting an important project known as the National Center for Charitable Statistics.

Intermediary support organizations such as Candid, the Council on Foundations, and the International Center for Not-for-Profit Law each play distinct roles within the nonprofit sector.



## 12. Environmental Protection Network

**Date and Time:** Friday, October 31, 15:30-17:00

**Location:** Historic Whittemore House (1526 New Hampshire Avenue, NW (at Q St.)| Washington, DC 20036)

**Interviewees:** June Taylor (Network Management)

Robert Wolcott (Member of the Board of Directors)

**URL:** <https://www.environmentalprotectionnetwork.org/>

**Author:** Kuniko Imaizumi

### 12.1 Organization Profile

The Environmental Protection Network (hereinafter EPN) is a nonprofit, non-partisan expert network established in 2017. Its most defining characteristic is that its members are primarily former employees of the U.S. Environmental Protection Agency (EPA), including scientists, lawyers, engineers, and regional administrators.



The organization was founded out of a strong sense of urgency regarding the deregulation of environmental policies and the disregard for scientific processes that accompanied the change in administration in 2017. It was established by retired experts who stood up to preserve the “institutional memory” of environmental protection built over decades and to maintain evidence-based public health and environmental safeguards for the next generation. Although it initially launched as a volunteer network, EPN has evolved into a structured nonprofit organization where a small full-time staff supports several hundred highly specialized expert volunteers in response to the growing demand for technical expertise.

The approximately 600 members are organized into specialized teams—such as “Air Quality”, “Water Quality”, “Climate and Energy”, and “Environmental Justice”—to carry out systematic activities.

### 12.2 Summary of Exchange of Views

In this exchange, a dialogue was held regarding methods for policy advocacy utilizing professional expertise, initiatives for Environmental Justice, and the building of trust between the public and private sectors.

#### (1) A Model of “Constructive Engagement” Based on Expertise

EPN distinguishes itself from typical environmental NGOs that focus primarily on demonstrations or protest activities; instead, its primary focus is on “engagement in the policy-making process” through technical expertise.

Specifically, its activities are built upon three pillars: ① Policy Analysis and Advocacy (submitting technical comments on proposed regulations), ② Public Education (explaining complex environmental

issues in plain language), and ③ Technical Assistance (providing legal and technical advice to state/local governments and communities).

Support provided by professionals who are intimately familiar with the internal structure and practical nuances of the EPA carries extremely high credibility and persuasive power with the executive branch, Congress, and the media. Particularly under the current administration, the organization fulfills a unique role in supporting the restoration of government



capacity from the outside—such as providing mentorship to newly hired staff and advice on institutional operations—to rebuild EPA functions that had been weakened by budget cuts.

## **(2) Implementation of Environmental Justice (EJ) and Local Support**

In recent years, “Environmental Justice”, which has become a top priority in the United States, is an area where EPN has been strengthening its direct support for frontline communities. For regions that have historically suffered from pollution and lack of investment, EPN provides data analysis to help residents testify at environmental regulation hearings.

Furthermore, they navigate complex application procedures and compliance standards to ensure these communities can receive grants under the federal government’s “Justice40” (an initiative directing 40% of the benefits of climate investments to disadvantaged communities) and infrastructure investment laws. This is an attempt to elevate the abstract concept of justice into practical “resource allocation to the community”.

## **(3) The Role of Philanthropy in Supporting Independence**

To avoid conflicts of interest, EPN does not accept any corporate funding and is operated primarily through foundation grants and individual donations. Major foundations, such as the Rockefeller Family Fund and the Hewlett Foundation, highly value EPN’s “non-partisan and evidence-based approach” and provide medium- to long-term support.

Such investment by philanthropy into “independent expertise” serves as the foundation for institutional continuity that is not swayed by political cycles. Additionally, in light of the urgency of the climate crisis, a trend in “time-bound” giving—where assets are deployed intensively at this moment rather than preserved in perpetuity—was also introduced.

## **12.3 Conclusions**

The activities of EPN represent an outstanding example of “Civic Professionalism”, where experts who have retired from public service reinvest their knowledge into society.

In Japan, opportunities for the expertise of retired government officials and professionals to be utilized outside of their original organizations remain limited. The establishment of expert networks that

combine the “inheritance of institutional memory” with “neutral oversight and support functions”—modeled after EPN—could serve as an effective reference across many sectors, including welfare and economic policy, as well as the environmental field. Furthermore, the perspective of reframing environmental regulations not as an “economic cost” but as an “investment” to enhance future public health and economic resilience offers significant implications for Japan as it seeks a balance between growth and sustainability.



For Japanese philanthropy to expand its focus beyond traditional direct service delivery and toward supporting infrastructure for “evidence-based policy advocacy and institutional development” will be key to breaking down barriers between sectors and building a sustainable civil society. The stance of “Passion with Evidence”—maintaining scientific integrity while remaining deeply committed—serves as the driving force for rebuilding the trust that has been lost between public institutions and the citizenry.

## 13. Candid

**Date and Time:** Saturday, November 1, 10:00-12:00

**Location:** Eaton DC Hotel (Organization Address: 32 Old Slip, 24th Floor, New York, NY 10005)

**Interviewee:** Arif Ekram (Global Partnerships Manager)

**URL:** <https://candid.org/>

**Author:** Hitoshi Kimura

### 13.1 Organizational Profile

The Foundation Center was established in 1953 by private foundation leaders as an organization to disclose information regarding foundations. Retaining a vast amount of information, the Foundation Center also developed as a research institution and played a role in helping nonprofit organizations identify appropriate funders.

GuideStar aims to promote transparency among nonprofit organizations. Candid is an organization born in 2019 through the integration of the Foundation Center and GuideStar. While the Foundation Center was an organization with a focus on foundations and the solicitation of funding, GuideStar, in contrast, was established for the purpose of ensuring that nonprofit organizations maintain transparency toward funders. By integrating the two, it integrates data from both foundations and nonprofit organizations, providing a database and reports that offer a comprehensive view of philanthropy as a whole.

Candid's total annual revenue reaches \$25 million, 80% of which is derived from membership fees and data licensing fees. The remaining 20% is funded by private foundations and donors.



### 13.2 Summary of Exchange of Views

#### (1) Working Styles

Approximately 230 staff members work across the United States. While remote work expanded due to COVID-19, they have continued remote work even after the pandemic. This has drastically reduced office expenses and, by allowing flexible working styles, has also aided in staff recruitment. Above all, productivity has improved.

#### (2) Information Disclosure Obligations

There are approximately 1.8 to 1.9 million nonprofit organizations in the United States, ranging from massive foundations that contribute billions of dollars annually, such as the Gates



Foundation, to community-based organizations that are small in terms of both financial scale and staff count. It is not considered reasonable to impose the exact same information disclosure obligations on both types of entities.

The current system of disclosing information to the IRS according to the scale of annual revenue is based on the principle of proportionality—namely, that greater funds and influence require a higher level of accountability. While there is a high necessity to strictly check whether large-scale funds are being used for legitimate social purposes, it can be said to be reasonable to mitigate the content of information disclosure obligations considering the burden on small-scale organizations.

According to a recent report by Candid, nonprofit organizations holding Candid's seal of transparency (certification) are able to collect 62% more donations compared to organizations without the certification. A clear difference arises depending on whether or not transparency is ensured.

Furthermore, while Charity Navigator focuses on the evaluation of nonprofit organizations, Candid covers philanthropy as a whole—encompassing private foundations, funders, and various collaborative organizations that support philanthropic activities (platform partners)—and possesses data on both funders and funding recipients.

### **(3) Utilization of Charitable Trusts**

Prior to 1986, donors could divide property into present interests and future interests, transfer the future interests to a nonprofit organization, and claim a deduction for the value of the future interests. However, the valuation of future interests was difficult and frequently led to abuse. Consequently, in 1986, Congress restricted split-interest trusts to two specific types: Charitable Remainder Trusts and Charitable Lead Trusts, requiring deductions based on a standardized property valuation format.

As a result, when interest rates are high, more Charitable Remainder Trusts are established, but when interest rates are low, their utilization stagnates.

### **(4) DAFs (Donor-Advised Funds)**

Because the sponsoring organization legally owns the funds and holds ultimate decision-making authority, DAFs are not subject to the annual 5% payout requirement applicable to private foundations. This flexibility is attractive to donors. In particular, DAFs are useful when donors wish to invest and grow the funds before making grants that achieve a major social impact.

On the other hand, they have also drawn criticism because large sums of money can remain in DAFs indefinitely without being granted out. There are cases where DAFs are utilized primarily for tax benefits while postponing actual charitable activities. Furthermore, there are even scattered instances where donations to DAFs are tied to personal benefits—for example, exerting influence to secure admission for a family member to a university.

While many experts advocate for reforms such as mandating that all funds be distributed within three to five years, personally, I believe that further research and discussion are required before introducing a uniform rule.



### **(5) Philanthropic Culture in the United States**

Philanthropy in the United States is promoted by several factors. First, concern for others can be said to be deeply rooted in the culture. From childhood, individuals are taught that giving back to society is a virtue. Second, religion—especially Christianity—plays a major role. Even among people who do not practice a faith, the cultural legacy of charitable giving remains alive. Third, the concentration of wealth has created opportunities for large-scale philanthropy, which is often tied to motivations of leaving a legacy or achieving prestige. And finally, the tax system provides a push for charitable giving.



It can be said that what sustains charitable activities in the United States is a complex intertwining of moral, cultural, and economic motivations.

### **13.3 Conclusions**

It was confirmed that Candid plays an extremely crucial role as a data center that comprehensively collects information and data on both funders and funding recipients, capturing the entire picture of the flow of funds concerning nonprofit organizations.

In addition, we were able to conduct meaningful interview surveys on various other related themes.

## 14. Independent Sector

**Date and Time:** Monday, November 3, 10:00-11:30

**Location:** Online (Organization Address: 1602 L Street NW, Suite 900, Washington, DC 20036)

**Interviewees:** Kevin Miller (Director of Research and Policy Analysis)

Ben Kershaw (Director, Public Policy and Government Relations)

Chelsea Taylor (Government Relations Intern)

**URL:** <https://independentsector.org/>

**Author:** Yoshiharu Shiraishi

### 14.1 Organization Profile

The Independent Sector (hereinafter IS) is a national-level intermediary support organization representing the U.S. nonprofit sector. It was established in 1980 as a membership organization that encompasses both public charities and private foundations. Founded as a national membership body representing both public charities and private foundations, its mission is centered on strengthening civil society and ensuring that the nonprofit sector remains a “trusted, effective, and independent” steward of the public good. Furthermore, IS was introduced as an organization that serves as a “bridge” connecting nonprofit organizations, philanthropy, and the government, focusing its primary operations on research, policy advocacy, and leadership development.



### 14.2 Summary of Exchange of Views

The exchange of opinions introduced strategic initiatives aimed at maintaining the U.S. nonprofit sector as a “trusted, effective, and independent social force”.

Established in 1980, IS is an intermediary support organization with approximately 500 diverse members, including national-level nonprofit organizations, private and community foundations, and corporate social responsibility programs. The most distinctive feature of IS is that it brings both grant-makers (foundations) and grant-seekers (operating organizations) onto the same platform. When asked how they integrate this diverse membership, IS presented the philosophy of “shifting from a hierarchical structure to a partnership”. By facilitating dialogue between funders and implementers and identifying shared priorities for the entire sector—such as maintaining charitable tax deductions and protecting advocacy rights—IS coordinates between organizations with different perspectives.

Regarding policy advocacy, the maintenance and expansion of charitable deductions under federal tax law were cited as top priorities. Following the 2017 tax reforms, an increase in the standard deduction resulted in a decrease in donations from middle-income earners who no longer utilize itemized deductions.

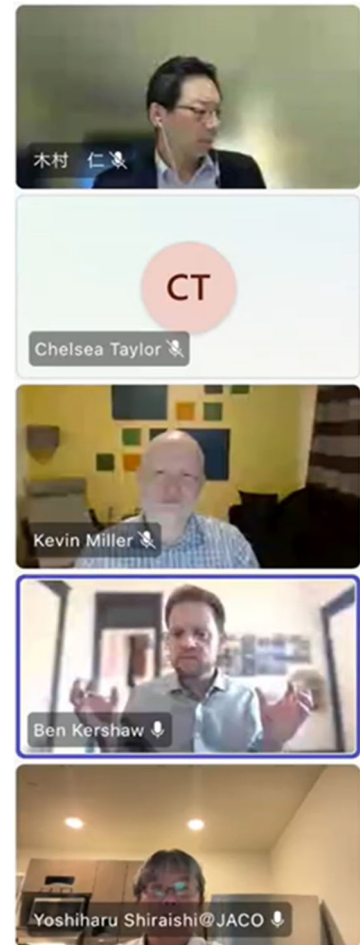
In response, IS is lobbying Congress to introduce a “Universal Charitable Deduction”, which would allow all taxpayers to receive a deduction regardless of income level.

This discussion highlights the necessity of powerful tax incentives for Japan, where donations are often left to an individual’s “moral obligation.” Furthermore, IS defines the advocacy activities of nonprofits as an essential element of “Democracy in Action” and actively supports the protection of the “right to advocate”—ensuring that nonprofits can bring the voices of their communities into the policy-making process while maintaining their tax-exempt status.

Extremely advanced practices were also shared regarding the use of data to measure the credibility and health of the sector. IS regularly publishes the “Health of the U.S. Nonprofit Sector” report, quantifying financial health, workforce diversity, and—most importantly—“public trust”. According to their findings, while trust in nonprofits remains higher than in the government or the corporate sector, it is trending slightly downward among the younger generation. This shift demands greater visualization of the use of funds and their impact (social outcomes) than ever before. IS encourages organizations to go beyond mere financial reporting and use digital platforms to communicate results through specific “stories”.

Developments regarding Donor-Advised Funds (DAF), which have seen rapid growth recently, were also explained. While DAFs are excellent mechanisms that enable strategic and long-term giving, they have faced persistent criticism in the U.S. regarding the “stagnation of funds”. Consequently, there is an ongoing debate over whether to impose a mandatory 5% payout requirement similar to that of private foundations. IS plays a crucial role in these legislative discussions to maintain a balance between the “flexibility” and “accountability” of philanthropy.

Finally, the income structure that supports IS’s organizational autonomy was presented. By maintaining a well-balanced “revenue portfolio”—comprising membership fees (40%), foundation grants (40%), and program/event income (20%)—the organization ensures its independence from the influence of any specific donor or group. The name “Independent Sector” is a direct symbol of this identity. While many intermediary support organizations tend to rely heavily on government subsidies, IS serves as an important operational model demonstrating how diversifying revenue sources guarantees organizational autonomy and an independent voice.





### 14.3 Conclusions

The insight obtained from the dialogue with IS is that for the nonprofit sector to function as an independent pillar of society, balancing both “data-driven, objective self-evaluation” and the “political capability to form a collective voice” is indispensable.

At the root of the powerful culture of philanthropy in the United States lies a spirit of self-help that has continued since the pioneering era: “citizens building communities on their own responsibility, rather than waiting for the government”. In modern times, this spirit has evolved beyond mere volunteer activities into an organized force fueled by highly specialized intermediary support organizations. For Japan to transition in the future from government-led social welfare to a society where the public and private sectors collaborate on an equal footing, it is required to redefine citizens not merely as “recipients of support”, but as “Active Agents” who change society.

Practically speaking, it is necessary to evolve the discussion of “public interest” in Japan from a mere verification of legal compliance into a dynamic process of how to earn and continuously maintain “public trust”. To achieve this, in addition to the efforts of individual organizations to increase transparency, building a data infrastructure that visualizes the “state of health” of the sector as a whole—similar to what IS implements—is indispensable. When trust begins to waiver, a framework that can prove its value based on numerical data and unite to counter unjust regulations serves as the shield protecting the independence of the sector.

Furthermore, attention should be paid to shifting values among the younger generation who will lead the next era. They place greater emphasis on “purpose” and “meaning” over titles or hierarchies, and seek deeper engagement (co-creation) that goes beyond mere financial contributions. Capturing this shift and embedding diversity, equity, and inclusion not as mere slogans, but as a “mindset” for leadership and organizational operations will determine the sustainability of organizations.

The U.S. case demonstrates that for the nonprofit sector to become self-reliant as a true “third sector”, it must possess its own unique strength sufficient to build “partnerships” with governments and corporations. As symbolized by the name “Independent Sector”, independence (Independence) itself is the source of trust, and what sustains that independence is robust citizen support backed by transparency. In Japan’s public interest corporation system reform as well, it is anticipated that we will stand on this perspective of an “independent civil society” and strategically design “forums for dialogue” where diverse stakeholders can gather on equal terms to shape the common good of society.

## 15. Nonprofit Association of Washington

**Date and Time:** Monday, November 3, 13:00-14:45

**Location:** The Georgetown Squared office complex, 5601 6th Ave S, Suite 150, Seattle, WA 98108

**Interviewees:** Neal Mizushima (Executive Director)

Amy Hirotaka

**URL:** <https://nonprofitwa.org/>

**Author:** Hitoshi Kimura

### 15.1 Organization Profile

This is a state-level network organization targeting nonprofit organizations throughout the entire state of Washington. It is a relatively new organization, established in 2021 through the collaboration of NPO support groups within the state. It provides training and information on governance, fundraising, and human resource development to its members and local nonprofit organizations, while also engaging in policy recommendations (advocacy) to the state government.



Its primary business activities consist of: (1) providing education and support to nonprofit organizations, (2) supporting the networking construction of nonprofit organizations, and (3) advocacy (policy recommendations).

Regarding (1), it provides a wide range of support even to startups, including practical budgeting, understanding legal obligations, and bookkeeping methods.

Regarding (2), with respect to networking construction, it shares the challenges faced by individual nonprofit organizations along with solutions, including the availability of resources, without allowing each nonprofit organization within the state to become isolated.

To elaborate on (3) advocacy activities, the organization first gathers actual issues from nonprofit organizations and conducts quantitative surveys regarding the necessity of addressing them. Next, it conveys these issues to politicians through professional lobbyists, organizes the activities of the nonprofit organizations, sets up meetings between representatives of the nonprofit organizations and politicians, and advocates for the legislation of bills to resolve the issues. Because our members represent diverse groups within their electoral districts, politicians listen to our proposals with sincerity.

### 15.2 Summary of Exchange of Views

As challenges faced by this organization, it was stated that it has become difficult to cover costs due to inflation and rising prices. In addition, while digitalization offers benefits such as online fundraising, the adoption of cloud-based accounting systems, and the implementation of online educational training, ensuring cybersecurity has, on the other hand, become an urgent matter.

In particular, there were many points that serve as useful references regarding the specific methods of advocacy activities. It was characteristic that they gather issues from grass-roots activities, share them through the network as common issues across the nonprofit sector, and then connect them to lobbying activities utilizing experts. Since there are not many individuals or institutions specializing in lobbying activities in Japan, it would be desirable for intermediary support organizations themselves to engage in training experts to serve as conduits for conveying legislative proposals to politicians.



## 16 University of Washington

**Date and Time:** Monday, November 3, 15:30-17:30

**Location:** 4105 George Washington Lane Northeast

**Interviewees:** Mary Kay Gugerty (Professor in Nonprofit Management)

Robert J. Pekkanen (Professor in International Studies)

David F. Suarez (Associate Professor in the Evans School of Public Policy & Governance)

**URL:** <https://www.washington.edu/>

**Author:** Hitoshi Kimura

### 16.1 Organizational Profile

It is a traditional state university founded in 1861. Active research on NPOs is conducted here, primarily within its school of public policy.



### 16.2 Summary of Exchange of Views

#### (1) Characteristics and Challenges of the U.S. NPO Sector

The U.S. NPO sector has developed against the background of a historical tradition of voluntary civic activities and a philanthropic spirit. Legally, it is built upon two pillars: (1) corporate law at the state level (provisions for establishment, operation, and governance) and (2) federal tax law (tax-exempt status and donation deductions under Section 501(c)(3)). This two-tiered structure promotes the establishment of diverse organizations, and entities are active across a broad range of fields, including healthcare, education, social welfare, the environment, and the arts.

In the United States, establishing a nonprofit corporation is relatively easy, and obtaining 501(c)(3) status is achievable for many groups. However, oversight functions are decentralized among the states, the IRS, and societal expectations; there is no centralized regulatory body like the Charity Commission in the United Kingdom. While this structure emphasizes flexibility, its unified control is weak.

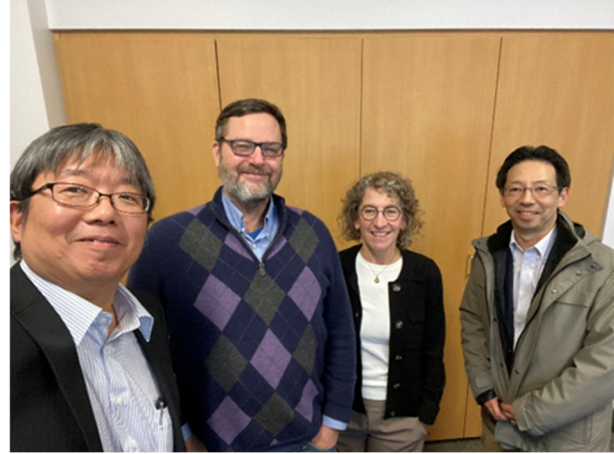
Although the sector as a whole is large, the reality is that the vast majority of NPOs are small-scale, and the top 1% (such as universities, hospitals, and large-scale foundations) account for the major portion of total revenues. Challenges for small-scale NPOs include a lack of operational capacity, dependence on volunteers, difficulty securing stable funding, responding to reporting obligations, leader burnout, and barriers to entry for government outsourcing contracts.

The effectiveness of boards of directors varies greatly by organization, and common challenges include excessive dependence on executive officers, a lack of financial knowledge, lack of clarity regarding roles, and the selection of directors based on personal connections. Furthermore, while the professionalization of NPO staff is advancing, it remains difficult for small-scale organizations to secure

and cultivate professional talent, making problems of low wages, high turnover rates, and burnout severe. In Seattle particularly, the cost of living is high, making this issue even more pronounced.

## **(2) Financial Resources**

Government outsourcing contracts serve as a primary financial resource for NPOs, but the burdens of detailed reporting, strict compliance requirements, performance measurement, and auditing are heavy. This structure, which makes it



easier for large-scale organizations to respond, is widening the disparity. On the other hand, while Seattle possesses a powerful philanthropic culture driven by entities like the Bill & Melinda Gates Foundation, major donors tend to prioritize large-scale organizations with proven track records, and access for small-scale organizations remains limited.

In recent years, the insufficient inflow of funds to small-scale and minority-led NPOs rooted in the community has been viewed as a problem. Growing recognition that competitive grant processes and complex reporting requirements disadvantage small-scale groups has led to a shift toward “Trust-Based Philanthropy”, which centers on simplifying application procedures, providing multi-year unrestricted grants, and reducing reporting burdens.

## **(3) Support for Small-Scale NPOs**

“Intermediary support organizations” play an important role in sustaining small-scale NPOs. The Nonprofit Association of Washington (NAWA) in Washington State is a prime example, providing services such as training, legal assistance, board development, and policy advocacy. These umbrella organizations and networks level the playing field for small-scale entities.

The University of Washington contributes to NPO support in various forms, including research partnerships, program evaluations, student internships, and executive education, constructing a mutually beneficial relationship. This type of collaboration between universities and NPOs is limited in Japan, offering many points that serve as useful references.

## **16.3 Conclusions**

Through the exchange with the interviewee, the points on which Japan can derive implications from the current situation in the United States are deemed to be as follows: (1) continuous support for small-scale organizations through the development of intermediary support organizations, (2) the promotion of diverse NPO forms through flexible corporate and tax systems, (3) the cultivation of local philanthropic cultures and community foundations, (4) the strengthening of support for community-led organizations through the introduction of trust-based grant models, (5) the promotion of collaborative planning and joint service provision between the government and NPOs, and (6) the improvement of evaluation, leadership, and research capabilities through collaboration with universities.

## 17. KPMG

**Date and Time:** Tuesday, November 4, 8:00–9:30

**Location:** Online (Organization Address: 1801 K Street, NW, Suite 12000, Washington, DC 20006)

**Interviewee:** Ruth M. Madrigal (Principal)

**URL:** <https://kpmg.com/us/en.html>

**Author:** Yoshiharu Shiraishi

### 17.1 Organization Profile

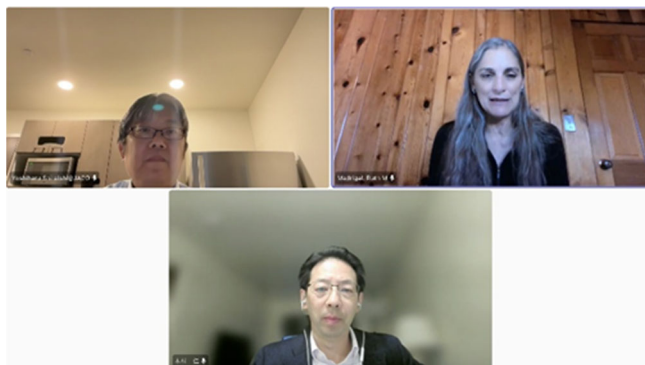
KPMG is a global accounting firm that, in the United States, provides compliance support to tax-exempt organizations, focusing particularly on the federal tax code. Ms. Madrigal explained that she is based in KPMG’s Washington National Tax Office, where she provides advisory services on regulations and requirements for tax-exempt organizations nationwide (and occasionally internationally).



Consequently, this exchange holds significant importance not as a report on local field operations, but as a high-level overview of the nonprofit system from the perspectives of “tax discipline”, “oversight effectiveness”, “transparency and trust”, and “capital circulation”, helping to organize the key points of institutional operation.

### 17.2 Summary of Exchange of Views

In the exchange with Ms. Ruth Madrigal of the KPMG Washington National Tax Office, a dialogue was conducted regarding financial reporting and governance for nonprofit corporations, drawing on her dual experience as a former regulator at the U.S. Treasury Department’s Office of Tax Policy and as a private-sector practitioner. Ms. Madrigal is well-versed not only in federal tax law regulations but also in state-level oversight systems—such as those in California and Delaware—providing an extremely important perspective for comparing Japanese and U.S. systems.



A focal point of the discussion was the variations of “Form 990” (the information return provided by the IRS) and the “principle of proportionality” regarding reporting obligations based on organizational scale. Ms. Madrigal explained that the significance of simplified forms for small organizations (990-EZ and 990-N) lies not only in reducing administrative costs but also in ensuring that grassroots activities with limited resources are not crushed by administrative burdens.

While there are concerns that simplified reporting might lead to information gaps, she asserted that “reporting obligations themselves do not deter crime”. Since those with malicious intent will falsify reports, she suggested that the educational function—prompting the “formulation of conflict-of-interest policies” and the “awareness of fiduciary duty” during the application and reporting processes—is more important than the volume of data reported.

Regarding accounting standards, the flexible reality of the U.S. system became clear. Federal tax law does not mandate uniform accrual accounting or U.S. Generally Accepted Accounting Principles (US GAAP) for all nonprofit organizations; instead, the use of cash-basis accounting or unique standards is permitted depending on state law, organizational size, or grantor requirements. Particularly noteworthy is the shift toward incorporating in jurisdictions like Delaware, which possesses a “stable and sophisticated corporate law”. According to Ms. Madrigal, there is an accelerating trend to choose Delaware’s nonprofit corporation law over trust law due to its higher predictability, indicating that practical stability significantly influences the choice of organizational form.

Furthermore, regarding Japan’s unique and strict accounting rules—such as “cost allocation by project” and the “minute segmentation of profit-making activities”—Ms. Madrigal pointed out that such precise categorization is not required at the U.S. federal level. While a certain level of functional expense allocation (Program, Management, and Fundraising) is required in the U.S., any “allocation based on a reasonable method” is acceptable. She argued that demanding elaborate accounting reports for each individual project drastically increases the administrative burden on nonprofits and drains funds that should be devoted to the original mission (charitable activities), emphasizing the importance of balancing regulation and efficiency.

Finally, the discussion touched upon the negative impact of the “Overhead Myth” perpetuated by third-party charity ratings (such as Charity Navigator). The tendency to evaluate organizations solely on keeping administrative cost ratios low hinders investment in infrastructure, IT, and human resources, leading to organizational fragility in the long term. Ms. Madrigal emphasized that administrative expenses should be viewed as an “investment for future mission achievement” and highlighted a proposal for the advancement of philanthropy: that grantors should provide not only project-specific funding but also “unrestricted grants” to support core organizational operations.

### 17.3 Conclusions

The primary insight gained from this exchange is that regulation of nonprofit organizations should not be merely “surveillance”, but rather a “dialogue” intended to foster healthy growth. The thorough implementation of the “principle of proportionality” seen in the U.S. institutional design is an essential perspective for Japan as it seeks to cultivate a diverse range of civil society actors.

While large-scale organizations are held to levels of transparency and governance comparable to listed companies, community-based small organizations are subject to educational regulations that minimize administrative burdens while extracting only essential elements, such as the prevention of



conflicts of interest. This “nuanced regulation” is the key to broadening the base of the sector while maintaining overall credibility.

Furthermore, the discussions regarding accounting standards and reporting formats reaffirmed the fundamental question: “To whom is the nonprofit organization accountable?” Reporting to administrative agencies is merely a minimum procedure to maintain public status; what should be truly emphasized is “accountability” to donors, beneficiaries, and society at large. As Ms. Madrigal pointed out, the “standardization of reporting” to eliminate the current situation where government agencies and grantors each demand their own complex reports (resulting in overlapping administrative burdens) is a critical task for streamlining the operation of Japan’s public interest certification system.

Of particular note is the necessity of a paradigm shift regarding “administrative costs”. Evaluation criteria that view a high business-to-administrative cost ratio as the sole “good” lead to the weakening of an organization’s foundation. Taking a lesson from the “Overhead Myth” that the U.S. sector faced, Japan must also foster a shared societal understanding that appropriate administrative spending is a legitimate investment in enhancing an organization’s transparency and sustainability.

Finally, Ms. Madrigal’s stance—that rather than trying to build a perfect system from the start, one should “remove current impediments one by one”—provided great encouragement to the Japanese delegation working on institutional reform. We must untangle the complex threads of regulation to create an environment where nonprofit organizations can focus on their original missions.

To achieve this, a transition to “smart regulation” is required—one that combines the “hard” aspect of legal systems with the “soft” support of education and intermediary organizations. This exchange was a valuable opportunity to rethink the nature of regulation not just as a set of legal rules, but as a “philosophy” for developing the sector.



## 18 Baker & Hostetler

**Date & Time:** Tuesday, November 4, 10:00–11:30

**Location:** 1050 Connecticut Avenue, NW Suite 1100 Washington, D.C. 20036

**Interviewee:** Alex Reid (Parter)

**URL:** <https://www.bakerlaw.com/>

**Author:** Hitoshi Kimura

### 18.1 Organization Profile

This entity is one of the major law firms boasting a nationwide presence across the United States, possessing extensive experience and a proven track record particularly in legal matters concerning public benefit corporations, nonprofit organizations, and foundations. Its Washington, D.C. office provides counseling on taxation, compliance, governance, asset management, and the operation of donations and endowments.

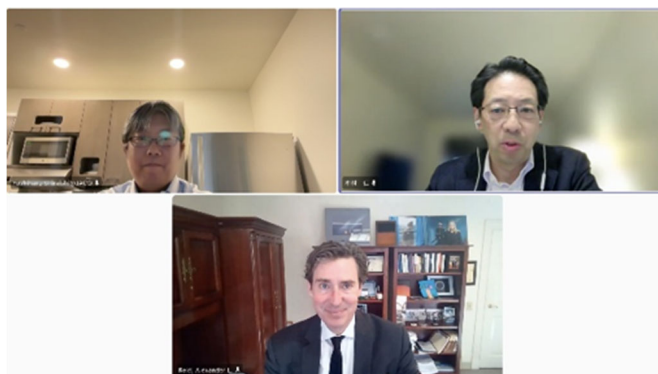


Through these services, the firm assists nonprofit organizations in conducting their activities while securing legal stability and transparency. Furthermore, while maintaining absolute independence from existing political parties, the firm exerts an influence on policy formation, which includes drafting legislative bills submitted to the U.S. Congress.

### 18.2 Summary of Exchange of Views

#### (1) Regarding Information Disclosure via Form 990

Generally, granting tax-exempt status to nonprofit organizations is understood as a form of financial assistance to public benefit promotion entities. However, I believe that the primary purpose of tax-exempt measures lies in protecting the freedom of association under the First Amendment. In other words, because the government would obstruct the freedom of association by imposing taxes, granting tax-exempt status enables organizations to freely pursue their operational purposes.



If tax-exempt entities are not receiving government assistance by virtue of tax-exempt measures but are instead guaranteed the freedom of association, Form 990 can be said to serve the role of securing transparency for members of society and donors, rather than acting as a mechanism for government surveillance.

Section 6033(j) of the Internal Revenue Code (IRC) dictates that if an organization fails to satisfy its information reporting obligations for three consecutive years, its tax-exempt status is automatically revoked. However, because Form 990 is not a tax return but merely an information disclosure, I consider this measure to be excessively harsh. If there is a reasonable cause for failing to report the information, the application of this statutory provision should be denied.

## **(2) Regarding Oversight by the IRS**

State attorneys general lack sufficient resources to supervise tax-exempt organizations, and because they are chosen through popular elections, political inclinations are reflected in their oversight. Until recently, the Internal Revenue Service (IRS) served as the primary regulatory authority. Up until 2021, the agency monitored and supervised entities by closely watching media reports. However, the Lois Lerner scandal of 2012 revealed that IRS staff were delaying tax-exempt applications for politically sensitive cases, which led Congress to drastically slash the IRS budget. Consequently, the IRS faced accusations of political bias in its supervision of nonprofit organizations, and the agency has since become hesitant to execute its oversight authority.

In the future, I hope that the IRS will utilize AI to perform efficient, data-driven oversight. AI is already being utilized to detect omissions in corporate and individual income tax filings, and a similar application can be envisioned for Form 990.

## **(3) Regarding Crowdfunding Regulation for Fundraising**

Traditional charitable solicitation laws operate as consumer protection measures; however, they impose a heavier burden on legitimate nonprofit organizations than on malicious actors. Small-scale nonprofits that wish to raise funds nationwide must register individually in approximately 40 states and continuously maintain those registrations, incurring annual costs of 12,000 to 13,000 dollars. This framework exists so that if a nonprofit commits fraud against donors, the state can identify and prosecute the organization. In reality, however, while legitimate public benefit organizations comply with the law, fraudulent organizations do not register at all.

In crowdfunding, platforms such as GoFundMe act as for-profit intermediaries through which donors contribute capital; normally, however, donors cannot claim tax deductions, and there are even instances where public benefit organizations are completely unaware that their names are being utilized. Recently, there was a case where GoFundMe collected donations without obtaining permission from multiple public benefit organizations, substantially acting as their agent. When the problem was pointed out, the company countered, stating, “We have never agreed to act as an agent”. California is the only state that has implemented comprehensive regulations, and the legal relationship between platforms and public benefit organizations remains ambiguous.

## **18.3 Conclusions**

In Attorney Reid’s view, the primary purpose of nonprofit organizations receiving tax-exempt status is to protect the freedom of association under the First Amendment. While acknowledging that this is a minority opinion, the theory advanced is highly refreshing and suggestive: if the purpose of granting tax-

exempt status is to guarantee a nonprofit's freedom of association, then Form 990 functions not as a tool for government surveillance, but as a mechanism to secure transparency for members of society and donors.

Furthermore, the framework for regulating crowdfunding is an area where the United States is still searching for solutions, and its future developments warrant close attention.

## 19. Seattle Pacific University

**Date & Time** Tuesday, November 4, 13:00-15:00

**Location:** 3307 3rd Ave W, Seattle, WA 98119

**Interviewee:** Dr. JoAnn Flett (Executive Director, Center for Faithful Business)

**URL:** <https://spu.edu/>

**Author:** Yoshiharu Shiraishi

### 19.1 Organization Profile

Seattle Pacific University (SPU) is a private university located in Seattle, Washington. In this study, we exchanged opinions with Ms. JoAnn Flett, Executive Director of the “Center for Faithful Business” within the university, and other related individuals. Under the philosophy of “Business as a force for good”—utilizing business to advance the common good of society—the Center focuses on research, education, and leadership development related to B Corporations (B Corps) and social enterprises.



### 19.2 Summary of Exchange of Views

At Seattle Pacific University (hereinafter referred to as SPU), Ms. Flett provided expert insights and explanations on how social issues can be resolved through business. In particular, she addressed the rise of the “B Corporation (B Corp)” as a third sector and its impact on the U.S. nonprofit sector.

First, the concept of B Corporations in the United States was clarified. A crucial distinction must be made between “B Corp Certification”, which is administered by the private nonprofit organization B Lab, and a



“Benefit Corporation”, which is a distinct legal status currently recognized in 38 U.S. states and Washington, D.C. The former is a certification granted to companies that achieve a specified score or higher across various performance metrics (the B Impact Assessment), covering the environment, workers, community, customers, and governance; it serves as a “proof of being a good company”.

The latter, on the other hand, is a legal framework. It requires a company to explicitly state its pursuit of a “public benefit” in its articles of incorporation, thereby legally freeing executives from the traditional fiduciary duty of prioritizing the maximization of shareholder profit above all else. In the United States, these two mechanisms function as two sides of the same coin, with certified B Corps often being required to transition to the legal status of a Benefit Corporation within a few years of certification.

The growth of B Corporations has been remarkable. A movement that began with just 19 companies in 2009 has now expanded to a scale approaching approximately 10,000 companies worldwide. This expansion is driven by a shift in the values of business leaders who seek to redefine business itself as a “force for good”, moving beyond conventional Corporate Social Responsibility (CSR). As demonstrated by Unilever’s active acquisition of B Corp companies such as Ben & Jerry’s, mission-driven brands tend to deliver high performance in the market, and investors and consumers are increasingly recognizing their value.

Furthermore, our discussion highlighted the necessity of the for-profit sector’s engagement in social issues from the perspectives of “wealth redistribution” and “social problem-solving capacity”. Looking at the overall revenue structure of the U.S. economy, for-profit enterprises account for approximately 71%, while the government accounts for about 14%, and the nonprofit sector comprises around 15%. It was argued that unless this for-profit sector—which possesses overwhelming capital and resources—shifts from merely returning profits to stockholders to considering all stakeholders, it will be impossible to solve today’s increasingly complex social challenges.

From a governance standpoint, Ms. Flett emphasized how the process of obtaining B Corp certification refines corporate management. For entrepreneurs, undergoing the rigorous evaluation across approximately 200 indicators (the B Impact Assessment) provides a valuable opportunity to objectively review their supply chains, employment practices, and environmental footprint. Moreover, these indicators are updated every few years to ensure they constantly reflect current societal expectations. It was noted that incorporating this business innovation and the concept of measurable outcomes (impact) would also serve as a highly effective learning experience for the nonprofit sector to enhance organizational transparency and efficacy.

### 19.3 Conclusions

The dialogue with Ms. Flett illustrated a reality in which the boundaries between nonprofit organizations and for-profit enterprises are blurring, giving rise to a new economic sphere centered around a “social purpose”.

The B Corp movement in the United States offers an effective model that moves away from competing for limited resources like donations and grants, and instead directs the immense capital and innovation of the for-profit sector toward solving social issues. For Japan, which faces tightening government budget constraints and severe challenges such as population decline, this provides extremely crucial insights for redefining business as a component of social infrastructure.

On a practical level, it was noted that social impact measurement, which seeks to visualize the outcomes of activities, can aid in fulfilling social accountability. While not all activities lend themselves perfectly to data-driven measurement, adopting an autonomous perspective of evaluation can lead to a process of reaffirming an organization’s core value. How to build social consensus while maintaining fidelity to a subjective mission remains a shared challenge for both the nonprofit and for-profit sectors in the coming era, necessitating the exploration of diverse methodologies.

In Japan as well, it is desirable to foster a cross-sector ecosystem where diverse actors collaborate loosely around the single focus of “problem-solving”. This involves transforming the innovation

cultivated by business into a force for social activities, while simultaneously embedding the social purpose and ethics long valued by nonprofit organizations into the business domain. Expanding this circle of reciprocal exchange will serve as a definitive step toward building a healthy civil society that endures for the next generation.

## 20. International Society for Third-Sector Research

**Date & Time :** Tuesday, November 4, 15:30-17:30

**Location:** 5315 22nd Ave NW, Seattle, WA 98107-4016

**Interviewee:** Megan A. Haddock (Executive Director)

**URL:** <https://www.istr.org/>

**Author:** Hitoshi Kimura

### 20.1 Organization Profile

This entity is an international academic society in the field of nonprofit and civil society studies. With a membership comprising researchers from all over the world, including Japan, the society promotes international research exchange concerning nonprofit organizations, philanthropic activities, and civil society through academic conferences and the publication of journals.



### 20.2 Summary of Exchange of Views

The Executive Director, Ms. Haddock, previously worked under Mr. Lester Salamon at Johns Hopkins University. However, due to her husband's job, her family relocated to Seattle, where she began working as a part-time staff member for the International Society for Third-Sector Research (hereinafter referred to as "ISTR"). Over time, she realized that her core strength lay in creating venues for research dialogue and connecting people, which led her to deepen her involvement.



ISTR is a global network and association of researchers focused on third-sector research, primarily comprising not only university academics but also researchers from nonprofit organizations and foundations. The "third sector" is a conceptual umbrella that encompasses nonprofit organizations, charitable entities, voluntary groups, philanthropic organizations, and social movements. The society publishes the academic journal *Voluntas*, hosts an international conference every two years, and additionally organizes regional conferences in areas such as Asia and Latin America.

One of the current major themes is strengthening the connection between research and practice. Many researchers desire to bring a social impact to their work; to achieve this, the society is striving to involve more practitioners alongside researchers. Japan is one of the countries with the highest participation rates, with many active members and leaders joining from Japanese universities and

foundations. In fact, individuals who have served as past presidents or board members of ISTR include several Japanese researchers. Membership fees are kept affordable, and the society currently has 900 members spanning approximately 80 countries. The day-to-day duties of the Executive Director involve communicating with members worldwide, managing staff, and supporting events and conferences.

Traveling for conferences provides opportunities to see firsthand how civil society functions in various nations. While participants speak on the unique contexts of their respective countries, commonalities also emerge when they gather in an international arena. She noted that while the society cooperates informally with the ICNL through the sharing of researchers, it maintains strict independence and takes care not to project a U.S.-centric impression.

Following the passing of Lester, the Center for Civil Society Studies program at Johns Hopkins University was terminated, leaving major projects in a state without a clear successor. Chief among these is the “Comparative Nonprofit Sector Project”, and they are currently exploring ways to revive this project under an open-access, global governance framework. This approach would enable contributions through data sharing, rather than relying on the rigidly controlled methodology used previously. She mentioned that while the society is moving forward with constructing this governance framework, it is also exploring potential partnerships, such as collaborating with the data team at Giving Tuesday.

In the United States, community-based sports clubs and similar entities generally establish small-scale nonprofit organizations, file the necessary tax documents, and operate as volunteer-run entities. However, because regulatory frameworks vary by state, maintaining compliance remains difficult. She noted that when the society relocated from Maryland to Washington State, it was required to undergo new registration procedures and pay additional taxes, such as sales tax on software.

## 20.3 Conclusions

Through its worldwide network, ISTR highlights common challenges facing the third sector and supports initiatives where researchers and other stakeholders across the globe work together to address them. It became evident that the society plays a vital role as a nexus for international collaboration; however, as an underlying infrastructure to sustain such activities, ensuring the uniformity and open-access nature of shared data appears essential.



## 21. Council on Foundations Inc.

**Date & Time :** Saturday, November 8, 01:00-02:30

**Location:** Online (1255 23rd Street NW, Suite 200, Washington, DC 20037)

**Interviewees:** Natalie Ross (Vice President, Membership, Development and Finance)  
Remy Barnwell (Senior Staff Counsel)

**URL:** <https://cof.org/>

**Author:** Yoshiharu Shiraishi

### 21.1 Organization Profile

The Council on Foundations (hereinafter referred to as CoF), frequently referred to as “the Council”, is a membership organization that represents private and public grantmaking foundations and corporate giving programs in the United States. CoF’s mission is to strengthen philanthropy and enhance the impact of grantmaking by fostering ethical practices, effective leadership, and a supportive policy environment for philanthropy.

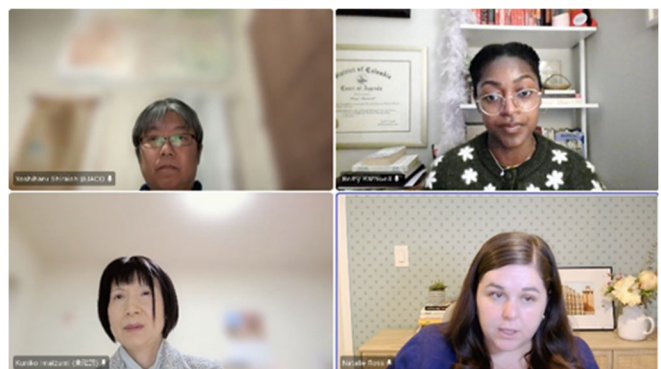


The organization comprises approximately 800 member organizations, ranging from large-scale foundations such as the Ford Foundation, the Bill & Melinda Gates Foundation, and the Rockefeller Foundation, to community foundations and small family philanthropies. CoF operates through three main pillars of activity: providing training and learning opportunities, conducting policy advocacy and fostering public-private dialogue, and building learning communities while promoting collaboration. Rather than merely providing services to its members, these pillars are positioned to fulfill an “intermediary support” function aimed at establishing an institutional environment that balances the independence of philanthropy with its social accountability.

### 21.2 Summary of Exchange of Views

The discussion with CoF centered on the ethical standards supporting the U.S. philanthropic ecosystem, data-driven advocacy, and emerging trends in asset management. Regarding the key to unifying a broad and diverse range of organizations, CoF presented a strategy of “Finding Common Ground”.

Despite differences in organizational scale and form, all members share common values: “advancing the public good” and “earning public trust”. By centering on these shared values, CoF consolidates the voice of the entire sector while maintaining



member engagement through specialized learning tracks tailored to specific characteristics—such as regional engagement for community foundations and sustainability for corporate foundations.

As an initiative to enhance sectoral autonomy, the “Code of Ethical Principles and Standards” developed by CoF was introduced. Although these are voluntary norms without legal binding force, they serve as a behavioral guide for member organizations by codifying expectations for integrity, accountability, and respect for diversity. The combination of this “self-regulatory” framework and peer learning for conflict-of-interest management and governance strengthening forms the foundation that supports the high level of public trust in U.S. grantmaking foundations.

The importance of data in advocacy was also discussed in depth. For many years, CoF has partnered with Candid (formerly the Foundation Center) to accumulate data on grantmaking records, asset sizes, and operational strategies. Of particular note is the utilization of “CF Insights”, a benchmarking tool for community foundations. Such objective data not only contributes to organizational efficiency but also serves as powerful leverage in negotiations with Congress and executive agencies. By quantifying and visualizing the vast sums philanthropy invests annually in education and inequality reduction, CoF positions the nonprofit sector to authorities not merely as “grant recipients”, but as “indispensable partners” that complement the limitations of the government.

In terms of asset management, a shift toward a modern interpretation of “Fiduciary Duty” was highlighted. There is a transition from the traditional view of “maximizing financial returns only” toward Mission-Related Investment (MRI) and Program-Related Investment (PRI), which utilize the assets themselves to achieve missions while maintaining a balance between risk and return. An example provided was a foundation dedicated to environmental protection divesting from fossil fuels and investing in renewable energy. CoF provides training to ensure that board members can fulfill their fiduciary duties based on these contemporary values.

Furthermore, in discussions regarding Donor-Advised Funds (DAF), CoF expressed its position of supporting “voluntary transparency and the dissemination of best practices rather than rigid regulation.” The perspective that maintaining flexibility encourages long-term giving is a crucial point of contention for Japan as it seeks a balance between convenience and accountability.

### 21.3 Conclusions

The insights gained from the dialogue with CoF underscore that for the nonprofit sector to maintain its social legitimacy, it must achieve a high-level balance between “independence” and “accountability”.

First, the essence of advocacy lies not in “confrontation” but in “education”. The commitment of philanthropy to continuously demonstrate, through objective data, that it provides flexibility and innovation that the government cannot replicate serves as an important strategic model for elevating the status of public benefit corporations in Japan. To achieve this, it is an urgent priority for Japan to construct a centralized digital database that goes beyond the conventional report format.

Second, it highlights the importance of ensuring the sector’s ethical integrity through “internal discipline” based on voluntary ethical standards, rather than through “external regulation” imposed by

administrative authorities. A culture of setting high standards for oneself and operating with pride in doing so generates true resilience against scandals. Intermediary support organizations are called upon to fulfill an educational function that internalizes public benefit certification criteria—transforming them from “obligatory compliance” into a “badge of public trust”.

Third, there is a clear need to adapt to the paradigm shift in philanthropy. In the United States, a transition is underway from bureaucratic grantmaking to trust-based philanthropy, and toward “Mission-Related Investment”, which treats asset management itself as a vehicle for social change. Japanese grantmaking foundations must likewise evolve from mere allocators of funds into “strategic investors” that comprehensively manage missions, assets, and social impact in an integrated manner.

The development seen in the United States is the result of “continuously redefining roles” in response to changing times. For Japan as well, the key to building a rich civil society lies in public benefit corporations evolving from being “quiet supporters” of society into “active partners” that spearhead social transformation, armed with data and robust ethics.

## Part 3: Appendix

### 1. Content of Tax-Exempt Certification Documents by Category

#### 1.1 Form 1023

|                                                                                                    |                                                                                                                                                                                                                                                                                                                  |                                                                                                                      |
|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Form 1023</b><br>(Rev. December 2017)<br>Department of the Treasury<br>Internal Revenue Service | <b>Application for Recognition of Exemption<br/>Under Section 501(c)(3) of the Internal Revenue Code</b><br>▶ Do not enter social security numbers on this form as it may be made public.<br>▶ Go to <a href="http://www.irs.gov/Form1023">www.irs.gov/Form1023</a> for instructions and the latest information. | OMB No. 1545-0056<br><b>Note:</b> If exempt status is approved, this application will be open for public inspection. |
|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|

Use the instructions to complete this application and for a definition of all **bold** items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at [www.irs.gov](http://www.irs.gov) for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I – XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| <b>Part I Identification of Applicant</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                            |
| <b>1</b> Full name of organization (exactly as it appears in your <b>organizing document</b> )                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>2</b> c/o Name (if applicable)                          |
| <b>3</b> <b>Mailing address</b> (Number and street) (see instructions)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>4</b> Employer Identification Number (EIN)              |
| Room/Suite                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>5</b> Month the annual accounting period ends (01 – 12) |
| City or town, state or country, and ZIP + 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                            |
| <b>6</b> Primary contact (officer, director, trustee, or <b>authorized representative</b> )<br><b>a</b> Name:                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>b</b> Phone:<br><b>c</b> Fax: (optional)                |
| <b>7</b> Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative. <span style="float: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</span>                                                        |                                                            |
| <b>8</b> Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role. <span style="float: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</span> |                                                            |
| <b>9a</b> Organization's website:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                            |
| <b>b</b> Organization's email: (optional)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                            |
| <b>10</b> Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ. <span style="float: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</span>                                                                                                                          |                                                            |
| <b>11</b> Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY) / /                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                            |
| <b>12</b> Were you formed under the laws of a <b>foreign country</b> ? <span style="float: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</span><br>If "Yes," state the country.                                                                                                                                                                                                                                                                                                                                                            |                                                            |

For Paperwork Reduction Act Notice, see instructions. Cat. No. 17133K Form **1023** (Rev. 12-2017)



**Part II Organizational Structure**

You must be a corporation (including a limited liability company), an unincorporated association, or a trust to be tax exempt. See instructions. **DO NOT file this form unless you can check "Yes" on lines 1, 2, 3, or 4.**

- 1** Are you a **corporation**? If "Yes," attach a copy of your articles of incorporation showing **certification of filing** with the appropriate state agency. Include copies of any amendments to your articles and be sure they also show state filing certification. ☐ **Yes** ☐ **No**
- 2** Are you a **limited liability company (LLC)**? If "Yes," attach a copy of your articles of organization showing certification of filing with the appropriate state agency. Also, if you adopted an operating agreement, attach a copy. Include copies of any amendments to your articles and be sure they show state filing certification. Refer to the instructions for circumstances when an LLC should not file its own exemption application. ☐ **Yes** ☐ **No**
- 3** Are you an **unincorporated association**? If "Yes," attach a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments. ☐ **Yes** ☐ **No**
- 4a** Are you a **trust**? If "Yes," attach a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments. ☐ **Yes** ☐ **No**
- b** Have you been funded? If "No," explain how you are formed without anything of value placed in trust. ☐ **Yes** ☐ **No**
- 5** Have you adopted **bylaws**? If "Yes," attach a current copy showing date of adoption. If "No," explain how your officers, directors, or trustees are selected. ☐ **Yes** ☐ **No**

**Part III Required Provisions in Your Organizing Document**

The following questions are designed to ensure that when you file this application, your organizing document contains the required provisions to meet the organizational test under section 501(c)(3). Unless you can check the boxes in both lines 1 and 2, your organizing document does not meet the organizational test. **DO NOT file this application until you have amended your organizing document.** Submit your original and amended organizing documents (showing state filing certification if you are a corporation or an LLC) with your application.

- 1** Section 501(c)(3) requires that your organizing document state your exempt purpose(s), such as charitable, religious, educational, and/or scientific purposes. Check the box to confirm that your organizing document meets this requirement. Describe specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document. Refer to the instructions for exempt purpose language. ☐  
Location of Purpose Clause (Page, Article, and Paragraph):
- 2a** Section 501(c)(3) requires that upon dissolution of your organization, your remaining assets must be used exclusively for exempt purposes, such as charitable, religious, educational, and/or scientific purposes. Check the box on line 2a to confirm that your organizing document meets this requirement by express provision for the distribution of assets upon dissolution. If you rely on state law for your dissolution provision, do not check the box on line 2a and go to line 2c. ☐
- b** If you checked the box on line 2a, specify the location of your dissolution clause (Page, Article, and Paragraph). Do not complete line 2c if you checked box 2a.
- c** See the instructions for information about the operation of state law in your particular state. Check this box if you rely on operation of state law for your dissolution provision and indicate the state: ☐

**Part IV Narrative Description of Your Activities**

Using an attachment, describe your *past*, *present*, and *planned* activities in a narrative. If you believe that you have already provided some of this information in response to other parts of this application, you may summarize that information here and refer to the specific parts of the application for supporting details. You may also attach representative copies of newsletters, brochures, or similar documents for supporting details to this narrative. Remember that if this application is approved, it will be open for public inspection. Therefore, your narrative description of activities should be thorough and accurate. Refer to the instructions for information that must be included in your description.

**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors**

- 1a** List the names, titles, and mailing addresses of all of your officers, directors, and trustees. For each person listed, state their total annual **compensation**, or proposed compensation, for all services to the organization, whether as an officer, employee, or other position. Use actual figures, if available. Enter "none" if no compensation is or will be paid. If additional space is needed, attach a separate sheet. Refer to the instructions for information on what to include as compensation.

| Name | Title | Mailing address | Compensation amount<br>(annual actual or estimated) |
|------|-------|-----------------|-----------------------------------------------------|
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |

**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors** (Continued)

- b** List the names, titles, and mailing addresses of each of your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation. Do not include officers, directors, or trustees listed in line 1a.

| Name | Title | Mailing address | Compensation amount<br>(annual actual or estimated) |
|------|-------|-----------------|-----------------------------------------------------|
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |

- c** List the names, names of businesses, and mailing addresses of your five highest compensated **independent contractors** that receive or will receive compensation of more than \$50,000 per year. Use the actual figure, if available. Refer to the instructions for information on what to include as compensation.

| Name | Title | Mailing address | Compensation amount<br>(annual actual or estimated) |
|------|-------|-----------------|-----------------------------------------------------|
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |
|      |       |                 |                                                     |

The following "Yes" or "No" questions relate to *past, present, or planned* relationships, transactions, or agreements with your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, and 1c.

- 2a** Are any of your officers, directors, or trustees **related** to each other through **family or business relationships**? If "Yes," identify the individuals and explain the relationship. ☐ **Yes** ☐ **No**

- b** Do you have a business relationship with any of your officers, directors, or trustees other than through their position as an officer, director, or trustee? If "Yes," identify the individuals and describe the business relationship with each of your officers, directors, or trustees. ☐ **Yes** ☐ **No**

- c** Are any of your officers, directors, or trustees related to your highest compensated employees or highest compensated independent contractors listed on lines 1b or 1c through family or business relationships? If "Yes," identify the individuals and explain the relationship. ☐ **Yes** ☐ **No**

- 3a** For each of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c, attach a list showing their name, qualifications, average hours worked, and duties.

- b** Do any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, or 1c receive compensation from any other organizations, whether tax exempt or taxable, that are related to you through **common control**? If "Yes," identify the individuals, explain the relationship between you and the other organization, and describe the compensation arrangement. ☐ **Yes** ☐ **No**

- 4** In establishing the compensation for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed on lines 1a, 1b, and 1c, the following practices are recommended, although they are not required to obtain exemption. Answer "Yes" to all the practices you use.

- a** Do you or will the individuals that approve compensation arrangements follow a conflict of interest policy? ☐ **Yes** ☐ **No**  
**b** Do you or will you approve compensation arrangements in advance of paying compensation? ☐ **Yes** ☐ **No**  
**c** Do you or will you document in writing the date and terms of approved compensation arrangements? ☐ **Yes** ☐ **No**



**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)**

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                          |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| d  | Do you or will you record in writing the decision made by each individual who decided or voted on compensation arrangements?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| e  | Do you or will you approve compensation arrangements based on information about compensation paid by <b>similarly situated</b> taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations? Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation.                                                                                                                                                                                                                                                                                                                                        | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| f  | Do you or will you record in writing both the information on which you relied to base your decision and its source?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| g  | If you answered "No" to any item on lines 4a through 4f, describe how you set compensation that is <b>reasonable</b> for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                          |
| 5a | Have you adopted a <b>conflict of interest policy</b> consistent with the sample conflict of interest policy in Appendix A to the instructions? If "Yes," provide a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," answer lines 5b and 5c.                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b  | What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you for setting their own compensation?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                          |
| c  | What procedures will you follow to assure that persons who have a conflict of interest will not have influence over you regarding business deals with themselves?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                          |
|    | <b>Note:</b> A conflict of interest policy is recommended though it is not required to obtain exemption. Hospitals, see Schedule C, Section I, line 14.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                          |
| 6a | Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors listed in lines 1a, 1b, or 1c through <b>non-fixed payments</b> , such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation.                                                               | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b  | Do you or will you compensate any of your employees, other than your officers, directors, trustees, or your five highest compensated employees who receive or will receive compensation of more than \$50,000 per year, through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are or will be determined, who is or will be eligible for such arrangements, whether you place or will place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. Refer to the instructions for Part V, lines 1a, 1b, and 1c, for information on what to include as compensation. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 7a | Do you or will you purchase any goods, services, or assets from any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such purchase that you made or intend to make, from whom you make or will make such purchases, how the terms are or will be negotiated at <b>arm's length</b> , and explain how you determine or will determine that you pay no more than <b>fair market value</b> . Attach copies of any written contracts or other agreements relating to such purchases.                                                                                                                                                                  | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b  | Do you or will you sell any goods, services, or assets to any of your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," describe any such sales that you made or intend to make, to whom you make or will make such sales, how the terms are or will be negotiated at <b>arm's length</b> , and explain how you determine or will determine you are or will be paid at least fair market value. Attach copies of any written contracts or other agreements relating to such sales.                                                                                                                                                                                      | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 8a | Do you or will you have any leases, contracts, loans, or other agreements with your officers, directors, trustees, highest compensated employees, or highest compensated independent contractors listed in lines 1a, 1b, or 1c? If "Yes," provide the information requested in lines 8b through 8f.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b  | Describe any written or oral arrangements that you made or intend to make.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                          |
| c  | Identify with whom you have or will have such arrangements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                          |
| d  | Explain how the terms are or will be negotiated at <b>arm's length</b> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                          |
| e  | Explain how you determine you pay no more than fair market value or you are paid at least fair market value.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                          |
| f  | Attach copies of any signed leases, contracts, loans, or other agreements relating to such arrangements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                          |
| 9a | Do you or will you have any leases, contracts, loans, or other agreements with any organization in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest? If "Yes," provide the information requested in lines 9b through 9f.                                                                                                                                                                                                                                                                                                                                                                                                                | <input type="checkbox"/> Yes <input type="checkbox"/> No |

**Part V Compensation and Other Financial Arrangements With Your Officers, Directors, Trustees, Employees, and Independent Contractors (Continued)**

- b Describe any written or oral arrangements you made or intend to make.
- c Identify with whom you have or will have such arrangements.
- d Explain how the terms are or will be negotiated at arm's length.
- e Explain how you determine or will determine you pay no more than fair market value or that you are paid at least fair market value.
- f Attach a copy of any signed leases, contracts, loans, or other agreements relating to such arrangements.

**Part VI Your Members and Other Individuals and Organizations That Receive Benefits From You**

The following "Yes" or "No" questions relate to goods, services, and funds you provide to individuals and organizations as part of your activities. Your answers should pertain to *past*, *present*, and *planned* activities. See instructions.

- 1a In carrying out your exempt purposes, do you provide goods, services, or funds to individuals? If "Yes," describe each program that provides goods, services, or funds to individuals. ☐ Yes ☐ No
- b In carrying out your exempt purposes, do you provide goods, services, or funds to organizations? If "Yes," describe each program that provides goods, services, or funds to organizations. ☐ Yes ☐ No
- 2 Do any of your programs limit the provision of goods, services, or funds to a specific individual or group of specific individuals? For example, answer "Yes," if goods, services, or funds are provided only for a particular individual, your members, individuals who work for a particular employer, or graduates of a particular school. If "Yes," explain the limitation and how recipients are selected for each program. ☐ Yes ☐ No
- 3 Do any individuals who receive goods, services, or funds through your programs have a family or business relationship with any officer, director, trustee, or with any of your highest compensated employees or highest compensated independent contractors listed in Part V, lines 1a, 1b, and 1c? If "Yes," explain how these related individuals are eligible for goods, services, or funds. ☐ Yes ☐ No

**Part VII Your History**

The following "Yes" or "No" questions relate to your history. See instructions.

- 1 Are you a **successor** to another organization? Answer "Yes," if you have taken or will take over the activities of another organization; you took over 25% or more of the fair market value of the net assets of another organization; or you were established upon the conversion of an organization from for-profit to nonprofit status. If "Yes," complete Schedule G. ☐ Yes ☐ No
- 2 Are you submitting this application more than 27 months after the end of the month in which you were legally formed? If "Yes," complete Schedule E. ☐ Yes ☐ No

**Part VIII Your Specific Activities**

The following "Yes" or "No" questions relate to specific activities that you may conduct. Check the appropriate box. Your answers should pertain to *past*, *present*, and *planned* activities. See instructions.

- 1 Do you support or oppose candidates in **political campaigns** in any way? If "Yes," explain. ☐ Yes ☐ No
- 2a Do you attempt to **influence legislation**? If "Yes," explain how you attempt to influence legislation and complete line 2b. If "No," go to line 3a. ☐ Yes ☐ No
- b Have you made or are you making an **election** to have your legislative activities measured by expenditures by filing Form 5768? If "Yes," attach a copy of the Form 5768 that was already filed or attach a completed Form 5768 that you are filing with this application. If "No," describe whether your attempts to influence legislation are a substantial part of your activities. Include the time and money spent on your attempts to influence legislation as compared to your total activities. ☐ Yes ☐ No
- 3a Do you or will you operate bingo or **gaming** activities? If "Yes," describe who conducts them, and list all revenue received or expected to be received and expenses paid or expected to be paid in operating these activities. **Revenue and expenses** should be provided for the time periods specified in Part IX, Financial Data. ☐ Yes ☐ No
- b Do you or will you enter into contracts or other agreements with individuals or organizations to conduct bingo or gaming for you? If "Yes," describe any written or oral arrangements that you made or intend to make, identify with whom you have or will have such arrangements, explain how the terms are or will be negotiated at arm's length, and explain how you determine or will determine you pay no more than fair market value or you will be paid at least fair market value. Attach copies of any written contracts or other agreements relating to such arrangements. ☐ Yes ☐ No
- c List the states and local jurisdictions, including Indian Reservations, in which you conduct or will conduct gaming or bingo.



**Part VIII Your Specific Activities (Continued)**

**4a** Do you or will you undertake **fundraising**? If "Yes," check all the fundraising programs you do or will conduct. See instructions. ☐ **Yes** ☐ **No**

- |                                                                     |                                                                                |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <input type="checkbox"/> mail solicitations                         | <input type="checkbox"/> phone solicitations                                   |
| <input type="checkbox"/> email solicitations                        | <input type="checkbox"/> accept donations on your website                      |
| <input type="checkbox"/> personal solicitations                     | <input type="checkbox"/> receive donations from another organization's website |
| <input type="checkbox"/> vehicle, boat, plane, or similar donations | <input type="checkbox"/> government grant solicitations                        |
| <input type="checkbox"/> foundation grant solicitations             | <input type="checkbox"/> Other                                                 |

Attach a description of each fundraising program.

**b** Do you or will you have written or oral contracts with any individuals or organizations to raise funds for you? If "Yes," describe these activities. Include all revenue and expenses from these activities and state who conducts them. Revenue and expenses should be provided for the time periods specified in Part IX, Financial Data. Also, attach a copy of any contracts or agreements. ☐ **Yes** ☐ **No**

**c** Do you or will you engage in fundraising activities for other organizations? If "Yes," describe these arrangements. Include a description of the organizations for which you raise funds and attach copies of all contracts or agreements. ☐ **Yes** ☐ **No**

**d** List all states and local jurisdictions in which you conduct fundraising. For each state or local jurisdiction listed, specify whether you fundraise for your own organization, you fundraise for another organization, or another organization fundraises for you.

**e** Do you or will you maintain separate accounts for any contributor under which the contributor has the right to advise on the use or distribution of funds? Answer "Yes" if the donor may provide advice on the types of investments, distributions from the types of investments, or the distribution from the donor's contribution account. If "Yes," describe this program, including the type of advice that may be provided and submit copies of any written materials provided to donors. ☐ **Yes** ☐ **No**

**5** Are you **affiliated** with a governmental unit? If "Yes," explain. ☐ **Yes** ☐ **No**

**6a** Do you or will you engage in **economic development**? If "Yes," describe your program. ☐ **Yes** ☐ **No**

**b** Describe each activity and facility, the role of the manager, and any business or family relationship(s) between the developer and your officers, directors, or trustees.

**7a** Do or will persons other than your employees or volunteers **develop** your facilities? If "Yes," describe each facility, the role of the developer, and any business or family relationship(s) between the developer and your officers, directors, or trustees. ☐ **Yes** ☐ **No**

**b** Do or will persons other than your employees or volunteers **manage** your activities or facilities? If "Yes," describe each activity and facility, the role of the manager, and any business or family relationship(s) between the manager and your officers, directors, or trustees. ☐ **Yes** ☐ **No**

**c** If there is a business or family relationship between any manager or developer and your officers, directors, or trustees, identify the individuals, explain the relationship, describe how contracts are negotiated at arm's length so that you pay no more than fair market value, and submit a copy of any contracts or other agreements.

**8** Do you or will you enter into **joint ventures**, including partnerships or **limited liability companies** treated as partnerships, in which you share profits and losses with partners other than section 501(c)(3) organizations? If "Yes," describe the activities of these joint ventures in which you participate. ☐ **Yes** ☐ **No**

**9a** Are you applying for exemption as a childcare organization under section 501(k)? If "Yes," answer lines 9b through 9d. If "No," go to line 10. ☐ **Yes** ☐ **No**

**b** Do you provide childcare so that parents or caretakers of children you care for can be **gainfully employed** (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☐ **No**

**c** Of the children for whom you provide childcare, are 85% or more of them cared for by you to enable their parents or caretakers to be gainfully employed (see instructions)? If "No," explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☐ **No**

**d** Are your services available to the general public? If "No," describe the specific group of people for whom your activities are available. Also, see the instructions and explain how you qualify as a childcare organization described in section 501(k). ☐ **Yes** ☐ **No**

**10** Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other **intellectual property**? If "Yes," explain. Describe who owns or will own any copyrights, patents, or trademarks, whether fees are or will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed. ☐ **Yes** ☐ **No**

**Part VIII Your Specific Activities (Continued)**

- 11** Do you or will you accept contributions of: real property; conservation easements; closely held securities; intellectual property such as patents, trademarks, and copyrights; works of music or art; licenses; royalties; automobiles, boats, planes, or other vehicles; or collectibles of any type? If "Yes," describe each type of contribution, any conditions imposed by the donor on the contribution, and any agreements with the donor regarding the contribution. ☐ **Yes** ☐ **No**
- 
- 12a** Do you or will you operate in a **foreign country or countries**? If "Yes," answer lines 12b through 12d. If "No," go to line 13a. ☐ **Yes** ☐ **No**
- b** Name the foreign countries and regions within the countries in which you operate.
- c** Describe your operations in each country and region in which you operate.
- d** Describe how your operations in each country and region further your exempt purposes.
- 
- 13a** Do you or will you make grants, loans, or other distributions to organization(s)? If "Yes," answer lines 13b through 13g. If "No," go to line 14a. ☐ **Yes** ☐ **No**
- b** Describe how your grants, loans, or other distributions to organizations further your exempt purposes.
- c** Do you have written contracts with each of these organizations? If "Yes," attach a copy of each contract. ☐ **Yes** ☐ **No**
- d** Identify each recipient organization and any **relationship** between you and the recipient organization.
- e** Describe the records you keep with respect to the grants, loans, or other distributions you make.
- f** Describe your selection process, including whether you do any of the following.
- (i)** Do you require an application form? If "Yes," attach a copy of the form. ☐ **Yes** ☐ **No**
- (ii)** Do you require a grant proposal? If "Yes," describe whether the grant proposal specifies your responsibilities and those of the grantee, obligates the grantee to use the grant funds only for the purposes for which the grant was made, provides for periodic written reports concerning the use of grant funds, requires a final written report and an accounting of how grant funds were used, and acknowledges your authority to withhold and/or recover grant funds in case such funds are, or appear to be, misused. ☐ **Yes** ☐ **No**
- g** Describe your procedures for oversight of distributions that assure you the resources are used to further your exempt purposes, including whether you require periodic and final reports on the use of resources.
- 
- 14a** Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," answer lines 14b through 14f. If "No," go to line 15. ☐ **Yes** ☐ **No**
- b** Provide the name of each foreign organization, the country and regions within a country in which each foreign organization operates, and describe any relationship you have with each foreign organization.
- c** Does any foreign organization listed in line 14b accept contributions earmarked for a specific country or specific organization? If "Yes," list all earmarked organizations or countries. ☐ **Yes** ☐ **No**
- d** Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. ☐ **Yes** ☐ **No**
- e** Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. ☐ **Yes** ☐ **No**
- f** Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including site visits by your employees or compliance checks by impartial experts, to verify that grant funds are being used appropriately. ☐ **Yes** ☐ **No**

**Part VIII** Your Specific Activities (Continued)

- 15** Do you have a **close connection** with any organizations? If "Yes," explain. ☐ **Yes** ☐ **No**
- 16** Are you applying for exemption as a **cooperative hospital service organization** under section 501(e)? If "Yes," explain. ☐ **Yes** ☐ **No**
- 17** Are you applying for exemption as a **cooperative service organization of operating educational organizations** under section 501(f)? If "Yes," explain. ☐ **Yes** ☐ **No**
- 18** Are you applying for exemption as a **charitable risk pool** under section 501(n)? If "Yes," explain. ☐ **Yes** ☐ **No**
- 19** Do you or will you operate a **school**? If "Yes," complete Schedule B. Answer "Yes," whether you operate a school as your main function or as a secondary activity. ☐ **Yes** ☐ **No**
- 20** Is your main function to provide **hospital or medical care**? If "Yes," complete Schedule C. ☐ **Yes** ☐ **No**
- 21** Do you or will you provide **low-income housing** or housing for the **elderly or handicapped**? If "Yes," complete Schedule F. ☐ **Yes** ☐ **No**
- 22** Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? If "Yes," complete Schedule H. ☐ **Yes** ☐ **No**
- Note:** Private foundations may use Schedule H to request advance approval of individual grant procedures.



**Part IX Financial Data**

For purposes of this schedule, years in existence refer to completed tax years.

- If in existence less than 5 years, complete the statement for each year in existence and provide projections of your likely revenues and expenses based on a reasonable and good faith estimate of your future finances for a total of:
  - Three years of financial information if you have not completed one tax year, or
  - Four years of financial information if you have completed one tax year. See instructions.
- If in existence 5 or more years, complete the schedule for the most recent 5 tax years. You will need to provide a separate statement that includes information about the most recent 5 tax years because the data table in Part IX has not been updated to provide for a 5th year. See instructions.

**A. Statement of Revenues and Expenses**

|          | Type of revenue or expense                                                                                                                                                           | Current tax year           | 3 prior tax years or 2 succeeding tax years |                            |                            |  | (e) Provide Total for (a) through (d) |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------------------|----------------------------|----------------------------|--|---------------------------------------|
|          |                                                                                                                                                                                      | (a) From _____<br>To _____ | (b) From _____<br>To _____                  | (c) From _____<br>To _____ | (d) From _____<br>To _____ |  |                                       |
| Revenues | 1 Gifts, grants, and contributions received (do not include unusual grants)                                                                                                          |                            |                                             |                            |                            |  |                                       |
|          | 2 Membership fees received                                                                                                                                                           |                            |                                             |                            |                            |  |                                       |
|          | 3 Gross investment income                                                                                                                                                            |                            |                                             |                            |                            |  |                                       |
|          | 4 Net unrelated business income                                                                                                                                                      |                            |                                             |                            |                            |  |                                       |
|          | 5 Taxes levied for your benefit                                                                                                                                                      |                            |                                             |                            |                            |  |                                       |
|          | 6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)             |                            |                                             |                            |                            |  |                                       |
|          | 7 Any revenue not otherwise listed above or in lines 9–12 below (attach an itemized list)                                                                                            |                            |                                             |                            |                            |  |                                       |
|          | 8 Total of lines 1 through 7                                                                                                                                                         |                            |                                             |                            |                            |  |                                       |
|          | 9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list) |                            |                                             |                            |                            |  |                                       |
|          | 10 Total of lines 8 and 9                                                                                                                                                            |                            |                                             |                            |                            |  |                                       |
|          | 11 Net gain or loss on sale of capital assets (attach schedule and see instructions)                                                                                                 |                            |                                             |                            |                            |  |                                       |
|          | 12 Unusual grants                                                                                                                                                                    |                            |                                             |                            |                            |  |                                       |
|          | 13 Total Revenue<br>Add lines 10 through 12                                                                                                                                          |                            |                                             |                            |                            |  |                                       |
| Expenses | 14 Fundraising expenses                                                                                                                                                              |                            |                                             |                            |                            |  |                                       |
|          | 15 Contributions, gifts, grants, and similar amounts paid out (attach an itemized list)                                                                                              |                            |                                             |                            |                            |  |                                       |
|          | 16 Disbursements to or for the benefit of members (attach an itemized list)                                                                                                          |                            |                                             |                            |                            |  |                                       |
|          | 17 Compensation of officers, directors, and trustees                                                                                                                                 |                            |                                             |                            |                            |  |                                       |
|          | 18 Other salaries and wages                                                                                                                                                          |                            |                                             |                            |                            |  |                                       |
|          | 19 Interest expense                                                                                                                                                                  |                            |                                             |                            |                            |  |                                       |
|          | 20 Occupancy (rent, utilities, etc.)                                                                                                                                                 |                            |                                             |                            |                            |  |                                       |
|          | 21 Depreciation and depletion                                                                                                                                                        |                            |                                             |                            |                            |  |                                       |
|          | 22 Professional fees                                                                                                                                                                 |                            |                                             |                            |                            |  |                                       |
|          | 23 Any expense not otherwise classified, such as program services (attach itemized list)                                                                                             |                            |                                             |                            |                            |  |                                       |
|          | 24 Total Expenses<br>Add lines 14 through 23                                                                                                                                         |                            |                                             |                            |                            |  |                                       |

**Part IX Financial Data (Continued)****B. Balance Sheet (for your most recently completed tax year)**

| Assets                      |                                                                                                                                                                                            | Year End:       |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
|                             |                                                                                                                                                                                            | (Whole dollars) |
| 1                           | Cash . . . . .                                                                                                                                                                             | 1               |
| 2                           | Accounts receivable, net . . . . .                                                                                                                                                         | 2               |
| 3                           | Inventories . . . . .                                                                                                                                                                      | 3               |
| 4                           | Bonds and notes receivable (attach an itemized list) . . . . .                                                                                                                             | 4               |
| 5                           | Corporate stocks (attach an itemized list) . . . . .                                                                                                                                       | 5               |
| 6                           | Loans receivable (attach an itemized list) . . . . .                                                                                                                                       | 6               |
| 7                           | Other investments (attach an itemized list) . . . . .                                                                                                                                      | 7               |
| 8                           | Depreciable and depletable assets (attach an itemized list) . . . . .                                                                                                                      | 8               |
| 9                           | Land . . . . .                                                                                                                                                                             | 9               |
| 10                          | Other assets (attach an itemized list) . . . . .                                                                                                                                           | 10              |
| 11                          | Total Assets (add lines 1 through 10) . . . . .                                                                                                                                            | 11              |
| Liabilities                 |                                                                                                                                                                                            |                 |
| 12                          | Accounts payable . . . . .                                                                                                                                                                 | 12              |
| 13                          | Contributions, gifts, grants, etc. payable . . . . .                                                                                                                                       | 13              |
| 14                          | Mortgages and notes payable (attach an itemized list) . . . . .                                                                                                                            | 14              |
| 15                          | Other liabilities (attach an itemized list) . . . . .                                                                                                                                      | 15              |
| 16                          | Total Liabilities (add lines 12 through 15) . . . . .                                                                                                                                      | 16              |
| Fund Balances or Net Assets |                                                                                                                                                                                            |                 |
| 17                          | Total fund balances or net assets . . . . .                                                                                                                                                | 17              |
| 18                          | Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17) . . . . .                                                                                                          | 18              |
| 19                          | Have there been any substantial changes in your assets or liabilities since the end of the period shown above? If "Yes," explain. <input type="checkbox"/> Yes <input type="checkbox"/> No |                 |

**Part X Public Charity Status**

Part X is designed to classify you as an organization that is either a **private foundation** or a **public charity**. Public charity status is a more favorable tax status than private foundation status. If you are a private foundation, Part X is designed to further determine whether you are a **private operating foundation**. See instructions.

**1a** Are you a private foundation? If "Yes," go to line 1b. If "No," go to line 5 and proceed as instructed. If you are unsure, see the instructions. ☐ Yes ☐ No

**b** As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check the box to confirm that your organizing document meets this requirement, whether by express provision or by reliance on operation of state law. Attach a statement that describes specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document or by operation of state law. See the instructions, including Appendix B, for information about the special provisions that need to be contained in your organizing document. Go to line 2. ☐

**2** Are you a private operating foundation? To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. If "Yes," go to line 3. If "No," go to the signature section of Part XI. ☐ Yes ☐ No

**3** Have you existed for one or more years? If "Yes," attach financial information showing that you are a private operating foundation; go to the signature section of Part XI. If "No," continue to line 4. ☐ Yes ☐ No

**4** Have you attached either (1) an affidavit or opinion of counsel, (including a written affidavit or opinion from a certified public accountant or accounting firm with expertise regarding this tax law matter), that sets forth facts concerning your operations and support to demonstrate that you are likely to satisfy the requirements to be classified as a private operating foundation; or (2) a statement describing your proposed operations as a private operating foundation? ☐ Yes ☐ No

**5** If you answered "No" to line 1a, indicate the type of public charity status you are requesting by checking one of the choices below. You may check only one box.

The organization is not a private foundation because it is:

**a** 509(a)(1) and 170(b)(1)(A)(i)—a church or a convention or association of churches. Complete and attach Schedule A. ☐

**b** 509(a)(1) and 170(b)(1)(A)(ii)—a **school**. Complete and attach Schedule B. ☐

**c** 509(a)(1) and 170(b)(1)(A)(iii)—a **hospital**, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete and attach Schedule C. ☐

**d** 509(a)(3)—an organization supporting either one or more organizations described in line 5a through c, f, h, or i or a publicly supported section 501(c)(4), (5), or (6) organization. Complete and attach Schedule D. ☐

**Part X Public Charity Status** (Continued)

- e** 509(a)(4) – an organization organized and operated exclusively for testing for public safety. ☐
- f** 509(a)(1) and 170(b)(1)(A)(iv) – an organization operated for the benefit of a college or university that is owned or operated by a governmental unit. ☐
- g** 509(a)(1) and 170(b)(1)(A)(ix) – an agricultural research organization directly engaged in the continuous active conduct of agricultural research in conjunction with a college or university. ☐
- h** 509(a)(1) and 170(b)(1)(A)(vi) – an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. ☐
- i** 509(a)(2) – an organization that normally receives not more than one-third of its financial support from gross **investment income** and receives more than one-third of its financial support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). ☐
- j** A publicly supported organization, but unsure if it is described in 5h or 5i. You would like the IRS to decide the correct status. ☐

**6** If you checked box h, i, or j in question 5 above, and you have been in existence more than 5 years, you must confirm your public support status. Answer line 6a if you checked box h in line 5 above. Answer line 6b if you checked box i in line 5 above. If you checked box j in line 5 above, answer both lines 6a and 6b.

- a** (i) Enter 2% of line 8, column (e) on Part IX-A Statement of Revenues and Expenses \_\_\_\_\_
- (ii) Attach a list showing the name and amount contributed by each person, company, or organization whose gifts totaled more than the 2% amount. If the answer is "None," state this.
- b** (i) For each year amounts are included on lines 1, 2, and 9 of Part IX-A Statement of Revenues and Expenses, attach a list showing the name and amount received from each **disqualified person**. If the answer is "None," state this.
- (ii) For each year amounts were included on line 9 of Part IX-A Statement of Revenues and Expenses, attach a list showing the name of and amount received from each payer, other than a disqualified person, whose payments were more than the larger of (1) 1% of Line 10, Part IX-A Statement of Revenues and Expenses, or (2) \$5,000. If the answer is "None," state this.

**7** Did you receive any unusual grants during any of the years shown on Part IX-A Statement of Revenues and Expenses? If "Yes," attach a list including the name of the contributor, the date and amount of the grant, a brief description of the grant, and explain why it is unusual. ☐ **Yes** ☐ **No**

**Part XI User Fee Information and Signature**

You must include the correct user fee payment with this application. If you do not submit the correct user fee, we will not process the application and we will return it to you. Your check or money order must be made payable to the United States Treasury. User fees are subject to change. Check our website at [www.irs.gov](http://www.irs.gov) and type "Exempt Organizations User Fee" in the search box, or call Customer Account Services at 1-877-829-5500 for current information.

Enter the amount of the user fee paid: \_\_\_\_\_

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please  
Sign  
Here

(Signature of Officer, Director, Trustee, or other authorized official)

(Type or print name of signer)

(Date)

(Type or print title or authority of signer)



**Schedule A. Churches**

|             |                                                                                                                                                                                                                    |                              |                             |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>1 a</b>  | Do you have a written creed, statement of faith, or summary of beliefs? If "Yes," attach copies of relevant documents.                                                                                             | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b>    | Do you have a form of worship? If "Yes," describe your form of worship.                                                                                                                                            | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>2 a</b>  | Do you have a formal code of doctrine and discipline? If "Yes," describe your code of doctrine and discipline.                                                                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b>    | Do you have a distinct religious history? If "Yes," describe your religious history.                                                                                                                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>c</b>    | Do you have a literature of your own? If "Yes," describe your literature.                                                                                                                                          | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>3</b>    | Describe the organization's religious hierarchy or ecclesiastical government.                                                                                                                                      |                              |                             |
| <b>4 a</b>  | Do you have regularly scheduled religious services? If "Yes," describe the nature of the services and provide representative copies of relevant literature such as church bulletins.                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b>    | What is the average attendance at your regularly scheduled religious services?                                                                                                                                     |                              |                             |
| <b>5 a</b>  | Do you have an established place of worship? If "Yes," refer to the instructions for the information required.                                                                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b>    | Do you own the property where you have an established place of worship?                                                                                                                                            | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>6</b>    | Do you have an established congregation or other regular membership group? If "No," refer to the instructions.                                                                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>7</b>    | How many members do you have?                                                                                                                                                                                      |                              |                             |
| <b>8 a</b>  | Do you have a process by which an individual becomes a member? If "Yes," describe the process and complete lines 8b-8d, below.                                                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b>    | If you have members, do your members have voting rights, rights to participate in religious functions, or other rights? If "Yes," describe the rights your members have.                                           | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>c</b>    | May your members be associated with another denomination or church?                                                                                                                                                | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>d</b>    | Are all of your members part of the same <b>family</b> ?                                                                                                                                                           | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>9</b>    | Do you conduct baptisms, weddings, funerals, etc.?                                                                                                                                                                 | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>10</b>   | Do you have a school for the religious instruction of the young?                                                                                                                                                   | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> | Do you have a minister or religious leader? If "Yes," describe this person's role and explain whether the minister or religious leader was ordained, commissioned, or licensed after a prescribed course of study. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b>    | Do you have schools for the preparation of your ordained ministers or religious leaders?                                                                                                                           | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b>   | Is your minister or religious leader also one of your officers, directors, or trustees?                                                                                                                            | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>13</b>   | Do you ordain, commission, or license ministers or religious leaders? If "Yes," describe the requirements for ordination, commission, or licensure.                                                                | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>14</b>   | Are you part of a group of churches with similar beliefs and structures? If "Yes," explain. Include the name of the group of churches.                                                                             | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>15</b>   | Do you issue church charters? If "Yes," describe the requirements for issuing a charter.                                                                                                                           | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>16</b>   | Did you pay a fee for a church charter? If "Yes," attach a copy of the charter.                                                                                                                                    | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>17</b>   | Do you have other information you believe should be considered regarding your status as a church? If "Yes," explain.                                                                                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**Schedule B. Schools, Colleges, and Universities**

If you operate a school as an activity, complete Schedule B

**Section I Operational Information**

**1a** Do you normally have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on? If "No," do not complete the remainder of Schedule B. ☐ Yes ☐ No

**b** Is the primary function of your school the presentation of formal instruction? If "Yes," describe your school in terms of whether it is an elementary, secondary, college, technical, or other type of school. If "No," do not complete the remainder of Schedule B. ☐ Yes ☐ No

**2a** Are you a public school because you are operated by a state or subdivision of a state? If "Yes," explain how you are operated by a state or subdivision of a state. Do not complete the remainder of Schedule B. ☐ Yes ☐ No

**b** Are you a public school because you are operated wholly or predominantly from government funds or property? If "Yes," explain how you are operated wholly or predominantly from government funds or property. Submit a copy of your funding agreement regarding government funding. Do not complete the remainder of Schedule B. ☐ Yes ☐ No

**3** In what public school district, county, and state are you located?

**4** Were you formed or substantially expanded at the time of public school desegregation in the above school district or county? ☐ Yes ☐ No

**5** Has a state or federal administrative agency or judicial body ever determined that you are racially discriminatory? If "Yes," explain. ☐ Yes ☐ No

**6** Has your right to receive financial aid or assistance from a governmental agency ever been revoked or suspended? If "Yes," explain. ☐ Yes ☐ No

**7** Do you or will you contract with another organization to develop, build, market, or finance your facilities? If "Yes," explain how that entity is selected, explain how the terms of any contracts or other agreements are negotiated at arm's length, and explain how you determine that you will pay no more than fair market value for services. ☐ Yes ☐ No

**Note:** Make sure your answer is consistent with the information provided in Part VIII, line 7a.

**8** Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. ☐ Yes ☐ No

**Note:** Answer "Yes" if you manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.

**Section II Establishment of Racially Nondiscriminatory Policy**Information required by **Revenue Procedure 75-50.**

**1** Have you adopted a racially nondiscriminatory policy as to students in your organizing document, bylaws, or by resolution of your governing body? If "Yes," state where the policy can be found or supply a copy of the policy. If "No," you must adopt a nondiscriminatory policy as to students before submitting this application. See Pub. 557. ☐ Yes ☐ No

**2** Do your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement of your racially nondiscriminatory policy? ☐ Yes ☐ No

**a** If "Yes," attach a representative sample of each document.

**b** If "No," by checking the box to the right you agree that all future printed materials, including website content, will contain the required nondiscriminatory policy statement. ☐

**3** Have you published a notice of your nondiscriminatory policy in a newspaper of general circulation that serves all racial segments of the community? See the instructions for specific requirements. If "No," explain. ☐ Yes ☐ No

**4** Does or will the organization (or any department or division within it) discriminate in any way on the basis of race with respect to admissions; use of facilities or exercise of student privileges; faculty or administrative staff; or scholarship or loan programs? If "Yes," for any of the above, explain fully. ☐ Yes ☐ No



## Schedule B. Schools, Colleges, and Universities (Continued)

- 5 Complete the table below to show the racial composition for the current academic year and projected for the next academic year, of: (a) the student body, (b) the faculty, and (c) the administrative staff. Provide actual numbers rather than percentages for each racial category.

If you are not operational, submit an estimate based on the best information available (such as the racial composition of the community served).

| Racial Category | (a) Student Body |           | (b) Faculty  |           | (c) Administrative Staff |           |
|-----------------|------------------|-----------|--------------|-----------|--------------------------|-----------|
|                 | Current Year     | Next Year | Current Year | Next Year | Current Year             | Next Year |
|                 |                  |           |              |           |                          |           |
|                 |                  |           |              |           |                          |           |
|                 |                  |           |              |           |                          |           |
|                 |                  |           |              |           |                          |           |
|                 |                  |           |              |           |                          |           |
|                 |                  |           |              |           |                          |           |
| Total           |                  |           |              |           |                          |           |

- 6 In the table below, provide the number and amount of loans and scholarships awarded to students enrolled by racial categories.

| Racial Category | Number of Loans |           | Amount of Loans |           | Number of Scholarships |           | Amount of Scholarships |           |
|-----------------|-----------------|-----------|-----------------|-----------|------------------------|-----------|------------------------|-----------|
|                 | Current Year    | Next Year | Current Year    | Next Year | Current Year           | Next Year | Current Year           | Next Year |
|                 |                 |           |                 |           |                        |           |                        |           |
|                 |                 |           |                 |           |                        |           |                        |           |
|                 |                 |           |                 |           |                        |           |                        |           |
|                 |                 |           |                 |           |                        |           |                        |           |
|                 |                 |           |                 |           |                        |           |                        |           |
|                 |                 |           |                 |           |                        |           |                        |           |
| Total           |                 |           |                 |           |                        |           |                        |           |

- 7a** Attach a list of your incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations.

- b** Do any of these individuals or organizations have an objective to maintain segregated public or private school education? If "Yes," explain. ☐ Yes ☐ No

- 8 Will you maintain records according to the nondiscrimination provisions contained in Revenue Procedure 75-50? If "No," explain. See instructions. ☐ Yes ☐ No

**Schedule C. Hospitals and Medical Research Organizations**

Check the box if you are a **hospital**. See the instructions for a definition of the term "hospital," which includes an organization whose principal purpose or function is providing **hospital or medical care**. Complete Section I below. ☐

Check the box if you are a **medical research organization** operated in conjunction with a hospital. See the instructions for a definition of the term "medical research organization," which refers to an organization whose principal purpose or function is medical research and which is directly engaged in the continuous active conduct of medical research in conjunction with a hospital. Complete Section II. ☐

**Section I Hospitals**

- 1a** Are all the doctors in the community eligible for staff privileges? If "No," give the reasons why and explain how the medical staff is selected. ☐ **Yes** ☐ **No**
- 2a** Do you or will you provide medical services to all individuals in your community who can pay for themselves or have private health insurance? If "No," explain. ☐ **Yes** ☐ **No**
- b** Do you or will you provide medical services to all individuals in your community who participate in Medicare? If "No," explain. ☐ **Yes** ☐ **No**
- c** Do you or will you provide medical services to all individuals in your community who participate in Medicaid? If "No," explain. ☐ **Yes** ☐ **No**
- 3a** Do you or will you require persons covered by Medicare or Medicaid to pay a deposit before receiving services? If "Yes," explain. ☐ **Yes** ☐ **No**
- b** Does the same deposit requirement, if any, apply to all other patients? If "No," explain. ☐ **Yes** ☐ **No**
- 4a** Do you or will you maintain a full-time emergency room? If "No," explain why you do not maintain a full-time emergency room. Also, describe any emergency services that you provide. ☐ **Yes** ☐ **No**
- b** Do you have a policy on providing emergency services to persons without apparent means to pay? If "Yes," provide a copy of the policy. ☐ **Yes** ☐ **No**
- c** Do you have any arrangements with police, fire, and voluntary ambulance services for the delivery or admission of emergency cases? If "Yes," describe the arrangements, including whether they are written or oral agreements. If written, submit copies of all such agreements. ☐ **Yes** ☐ **No**
- 5a** Do you provide for a portion of your services and facilities to be used for charity patients? If "Yes," answer 5b through 5e. ☐ **Yes** ☐ **No**
- b** Explain your policy regarding charity cases, including how you distinguish between charity care and bad debts. Submit a copy of your written policy.
- c** Provide data on your past experience in admitting charity patients, including amounts you expend for treating charity care patients and types of services you provide to charity care patients.
- d** Describe any arrangements you have with federal, state, or local governments or government agencies for paying for the cost of treating charity care patients. Submit copies of any written agreements.
- e** Do you provide services on a sliding fee schedule depending on financial ability to pay? If "Yes," submit your sliding fee schedule. ☐ **Yes** ☐ **No**
- 6a** Do you or will you carry on a formal program of medical training or medical research? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliations with other hospitals or medical care providers with which you carry on the medical training or research programs. ☐ **Yes** ☐ **No**
- b** Do you or will you carry on a formal program of community education? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliation with other hospitals or medical care providers with which you offer community education programs. ☐ **Yes** ☐ **No**
- 7** Do you or will you provide office space to physicians carrying on their own medical practices? If "Yes," describe the criteria for who may use the space, explain the means used to determine that you are paid at least fair market value, and submit representative lease agreements. ☐ **Yes** ☐ **No**
- 8** Is your board of directors comprised of a majority of individuals who are representative of the community you serve? Include a list of each board member's name and business, financial, or professional relationship with the hospital. Also, identify each board member who is representative of the community and describe how that individual is a community representative. ☐ **Yes** ☐ **No**
- 9** Do you participate in any joint ventures? If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes. Also, submit copies of all agreements. ☐ **Yes** ☐ **No**

**Note:** Make sure your answer is consistent with the information provided in Part VIII, line 8.

**Schedule C. Hospitals and Medical Research Organizations (Continued)****Section I Hospitals (Continued)**

- 10** Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. ☐ **Yes** ☐ **No**

**Note:** Answer "Yes" if you do manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.

- 11** Do you or will you offer recruitment incentives to physicians? If "Yes," describe your recruitment incentives and attach copies of all written recruitment incentive policies. ☐ **Yes** ☐ **No**
- 12** Do you or will you lease equipment, assets, or office space from physicians who have a financial or professional relationship with you? If "Yes," explain how you establish a fair market value for the lease. ☐ **Yes** ☐ **No**
- 13** Have you purchased medical practices, ambulatory surgery centers, or other business assets from physicians or other persons with whom you have a business relationship, aside from the purchase? If "Yes," submit a copy of each purchase and sales contract and describe how you arrived at fair market value, including copies of appraisals. ☐ **Yes** ☐ **No**
- 14** Have you adopted a **conflict of interest policy** consistent with the sample health care organization conflict of interest policy in Appendix A of the instructions? If "Yes," submit a copy of the policy and explain how the policy has been adopted, such as by resolution of your governing board. If "No," explain how you will avoid any conflicts of interest in your business dealings. ☐ **Yes** ☐ **No**

**Section II Medical Research Organizations**

- 1** Name the hospitals with which you have a relationship and describe the relationship. Attach copies of written agreements with each hospital that demonstrate continuing relationships between you and the hospital(s).
- 2** Attach a schedule describing your present and proposed activities for the direct conduct of medical research; describe the nature of the activities, and the amount of money that has been or will be spent in carrying them out.
- 3** Attach a schedule of assets showing their fair market value and the portion of your assets directly devoted to medical research.



**Schedule D. Section 509(a)(3) Supporting Organizations****Section I Identifying Information About the Supported Organization(s)****1** State the names, addresses, and EINs of the supported organizations. If additional space is needed, attach a separate sheet.

| Name | Address | EIN |
|------|---------|-----|
|      |         |     |
|      |         |     |
|      |         |     |

**2** Are all supported organizations listed in line 1 public charities under section 509(a)(1) or (2)? If "Yes," go to Section II. If "No," go to line 3. ☐ Yes ☐ No**3** Do the supported organizations have tax-exempt status under section 501(c)(4), 501(c)(5), or 501(c)(6)? ☐ Yes ☐ No  
If "Yes," for each 501(c)(4), (5), or (6) organization supported, provide the following financial information.

- Part IX-A. Statement of Revenues and Expenses, lines 1–13, and
- Part X, lines 6b(i), 6b(ii), and 7.

If "No," attach a statement describing how each organization you support is a public charity under section 509(a)(1) or (2).

**Section II Relationship with Supported Organization(s) – Three Tests**

To be classified as a supporting organization, an organization must meet one of three relationship tests.

Test 1: "Operated, supervised, or controlled by" one or more publicly supported organizations, or

Test 2: "Supervised or controlled in connection with" one or more publicly supported organizations, or

Test 3: "Operated in connection with" one or more publicly supported organizations.

**1** Information to establish the "operated, supervised, or controlled by" relationship (Test 1)  
Is a majority of your governing board or officers elected or appointed by the supported organization(s)? ☐ Yes ☐ No  
If "Yes," describe the process by which your governing board is appointed and elected; go to Section III.  
If "No," continue to line 2.**2** Information to establish the "supervised or controlled in connection with" relationship (Test 2)  
Does a majority of your governing board consist of individuals who also serve on the governing board of the supported organization(s)? If "Yes," describe the process by which your governing board is appointed and elected; go to Section III. If "No," go to line 3. ☐ Yes ☐ No**3** Information to establish the "operated in connection with" responsiveness test (Test 3)  
Are you a trust from which the named supported organization(s) can enforce and compel an accounting under state law? If "Yes," explain whether you advised the supported organization(s) in writing of these rights and provide a copy of the written communication documenting this; go to Section II, line 5. If "No," go to line 4a. ☐ Yes ☐ No**4** Information to establish the alternative "operated in connection with" responsiveness test (Test 3)  
**a** Do the officers, directors, trustees, or members of the supported organization(s) elect or appoint one or more of your officers, directors, or trustees? If "Yes," explain and provide documentation; go to line 4d, below. If "No," go to line 4b. ☐ Yes ☐ No  
**b** Do one or more members of the governing body of the supported organization(s) also serve as your officers, directors, or trustees or hold other important offices with respect to you? If "Yes," explain and provide documentation; go to line 4d, below. If "No," go to line 4c. ☐ Yes ☐ No  
**c** Do your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s)? If "Yes," explain and provide documentation. ☐ Yes ☐ No  
**d** Do the supported organization(s) have a significant voice in your investment policies, in the making and timing of grants, and in otherwise directing the use of your income or assets? If "Yes," explain and provide documentation. ☐ Yes ☐ No  
**e** Describe and provide copies of written communications documenting how you made the supported organization(s) aware of your supporting activities.**5** Information to establish the "operated in connection with" integral part test (Test 3)  
Do you conduct activities that would otherwise be carried out by the supported organization(s)? If "Yes," explain and go to Section III. If "No," continue to line 6a. ☐ Yes ☐ No

**Schedule D. Section 509(a)(3) Supporting Organizations (Continued)****Section II Relationship with Supported Organization(s) — Three Tests (Continued)**

- 6** Information to establish the alternative "operated in connection with" integral part test (Test 3)
- a** Do you distribute at least 85% of your annual **net income** to the supported organization(s)? If "Yes," go ☐ Yes ☐ No to line 6b. See instructions.
- If "No," state the percentage of your income that you distribute to each supported organization. Also explain how you ensure that the supported organization(s) are attentive to your operations.
- b** How much do you contribute annually to each supported organization? Attach a schedule.
- c** What is the total annual revenue of each supported organization? If you need additional space, attach a list.
- d** Do you or the supported organization(s) **earmark** your funds for support of a particular program or activity? If "Yes," explain. ☐ Yes ☐ No
- 7a** Does your organizing document specify the supported organization(s) by name? If "Yes," state the article and paragraph number and go to Section III. If "No," answer line 7b. ☐ Yes ☐ No
- b** Attach a statement describing whether there has been an historic and continuing relationship between you and the supported organization(s).

**Section III Organizational Test**

- 1a** If you met relationship Test 1 or Test 2 in Section II, your organizing document must specify the supported organization(s) by name, or by naming a similar purpose or charitable class of beneficiaries. If your organizing document complies with this requirement, answer "Yes." If your organizing document does not comply with this requirement, answer "No," and see the instructions. ☐ Yes ☐ No
- b** If you met relationship Test 3 in Section II, your organizing document must generally specify the supported organization(s) by name. If your organizing document complies with this requirement, answer "Yes," and go to Section IV. If your organizing document does not comply with this requirement, answer "No," and see the instructions. ☐ Yes ☐ No

**Section IV Disqualified Person Test**

You do not qualify as a supporting organization if you are **controlled** directly or indirectly by one or more **disqualified persons** (as defined in section 4946) other than **foundation managers** or one or more organizations that you support. Foundation managers who are also disqualified persons for another reason are disqualified persons with respect to you.

- 1a** Do any persons who are disqualified persons with respect to you, (except individuals who are disqualified persons only because they are foundation managers), appoint any of your foundation managers? If "Yes," (1) describe the process by which disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons and the foundation managers they appoint, and (3) explain how control is vested over your operations (including assets and activities) by persons other than disqualified persons. ☐ Yes ☐ No
- b** Do any persons who have a family or business relationship with any disqualified persons with respect to you, (except individuals who are disqualified persons only because they are foundation managers), appoint any of your foundation managers? If "Yes," (1) describe the process by which individuals with a family or business relationship with disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons, the individuals with a family or business relationship with disqualified persons, and the foundation managers appointed, and (3) explain how control is vested over your operations (including assets and activities) in individuals other than disqualified persons. ☐ Yes ☐ No
- c** Do any persons who are disqualified persons, (except individuals who are disqualified persons only because they are foundation managers), have any influence regarding your operations, including your assets or activities? If "Yes," (1) provide the names of these disqualified persons, (2) explain how influence is exerted over your operations (including assets and activities), and (3) explain how control is vested over your operations (including assets and activities) by individuals other than disqualified persons. ☐ Yes ☐ No

**Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation**

Schedule E is intended to determine whether you are eligible for tax exemption under section 501(c)(3) from the postmark date of your application or from your date of incorporation or formation, whichever is earlier.

- 1** Are you a church, association of churches, or integrated auxiliary of a church? If "Yes," complete ☐ **Yes** ☐ **No** Schedule A and stop here. Do not complete the remainder of Schedule E.

- 2a** Are you a public charity with annual **gross receipts** that are normally \$5,000 or less? If "Yes," stop here. ☐ **Yes** ☐ **No**  
Answer "No" if you are a private foundation, regardless of your gross receipts.

- b** If your gross receipts were normally more than \$5,000, are you filing this application within 90 days from the end of the tax year in which your gross receipts were normally more than \$5,000? If "Yes," stop here. ☐ **Yes** ☐ **No**

- 3a** Were you included as a subordinate in a group exemption application or letter? If "No," go to line 4. ☐ **Yes** ☐ **No**

- b** If you were included as a subordinate in a group exemption letter, are you filing this application within 27 months from the date you were notified by the organization holding the group exemption letter or the Internal Revenue Service that you cease to be covered by the group exemption letter? If "Yes," stop here. ☐ **Yes** ☐ **No**

- c** If you were included as a subordinate in a timely filed group exemption request that was denied, are you filing this application within 27 months from the postmark date of the Internal Revenue Service final adverse ruling letter? If "Yes," stop here. ☐ **Yes** ☐ **No**

- 4** Were you created on or before October 9, 1969? If "Yes," stop here. Do not complete the remainder of this schedule. ☐ **Yes** ☐ **No**

- 5** If you answered "No" to lines 1 through 4, we cannot recognize you as tax exempt from your date of formation unless you qualify for an extension of time to apply for exemption. Do you wish to request an extension of time to apply to be recognized as exempt from the date you were formed? If "Yes," attach a statement explaining why you did not file this application within the 27-month period. Do not answer lines 6 or 7. If "No," go to line 6a. ☐ **Yes** ☐ **No**

- 6a** If you answered "No" to line 5, you can only be exempt under section 501(c)(3) from the postmark date of this application. Therefore, do you want us to treat this application as a request for tax exemption from the postmark date? ☐ **Yes** ☐ **No**

**Note:** Be sure your ruling eligibility agrees with your answer to Part X, line 6.

- b** Do you anticipate significant changes in your sources of support in the future? If "Yes," complete line 7 ☐ **Yes** ☐ **No** below.



**Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation** (Continued)

- 7** Complete this item only if you answered "Yes" to line 6b. Include projected revenue for the first two full years following the current tax year.

| Type of Revenue                                                                                                                                                                              | Projected revenue for 2 years following current tax year |                            |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------|-----------|
|                                                                                                                                                                                              | (a) From _____<br>To _____                               | (b) From _____<br>To _____ | (c) Total |
| <b>1</b> Gifts, grants, and contributions received (do not include unusual grants)                                                                                                           |                                                          |                            |           |
| <b>2</b> Membership fees received                                                                                                                                                            |                                                          |                            |           |
| <b>3</b> Gross investment income                                                                                                                                                             |                                                          |                            |           |
| <b>4</b> Net unrelated business income                                                                                                                                                       |                                                          |                            |           |
| <b>5</b> Taxes levied for your benefit                                                                                                                                                       |                                                          |                            |           |
| <b>6</b> Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)              |                                                          |                            |           |
| <b>7</b> Any revenue not otherwise listed above or in lines 9–12 below (attach an itemized list)                                                                                             |                                                          |                            |           |
| <b>8</b> Total of lines 1 through 7                                                                                                                                                          |                                                          |                            |           |
| <b>9</b> Gross receipts from admissions, merchandise sold, or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (attach itemized list) |                                                          |                            |           |
| <b>10</b> Total of lines 8 and 9                                                                                                                                                             |                                                          |                            |           |
| <b>11</b> Net gain or loss on sale of capital assets (attach an itemized list)                                                                                                               |                                                          |                            |           |
| <b>12</b> Unusual grants                                                                                                                                                                     |                                                          |                            |           |
| <b>13</b> Total revenue. Add lines 10 through 12                                                                                                                                             |                                                          |                            |           |

**Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing****Section I General Information About Your Housing**

**1** Describe the type of housing you provide.

**2** Provide copies of any application forms you use for admission.

**3** Explain how the public is made aware of your facility.

**4a** Provide a description of each facility.

**b** What is the total number of residents each facility can accommodate?

**c** What is your current number of residents in each facility?

**d** Describe each facility in terms of whether residents rent or purchase housing from you.

**5** Attach a sample copy of your residency or homeownership contract or agreement.

**6** Do you participate in any joint ventures? If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes. Also, submit copies of all joint venture agreements. ☐ **Yes** ☐ **No**

**Note:** Make sure your answer is consistent with the information provided in Part VIII, line 8.

**7** Do you or will you contract with another organization to develop, build, market, or finance your housing? If "Yes," explain how that entity is selected, explain how the terms of any contract(s) are negotiated at arm's length, and explain how you determine you will pay no more than fair market value for services. ☐ **Yes** ☐ **No**

**Note:** Make sure your answer is consistent with the information provided in Part VIII, line 7a.

**8** Do you or will you manage your activities or facilities through your own employees or volunteers? If "No," attach a statement describing the activities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and how these managers were or will be selected. Also, submit copies of any contracts, proposed contracts, or other agreements regarding the provision of management services for your activities or facilities. Explain how the terms of any contracts or other agreements were or will be negotiated, and explain how you determine you will pay no more than fair market value for services. ☐ **Yes** ☐ **No**

**Note:** Answer "Yes" if you do manage or intend to manage your programs through your own employees or by using volunteers. Answer "No" if you engage or intend to engage a separate organization or independent contractor. Make sure your answer is consistent with the information provided in Part VIII, line 7b.

**9** Do you participate in any government housing programs? If "Yes," describe these programs. ☐ **Yes** ☐ **No**

**10a** Do you own the facility? If "No," describe any enforceable rights you possess to purchase the facility in the future; go to line 10c. If "Yes," answer line 10b. ☐ **Yes** ☐ **No**

**b** How did you acquire the facility? For example, did you develop it yourself, purchase a project, etc. Attach all contracts, transfer agreements, or other documents connected with the acquisition of the facility.

**c** Do you lease the facility or the land on which it is located? If "Yes," describe the parties to the lease(s) and provide copies of all leases. ☐ **Yes** ☐ **No**



**Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing (Continued)****Section II Homes for the Elderly or Handicapped**

**1 a** Do you provide housing for the elderly? If "Yes," describe who qualifies for your housing in terms of age, infirmity, or other criteria and explain how you select persons for your housing. ☐ **Yes** ☐ **No**

**b** Do you provide housing for the handicapped? If "Yes," describe who qualifies for your housing in terms of disability, income levels, or other criteria and explain how you select persons for your housing. ☐ **Yes** ☐ **No**

**2 a** Do you charge an entrance or founder's fee? If "Yes," describe what this charge covers, whether it is a one-time fee, how the fee is determined, whether it is payable in a lump sum or on an installment basis, whether it is refundable, and the circumstances, if any, under which it may be waived. ☐ **Yes** ☐ **No**

**b** Do you charge periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. ☐ **Yes** ☐ **No**

**c** Is your housing affordable to a significant segment of the elderly or handicapped persons in the community? Identify your **community**. Also, if "Yes," explain how you determine your housing is affordable. ☐ **Yes** ☐ **No**

**3 a** Do you have an established policy concerning residents who become unable to pay their regular charges? If "Yes," describe your established policy. ☐ **Yes** ☐ **No**

**b** Do you have any arrangements with government welfare agencies or others to absorb all or part of the cost of maintaining residents who become unable to pay their regular charges? If "Yes," describe these arrangements. ☐ **Yes** ☐ **No**

**4** Do you have arrangements for the healthcare needs of your residents? If "Yes," describe these arrangements. ☐ **Yes** ☐ **No**

**5** Are your facilities designed to meet the physical, emotional, recreational, social, religious, and/or other similar needs of the elderly or handicapped? If "Yes," describe these design features. ☐ **Yes** ☐ **No**

**Section III Low-Income Housing**

**1** Do you provide low-income housing? If "Yes," describe who qualifies for your housing in terms of income levels or other criteria, and describe how you select persons for your housing. ☐ **Yes** ☐ **No**

**2** In addition to rent or mortgage payments, do residents pay periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. ☐ **Yes** ☐ **No**

**3 a** Is your housing affordable to low income residents? If "Yes," describe how your housing is made affordable to low-income residents. ☐ **Yes** ☐ **No**

**Note:** Revenue Procedure 96-32, 1996-1 C.B. 717, provides guidelines for providing low-income housing that will be treated as charitable. (At least 75% of the units are occupied by low-income tenants or 40% are occupied by tenants earning not more than 120% of the very low-income levels for the area.)

**b** Do you impose any restrictions to make sure that your housing remains affordable to low-income residents? If "Yes," describe these restrictions. ☐ **Yes** ☐ **No**

**4** Do you provide social services to residents? If "Yes," describe these services. ☐ **Yes** ☐ **No**

**Schedule G. Successors to Other Organizations**

**1a** Are you a **successor** to a **for-profit organization**? If "Yes," explain the relationship with the **predecessor** organization that resulted in your creation and complete line 1b. ☐ **Yes** ☐ **No**

**b** Explain why you took over the activities or assets of a for-profit organization or converted from for-profit to nonprofit status.

**2a** Are you a successor to an organization other than a for-profit organization? Answer "Yes" if you have taken or will take over the activities of another organization; or you have taken or will take over 25% or more of the fair market value of the net assets of another organization. If "Yes," explain the relationship with the other organization that resulted in your creation. ☐ **Yes** ☐ **No**

**b** Provide the tax status of the predecessor organization.

**c** Did you or did an organization to which you are a successor previously apply for tax exemption under section 501(c)(3) or any other section of the Code? If "Yes," explain how the application was resolved. ☐ **Yes** ☐ **No**

**d** Was your prior tax exemption or the tax exemption of an organization to which you are a successor revoked or suspended? If "Yes," explain. Include a description of the corrections you made to re-establish tax exemption. ☐ **Yes** ☐ **No**

**e** Explain why you took over the activities or assets of another organization.

**3** Provide the name, last address, and EIN of the predecessor organization and describe its activities.

**Name:** \_\_\_\_\_

**EIN:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**4** List the owners, partners, principal stockholders, officers, and governing board members of the predecessor organization. Attach a separate sheet if additional space is needed.

| Name | Address | Share/Interest (If a for-profit) |
|------|---------|----------------------------------|
|      |         |                                  |
|      |         |                                  |
|      |         |                                  |
|      |         |                                  |
|      |         |                                  |
|      |         |                                  |
|      |         |                                  |

**5** Do or will any of the persons listed in line 4, maintain a working relationship with you? If "Yes," describe the relationship in detail and include copies of any agreements with any of these persons or with any for-profit organizations in which these persons own more than a 35% interest. ☐ **Yes** ☐ **No**

**6a** Were any assets transferred, whether by gift or sale, from the predecessor organization to you? If "Yes," provide a list of assets, indicate the value of each asset, explain how the value was determined, and attach an appraisal, if available. For each asset listed, also explain if the transfer was by gift, sale, or combination thereof. ☐ **Yes** ☐ **No**

**b** Were any restrictions placed on the use or sale of the assets? If "Yes," explain the restrictions. ☐ **Yes** ☐ **No**

**c** Provide a copy of the agreement(s) of sale or transfer.

**7** Were any debts or liabilities transferred from the predecessor for-profit organization to you? If "Yes," provide a list of the debts or liabilities that were transferred to you, indicating the amount of each, how the amount was determined, and the name of the person to whom the debt or liability is owed. ☐ **Yes** ☐ **No**

**8** Will you lease or rent any property or equipment previously owned or used by the predecessor for-profit organization, or from persons listed in line 4, or from for-profit organizations in which these persons own more than a 35% interest? If "Yes," submit a copy of the lease or rental agreement(s). Indicate how the lease or rental value of the property or equipment was determined. ☐ **Yes** ☐ **No**

**9** Will you lease or rent property or equipment to persons listed in line 4, or to for-profit organizations in which these persons own more than a 35% interest? If "Yes," attach a list of the property or equipment, provide a copy of the lease or rental agreement(s), and indicate how the lease or rental value of the property or equipment was determined. ☐ **Yes** ☐ **No**



**Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures****Section I** *Names of individual recipients are not required to be listed in Schedule H.*

**Public charities and private foundations complete lines 1a through 7 of this section. See the instructions to Part X if you are not sure whether you are a public charity or a private foundation.**

- 1a Describe the types of educational grants you provide to individuals, such as scholarships, fellowships, loans, etc.
  - b Describe the purpose and amount of your scholarships, fellowships, and other educational grants and loans that you award.
  - c If you award educational loans, explain the terms of the loans (interest rate, length, forgiveness, etc.).
  - d Specify how your program is publicized.
  - e Provide copies of any solicitation or announcement materials.
  - f Provide a sample copy of the application used.
- 2 Do you maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you? If "No," refer to the instructions. ☐ Yes ☐ No
- 3 Describe the specific criteria you use to determine who is eligible for your program. (For example, eligibility selection criteria could consist of graduating high school students from a particular high school who will attend college, writers of scholarly works about American history, etc.)
- 4a Describe the specific criteria you use to select recipients. (For example, specific selection criteria could consist of prior academic performance, financial need, etc.)
- b Describe how you determine the number of grants that will be made annually.
  - c Describe how you determine the amount of each of your grants.
  - d Describe any requirement or condition that you impose on recipients to obtain, maintain, or qualify for renewal of a grant. (For example, specific requirements or conditions could consist of attendance at a four-year college, maintaining a certain grade point average, teaching in public school after graduation from college, etc.)
- 5 Describe your procedures for supervising the scholarships, fellowships, educational loans, or other educational grants. Describe whether you obtain reports and grade transcripts from recipients, or you pay grants directly to a school under an arrangement whereby the school will apply the grant funds only for enrolled students who are in good standing. Also, describe your procedures for taking action if the terms of the award are violated.
- 6 Who is on the selection committee for the awards made under your program, including names of current committee members, criteria for committee membership, and the method of replacing committee members?
- 7 Are relatives of members of the selection committee, or of your officers, directors, or **substantial contributors** eligible for awards made under your program? If "Yes," what measures are taken to ensure unbiased selections? ☐ Yes ☐ No
- Note:** If you are a private foundation, you are not permitted to provide educational grants to **disqualified persons**. Disqualified persons include your substantial contributors and foundation managers and certain family members of disqualified persons.

**Section II** **Private foundations complete lines 1a through 4f of this section. Public charities do not complete this section.**

- 1a If we determine that you are a private foundation, do you want this application to be considered as a request for advance approval of grant making procedures? ☐ Yes ☐ No ☐ N/A
- b For which section(s) do you wish to be considered?
- 4945(g)(1)—Scholarship or fellowship grant to an individual for study at an educational institution ☐
  - 4945(g)(3)—Other grants, including loans, to an individual for travel, study, or other similar purposes, to enhance a particular skill of the grantee or to produce a specific product ☐
- 2 Do you represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring? ☐ Yes ☐ No
- 3 Do you represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described in line 2? ☐ Yes ☐ No

**Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures (Continued)****Section II Private foundations complete lines 1a through 4f of this section. Public charities do not complete this section. (Continued)**

- 4a** Do you or will you award scholarships, fellowships, and educational loans to attend an educational institution based on the status of an individual being an *employee of a particular employer*? If "Yes," complete lines 4b through 4f. ☐ Yes ☐ No
- b** Will you comply with the seven conditions and either the percentage tests or facts and circumstances test for scholarships, fellowships, and educational loans to attend an educational institution as set forth in Revenue Procedures 76-47, 1976-2 C.B. 670, and 80-39, 1980-2 C.B. 772, which apply to inducement, selection committee, eligibility requirements, objective basis of selection, employment, course of study, and other objectives? (See lines 4c, 4d, and 4e, regarding the percentage tests.) ☐ Yes ☐ No
- c** Do you or will you provide scholarships, fellowships, or educational loans to attend an educational institution to employees of a particular employer? ☐ Yes ☐ No ☐ N/A
- If "Yes," will you award grants to 10% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? ☐ Yes ☐ No
- d** Do you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer? ☐ Yes ☐ No ☐ N/A
- If "Yes," will you award grants to 25% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? If "No," go to line 4e. ☐ Yes ☐ No
- e** If you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer, will you award grants to 10% or fewer of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year, as provided by Revenue Procedures 76-47 and 80-39? ☐ Yes ☐ No ☐ N/A
- If "Yes," describe how you will determine who can be shown to be eligible for grants without submitting an application, such as by obtaining written statements or other information about the expectations of employees' children to attend an educational institution. If "No," go to line 4f.
- Note:** Statistical or sampling techniques are not acceptable. See Revenue Procedure 85-51, 1985-2 C.B. 717, for additional information.
- f** If you provide scholarships, fellowships, or educational loans to attend an educational institution to *children of employees of a particular employer* without regard to either the 25% limitation described in line 4d, or the 10% limitation described in line 4e, will you award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to the particular employer? If "Yes," describe the facts and circumstances that you believe will demonstrate that the grants are neither compensatory nor a significant benefit to the particular employer. In your explanation, describe why you cannot satisfy either the 25% test described in line 4d or the 10% test described in line 4e. ☐ Yes ☐ No

# Form 1023 Checklist

(Revised December 2017)

## Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

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**Note:** Retain a copy of the completed Form 1023 in your permanent records. Refer to the General Instructions regarding Public Inspection of approved applications.

**Check each box to finish your application (Form 1023). Send this completed Checklist with your filled-in application. If you have not answered all the items below, your application may be returned to you as incomplete.**

---

- ☐ Assemble the application and materials in this order.
    - Form 1023 Checklist
    - Form 2848, *Power of Attorney and Declaration of Representative* (if filing)
    - Form 8821, *Tax Information Authorization* (if filing)
    - Expedite request (if requesting)
    - Application (Form 1023 and Schedules A through H, as required)
    - Articles of organization
    - Amendments to articles of organization in chronological order
    - Bylaws or other rules of operation and amendments
    - Documentation of nondiscriminatory policy for schools, as required by Schedule B
    - Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation* (if filing)
    - All other attachments, including explanations, financial data, and printed materials or publications. Label each page with name and EIN.
  
  - ☐ User fee payment placed in envelope on top of checklist. DO NOT STAPLE or otherwise attach your check or money order to your application. Instead, just place it in the envelope.
  
  - ☐ Employer Identification Number (EIN)
  
  - ☐ Completed Parts I through XI of the application, including any requested information and any required Schedules A through H.
    - You must provide specific details about your past, present, and planned activities.
    - Generalizations or failure to answer questions in the Form 1023 application will prevent us from recognizing you as tax exempt.
    - Describe your purposes and proposed activities in specific easily understood terms.
    - Financial information should correspond with proposed activities.
  
  - ☐ Schedules. Submit only those schedules that apply to you and check either "Yes" or "No" below.

|            |                |            |                |
|------------|----------------|------------|----------------|
| Schedule A | Yes ___ No ___ | Schedule E | Yes ___ No ___ |
| Schedule B | Yes ___ No ___ | Schedule F | Yes ___ No ___ |
| Schedule C | Yes ___ No ___ | Schedule G | Yes ___ No ___ |
| Schedule D | Yes ___ No ___ | Schedule H | Yes ___ No ___ |
-



- ☐ An exact copy of your complete articles of organization (creating document). Absence of the proper purpose and dissolution clauses is the number one reason for delays in the issuance of determination letters.
- Location of Purpose Clause from Part III, line 1 (Page, Article and Paragraph Number) \_\_\_\_\_
  - Location of Dissolution Clause from Part III, line 2b or 2c (Page, Article and Paragraph Number) or by operation of state law \_\_\_\_\_
- ☐ Signature of an officer, director, trustee, or other official who is authorized to sign the application.
- Signature at Part XI of Form 1023.
- ☐ Your name on the application must be the same as your legal name as it appears in your articles of organization.

Send completed Form 1023, user fee payment, and all other required information, to:

Internal Revenue Service  
Attention: EO Determination Letters  
Stop 31  
P.O. Box 12192  
Covington, KY 41012-0192

If you are using express mail or a delivery service, send Form 1023, user fee payment, and attachments to:

Internal Revenue Service  
Attention: EO Determination Letters  
Stop 31  
201 West Rivercenter Boulevard  
Covington, KY 41011

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## 1.2 Form 1023-EZ

|                                                                                                  |                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                          |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Form <b>1023-EZ</b><br>(June 2014)<br><br>Department of the Treasury<br>Internal Revenue Service | <b>Streamlined Application for Recognition of Exemption<br/>Under Section 501(c)(3) of the Internal Revenue Code</b><br><br>► Do not enter social security numbers on this form as it may be made public.<br>► Information about Form 1023-EZ and its separate instructions is at <a href="http://www.irs.gov/form1023">www.irs.gov/form1023</a> . | OMB No. 1545-0056<br><br><i>Note: If exempt status is approved, this application will be open for public inspection.</i> |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|

☐ Check this box to attest that you have completed the Form 1023-EZ Eligibility Worksheet in the current instructions, are eligible to apply for exemption using Form 1023-EZ, and have read and understand the requirements to be exempt under section 501(c)(3).

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### Part I Identification of Applicant

**1a** Full Name of Organization

|                                                                                     |               |                |                       |
|-------------------------------------------------------------------------------------|---------------|----------------|-----------------------|
| <b>b</b> Address (number, street, and room/suite). If a P.O. box, see instructions. | <b>c</b> City | <b>d</b> State | <b>e</b> Zip Code + 4 |
|-------------------------------------------------------------------------------------|---------------|----------------|-----------------------|

|                                         |                                   |                                                          |
|-----------------------------------------|-----------------------------------|----------------------------------------------------------|
| <b>2</b> Employer Identification Number | <b>3</b> Month Tax Year Ends (MM) | <b>4</b> Person to Contact if More Information is Needed |
| <b>5</b> Contact Telephone Number       | <b>6</b> Fax Number (optional)    | <b>7</b> User Fee Submitted                              |

**8** List the names, titles, and mailing addresses of your officers, directors, and/or trustees. (If you have more than five, see instructions.)

| First Name: | Last Name: | Title: | Street Address: | City: | State: | Zip Code + 4: |
|-------------|------------|--------|-----------------|-------|--------|---------------|
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |
|             |            |        |                 |       |        |               |

**9 a** Organization's Website (if available):  
**b** Organization's Email (optional):

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### Part II Organizational Structure

- To file this form, you must be a corporation, an unincorporated association, or a trust. **Check the box** for the type of organization.  
☐ Corporation      ☐ Unincorporated association      ☐ Trust
- ☐ **Check this box** to attest that you have the organizing document necessary for the organizational structure indicated above.  
 (See the instructions for an explanation of **necessary organizing documents**.)
- Date incorporated if a corporation, or formed if other than a corporation (MMDDYYYY): \_\_\_\_\_
- State of incorporation or other formation: \_\_\_\_\_
- Section 501(c)(3) requires that your organizing document must limit your purposes to one or more exempt purposes within section 501(c)(3).  
☐ **Check this box** to attest that your organizing document contains this limitation.
- Section 501(c)(3) requires that your organizing document must not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.  
☐ **Check this box** to attest that your organizing document does not expressly empower you to engage, otherwise than as an insubstantial part of your activities, in activities that in themselves are not in furtherance of one or more exempt purposes.
- Section 501(c)(3) requires that your organizing document must provide that upon dissolution, your remaining assets be used exclusively for section 501(c)(3) exempt purposes. Depending on your entity type and the state in which you are formed, this requirement may be satisfied by operation of state law.  
☐ **Check this box** to attest that your organizing document contains the dissolution provision required under section 501(c)(3) or that you do not need an express dissolution provision in your organizing document because you rely on the operation of state law in the state in which you are formed for your dissolution provision.

**Part III** Your Specific Activities

- 1 Enter the appropriate 3-character NTEE Code that best describes your activities (See the instructions): \_\_\_\_\_
- 2 To qualify for exemption as a section 501(c)(3) organization, you must be organized and operated exclusively to further one or more of the following purposes. By checking the box or boxes below, you attest that you are organized and operated exclusively to further the purposes indicated. **Check all that apply.**
- |                                                                                         |                                    |                                                                       |
|-----------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------|
| <input type="checkbox"/> Charitable                                                     | <input type="checkbox"/> Religious | <input type="checkbox"/> Educational                                  |
| <input type="checkbox"/> Scientific                                                     | <input type="checkbox"/> Literary  | <input type="checkbox"/> Testing for public safety                    |
| <input type="checkbox"/> To foster national or international amateur sports competition |                                    | <input type="checkbox"/> Prevention of cruelty to children or animals |
- 3 To qualify for exemption as a section 501(c)(3) organization, you must:
- Refrain from supporting or opposing candidates in political campaigns in any way.
  - Ensure that your net earnings do not inure in whole or in part to the benefit of private shareholders or individuals (that is, board members, officers, key management employees, or other insiders).
  - Not further non-exempt purposes (such as purposes that benefit private interests) more than insubstantially.
  - Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose(s).
  - Not devote more than an insubstantial part of your activities attempting to influence legislation or, if you made a section 501(h) election, not normally make expenditures in excess of expenditure limitations outlined in section 501(h).
  - Not provide commercial-type insurance as a substantial part of your activities.
- ☐ **Check this box** to attest that you have not conducted and will not conduct activities that violate these prohibitions and restrictions.
- 4 Do you or will you attempt to influence legislation? . . . . . ☐ Yes ☐ No  
(If yes, consider filing Form 5768. See the instructions for more details.)
- 5 Do you or will you pay compensation to any of your officers, directors, or trustees? . . . . . ☐ Yes ☐ No  
(Refer to the instructions for a definition of **compensation**.)
- 6 Do you or will you donate funds to or pay expenses for individual(s)? . . . . . ☐ Yes ☐ No
- 7 Do you or will you conduct activities or provide grants or other assistance to individual(s) or organization(s) outside the United States? . . . . . ☐ Yes ☐ No
- 8 Do you or will you engage in financial transactions (for example, loans, payments, rents, etc.) with any of your officers, directors, or trustees, or any entities they own or control? . . . . . ☐ Yes ☐ No
- 9 Do you or will you have unrelated business gross income of \$1,000 or more during a tax year? . . . . . ☐ Yes ☐ No
- 10 Do you or will you operate bingo or other gaming activities? . . . . . ☐ Yes ☐ No
- 11 Do you or will you provide disaster relief? . . . . . ☐ Yes ☐ No

**Part IV** Foundation Classification

**Part IV is designed to classify you as an organization that is either a private foundation or a public charity. Public charity status is a more favorable tax status than private foundation status.**

- 1 If you qualify for public charity status, check the appropriate box (1a – 1c below) and skip to **Part V** below.
- a ☐ **Check this box** to attest that you normally receive at least one-third of your support from public sources or you normally receive at least 10 percent of your support from public sources and you have other characteristics of a publicly supported organization. **Sections 509(a)(1) and 170(b)(1)(A)(vi).**
- b ☐ **Check this box** to attest that you normally receive more than one-third of your support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to your exempt functions and normally receive not more than one-third of your support from investment income and unrelated business taxable income. **Section 509(a)(2).**
- c ☐ **Check this box** to attest that you are operated for the benefit of a college or university that is owned or operated by a governmental unit. **Sections 509(a)(1) and 170(b)(1)(A)(iv).**
- 2 If you are not described in items 1a – 1c above, you are a private foundation. As a private foundation, you are required by section 508(e) to have specific provisions in your organizing document, unless you rely on the operation of state law in the state in which you were formed to meet these requirements. These specific provisions require that you operate to avoid liability for private foundation excise taxes under sections 4941-4945.
- ☐ **Check this box** to attest that your organizing document contains the provisions required by section 508(e) or that your organizing document does not need to include the provisions required by section 508(e) because you rely on the operation of state law in your particular state to meet the requirements of section 508(e). (See the instructions for explanation of the section 508(e) requirements.)



**Part V** Reinstatement After Automatic Revocation

Complete this section only if you are applying for reinstatement of exemption after being automatically revoked for failure to file required annual returns or notices for three consecutive years, and you are applying for reinstatement under section 4 or 7 of Revenue Procedure 2014-11. (Check only one box.)

- 1 ☐ Check this box if you are seeking retroactive reinstatement under section 4 of Revenue Procedure 2014-11. By checking this box, you attest that you meet the specified requirements of section 4, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future. (See the instructions for requirements.)
- 2 ☐ Check this box if you are seeking reinstatement under section 7 of Revenue Procedure 2014-11, effective the date you are filing this application.

**Part VI** Signature

- ☐ I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, and to the best of my knowledge it is true, correct, and complete.

PLEASE  
SIGN  
HERE

(Type name of signer)

(Type title or authority of signer)

(Signature of Officer, Director, Trustee, or other authorized official)

(Date)

### 1.3 Form 1023 Supplementary Schedules

| 情報項目                                                                                                                                                                                                            | 頁 | 1023 | EZ |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|------|----|
| Schedule A. Churches                                                                                                                                                                                            | 1 | ○    | ○  |
| Schedule B. Schools, Colleges, and Universities                                                                                                                                                                 | 2 | ○    | ○  |
| Schedule C. Hospitals and Medical Research Organizations                                                                                                                                                        | 2 | ○    | ○  |
| Schedule D. Section 509(a)(3) Supporting Organizations                                                                                                                                                          | 2 | ○    | —  |
| Schedule E. Organizations Not Filing Form 1023 Within 27 Months of Formation                                                                                                                                    | 1 | ○    | ○  |
| Schedule F. Homes for the Elderly or Handicapped and Low-Income Housing                                                                                                                                         | 2 | ○    | —  |
| Schedule G. Successors to Other Organizations                                                                                                                                                                   | 1 | ○    | ○  |
| Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures | 2 | ○    | —  |
| Form 1023 Checklist                                                                                                                                                                                             | 2 | ○    | —  |
| Number of Related Schedules                                                                                                                                                                                     | — | 9    | 5  |
| Total Page Count of Form 1023                                                                                                                                                                                   | — | 12P  | 4P |

## 2. Content of Periodic Filing Documents by Category

### 2.1 Form 990

|                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                         |                                                                                                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Form 990</b>                                                                                                                                                                                                                                                                                                       | <b>Return of Organization Exempt From Income Tax</b>                                                                                                                                                                    | OMB No. 1545-0047                                                                                                                                |
| Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)                                                                                                                                                                                                                    |                                                                                                                                                                                                                         | 2025                                                                                                                                             |
| Do not enter social security numbers on this form as it may be made public.<br>Go to <a href="http://www.irs.gov/Form990">www.irs.gov/Form990</a> for instructions and the latest information.                                                                                                                        |                                                                                                                                                                                                                         | Open to Public Inspection                                                                                                                        |
| Department of the Treasury<br>Internal Revenue Service                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                         |                                                                                                                                                  |
| <b>A</b> For the 2025 calendar year, or tax year beginning _____, 2025, and ending _____, 20                                                                                                                                                                                                                          |                                                                                                                                                                                                                         |                                                                                                                                                  |
| <b>B</b> Check if applicable:<br><input type="checkbox"/> Address change<br><input type="checkbox"/> Name change<br><input type="checkbox"/> Initial return<br><input type="checkbox"/> Final return/terminated<br><input type="checkbox"/> Amended return<br><input type="checkbox"/> Application pending            | <b>C</b> Name of organization<br>Doing business as<br>Number and street (or P.O. box if mail is not delivered to street address) Room/suite<br>City or town, state or province, country, and ZIP or foreign postal code | <b>D</b> Employer identification number                                                                                                          |
|                                                                                                                                                                                                                                                                                                                       | <b>F</b> Name and address of principal officer:                                                                                                                                                                         | <b>H(a)</b> Is this a group return for subordinates? <input type="checkbox"/> Yes <input type="checkbox"/> No                                    |
|                                                                                                                                                                                                                                                                                                                       | <b>I</b> Tax-exempt status: <input type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527                                     | <b>H(b)</b> Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No<br>If "No," attach a list. See instructions. |
|                                                                                                                                                                                                                                                                                                                       | <b>J</b> Website:                                                                                                                                                                                                       | <b>H(c)</b> Group exemption number                                                                                                               |
|                                                                                                                                                                                                                                                                                                                       | <b>K</b> Form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other                                                  | <b>L</b> Year of formation: _____                                                                                                                |
|                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                         | <b>M</b> State of legal domicile: _____                                                                                                          |
| <b>Part I Summary</b>                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                         |                                                                                                                                                  |
| Activities & Governance                                                                                                                                                                                                                                                                                               | <b>1</b> Briefly describe the organization's mission or most significant activities:<br>_____<br>_____<br>_____                                                                                                         |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.                                                                        |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>3</b> Number of voting members of the governing body (Part VI, line 1a) . . . . .                                                                                                                                    | <b>3</b>                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                       | <b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) . . . . .                                                                                                                        | <b>4</b>                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                       | <b>5</b> Total number of individuals employed in calendar year 2025 (Part V, line 2a) . . . . .                                                                                                                         | <b>5</b>                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                       | <b>6</b> Total number of volunteers (estimate if necessary) . . . . .                                                                                                                                                   | <b>6</b>                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                       | <b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 . . . . .                                                                                                                                | <b>7a</b>                                                                                                                                        |
|                                                                                                                                                                                                                                                                                                                       | <b>7b</b> Net unrelated business taxable income from Form 990-T, Part I, line 11 . . . . .                                                                                                                              | <b>7b</b>                                                                                                                                        |
| Revenue                                                                                                                                                                                                                                                                                                               | <b>8</b> Contributions and grants (Part VIII, line 1h) . . . . .                                                                                                                                                        | Prior Year                                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                       | <b>9</b> Program service revenue (Part VIII, line 2g) . . . . .                                                                                                                                                         | Current Year                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                       | <b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) . . . . .                                                                                                                                       |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) . . . . .                                                                                                                            |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>12</b> Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)                                                                                                                              |                                                                                                                                                  |
| Expenses                                                                                                                                                                                                                                                                                                              | <b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1–3) . . . . .                                                                                                                                    |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) . . . . .                                                                                                                                       |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)                                                                                                                             |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) . . . . .                                                                                                                                      |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>b</b> Total fundraising expenses (Part IX, column (D), line 25)                                                                                                                                                      |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>17</b> Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e) . . . . .                                                                                                                                        |                                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                       | <b>18</b> Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25) . . . . .                                                                                                                           |                                                                                                                                                  |
| <b>19</b> Revenue less expenses. Subtract line 18 from line 12 . . . . .                                                                                                                                                                                                                                              |                                                                                                                                                                                                                         |                                                                                                                                                  |
| Net Assets or Fund Balances                                                                                                                                                                                                                                                                                           | <b>20</b> Total assets (Part X, line 16) . . . . .                                                                                                                                                                      | Beginning of Current Year                                                                                                                        |
|                                                                                                                                                                                                                                                                                                                       | <b>21</b> Total liabilities (Part X, line 26) . . . . .                                                                                                                                                                 | End of Year                                                                                                                                      |
|                                                                                                                                                                                                                                                                                                                       | <b>22</b> Net assets or fund balances. Subtract line 21 from line 20 . . . . .                                                                                                                                          |                                                                                                                                                  |
| <b>Part II Signature Block</b>                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                         |                                                                                                                                                  |
| Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. |                                                                                                                                                                                                                         |                                                                                                                                                  |
| Sign Here                                                                                                                                                                                                                                                                                                             | Signature of officer _____                                                                                                                                                                                              | Date _____                                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                       | Type or print name and title _____                                                                                                                                                                                      |                                                                                                                                                  |
| Paid Preparer Use Only                                                                                                                                                                                                                                                                                                | Preparer's name _____                                                                                                                                                                                                   | Preparer's signature _____                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                       | Firm's name _____                                                                                                                                                                                                       | Date _____                                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                       | Firm's address _____                                                                                                                                                                                                    | Check <input type="checkbox"/> if self-employed PTIN _____                                                                                       |
|                                                                                                                                                                                                                                                                                                                       | Phone no. _____                                                                                                                                                                                                         | Firm's EIN _____                                                                                                                                 |
| May the IRS discuss this return with the preparer shown above? See instructions . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                    |                                                                                                                                                                                                                         |                                                                                                                                                  |
| For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form 990 (2025) Created 4/30/25                                                                                                                                                                                                    |                                                                                                                                                                                                                         |                                                                                                                                                  |

**Part III** Statement of Program Service Accomplishments

Form 990 (2025)

Page **3** ☐**Part IV** Checklist of Required Schedules

|                                                                                                                                                                                                                                                                                                                              | Yes        | No            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------|
| <b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A . . . . .                                                                                                                                                                         | <b>1</b>   |               |
| <b>2</b> Is the organization required to complete Schedule B, Schedule of Contributors? See instructions . . . . .                                                                                                                                                                                                           | <b>2</b>   |               |
| <b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I . . . . .                                                                                                                      | <b>3</b>   | No            |
| <b>4</b> <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II . . . . .                                                                                                       | <b>4</b>   |               |
| <b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19? If "Yes," complete Schedule C, Part III . . . . .                                                                                      | <b>5</b>   | No            |
| <b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I . . . . .                                                    | <b>6</b>   | d by<br>ners, |
| <b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II . . . . .                                                                                            | <b>7</b>   |               |
| <b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III . . . . .                                                                                                                                                         | <b>8</b>   |               |
| <b>9</b> Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV . . . . .            | <b>9</b>   |               |
| <b>10</b> Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi-endowments? If "Yes," complete Schedule D, Part V . . . . .                                                                                                                               | <b>10</b>  |               |
| <b>11</b> If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X, as applicable.                                                                                                                                                                   |            |               |
| <b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI . . . . .                                                                                                                                                                       | <b>11a</b> |               |
| <b>b</b> Did the organization report an amount for investments—other securities in Part X, line 12, that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII . . . . .                                                                                                    | <b>11b</b> |               |
| <b>c</b> Did the organization report an amount for investments—program related in Part X, line 13, that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII . . . . .                                                                                                    | <b>11c</b> |               |
| <b>d</b> Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX . . . . .                                                                                                                     | <b>11d</b> |               |
| <b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X . . . . .                                                                                                                                                                                     | <b>11e</b> |               |
| <b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X . . . . .                                                            | <b>11f</b> |               |
| <b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII . . . . .                                                                                                                                                        | <b>12a</b> |               |
| <b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional . . . . .                                                                           | <b>12b</b> |               |
| <b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E . . . . .                                                                                                                                                                                                        | <b>13</b>  |               |
| <b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States? . . . . .                                                                                                                                                                                                             | <b>14a</b> |               |
| <b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV . . . . . | <b>14b</b> |               |
| <b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV . . . . .                                                                                                           | <b>15</b>  |               |
| <b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV . . . . .                                                                                                     | <b>16</b>  |               |
| <b>17</b> Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I. See instructions . . . . .                                                                                             | <b>17</b>  |               |
| <b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II . . . . .                                                                                                                           | <b>18</b>  |               |
| <b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III . . . . .                                                                                                                                                     | <b>19</b>  |               |
| <b>20a</b> Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H . . . . .                                                                                                                                                                                                             | <b>20a</b> |               |
| <b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? . . . . .                                                                                                                                                                                              | <b>20b</b> |               |
| <b>21</b> Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II . . . . .                                                                                            | <b>21</b>  | (2025)        |

Form **990** (2025)



**Part IV Checklist of Required Schedules** (continued)

|                                                                                                                                                                                                                                                                                                                                                                                                      | Yes        | No |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----|
| <b>22</b> Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III . . . . .                                                                                                                                                                                        | <b>22</b>  |    |
| <b>23</b> Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J . . . . .                                                                                                                            | <b>23</b>  |    |
| <b>24a</b> Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a . . . . .                                                                                                  | <b>24a</b> |    |
| <b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .                                                                                                                                                                                                                                                                                 | <b>24b</b> |    |
| <b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .                                                                                                                                                                                                                                        | <b>24c</b> |    |
| <b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .                                                                                                                                                                                                                                                                           | <b>24d</b> |    |
| <b>25a</b> <b>Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I . . . . .                                                                                                                                                               | <b>25a</b> |    |
| <b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I . . . . .                                                                                                               | <b>25b</b> |    |
| <b>26</b> Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part II . . . . .                                                       | <b>26</b>  |    |
| <b>27</b> Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? If "Yes," complete Schedule L, Part III . . . . . | <b>27</b>  |    |
| <b>28</b> Was the organization a party to a business transaction with one of the following parties? (See the Schedule L, Part IV, instructions for applicable filing thresholds, conditions, and exceptions).                                                                                                                                                                                        |            |    |
| <b>a</b> A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? If "Yes," complete Schedule L, Part IV . . . . .                                                                                                                                                                                                                              | <b>28a</b> |    |
| <b>b</b> A family member of any individual described in line 28a? If "Yes," complete Schedule L, Part IV . . . . .                                                                                                                                                                                                                                                                                   | <b>28b</b> |    |
| <b>c</b> A 35% controlled entity of one or more individuals and/or organizations described in line 28a or 28b? If "Yes," complete Schedule L, Part IV . . . . .                                                                                                                                                                                                                                      | <b>28c</b> |    |
| <b>29</b> Did the organization receive more than \$25,000 in noncash contributions? If "Yes," complete Schedule M . . . . .                                                                                                                                                                                                                                                                          | <b>29</b>  |    |
| <b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M . . . . .                                                                                                                                                                                                         | <b>30</b>  |    |
| <b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I . . . . .                                                                                                                                                                                                                                                               | <b>31</b>  |    |
| <b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II . . . . .                                                                                                                                                                                                                                             | <b>32</b>  |    |
| <b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I . . . . .                                                                                                                                                                                             | <b>33</b>  |    |
| <b>34</b> Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1 . . . . .                                                                                                                                                                                                                                         | <b>34</b>  |    |
| <b>35a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)? . . . . .                                                                                                                                                                                                                                                                                         | <b>35a</b> |    |
| <b>b</b> If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2 . . . . .                                                                                                                                                                 | <b>35b</b> |    |
| <b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2 . . . . .                                                                                                                                                                                                  | <b>36</b>  |    |
| <b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI . . . . .                                                                                                                                                    | <b>37</b>  |    |
| <b>38</b> Did the organization complete Schedule O and provide explanations on Schedule O for Part VI, lines 11b and 19? <b>Note:</b> All Form 990 filers are required to complete Schedule O . . . . .                                                                                                                                                                                              | <b>38</b>  |    |

**Part V Statements Regarding Other IRS Filings and Tax Compliance**Check if Schedule O contains a response or note to any line in this Part V . . . . . ☐

|                                                                                                                                                                             | Yes       | No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----|
| <b>1a</b> Enter the number reported in box 3 of Form 1096. Enter -0- if not applicable . . . . .                                                                            | <b>1a</b> |    |
| <b>b</b> Enter the number of Forms W-2G included on line 1a. Enter -0- if not applicable . . . . .                                                                          | <b>1b</b> |    |
| <b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . . | <b>1c</b> |    |

| Part V Statements Regarding Other IRS Filings and Tax Compliance (continued) |                                                                                                                                                                                                                                                | Yes | No |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>2a</b>                                                                    | Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return                                                                  | 2a  |    |
| <b>b</b>                                                                     | If at least one is reported on line 2a, did the organization file all required federal employment tax returns?                                                                                                                                 | 2b  |    |
| <b>3a</b>                                                                    | Did the organization have unrelated business gross income of \$1,000 or more during the year?                                                                                                                                                  | 3a  |    |
| <b>b</b>                                                                     | If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation on Schedule O                                                                                                                                    | 3b  |    |
| <b>4a</b>                                                                    | At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?     | 4a  |    |
| <b>b</b>                                                                     | If "Yes," enter the name of the foreign country<br>See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).                                                                         |     |    |
| <b>5a</b>                                                                    | Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?                                                                                                                                          | 5a  |    |
| <b>b</b>                                                                     | Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?                                                                                                                               | 5b  |    |
| <b>c</b>                                                                     | If "Yes" to line 5a or 5b, did the organization file Form 8886-T?                                                                                                                                                                              | 5c  |    |
| <b>6a</b>                                                                    | Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?                                        | 6a  |    |
| <b>b</b>                                                                     | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?                                                                                                  | 6b  |    |
| <b>7</b>                                                                     | <b>Organizations that may receive deductible contributions under section 170(c).</b>                                                                                                                                                           |     |    |
| <b>a</b>                                                                     | Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?                                                                                                | 7a  |    |
| <b>b</b>                                                                     | If "Yes," did the organization notify the donor of the value of the goods or services provided?                                                                                                                                                | 7b  |    |
| <b>c</b>                                                                     | Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?                                                                                                           | 7c  |    |
| <b>d</b>                                                                     | If "Yes," indicate the number of Forms 8282 filed during the year                                                                                                                                                                              | 7d  |    |
| <b>e</b>                                                                     | Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?                                                                                                                                | 7e  |    |
| <b>f</b>                                                                     | Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?                                                                                                                                   | 7f  |    |
| <b>g</b>                                                                     | If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?                                                                                                               | 7g  |    |
| <b>h</b>                                                                     | If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?                                                                                                             | 7h  |    |
| <b>8</b>                                                                     | <b>Sponsoring organizations maintaining donor advised funds.</b> Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?                                                 | 8   |    |
| <b>9</b>                                                                     | <b>Sponsoring organizations maintaining donor advised funds.</b>                                                                                                                                                                               |     |    |
| <b>a</b>                                                                     | Did the sponsoring organization make any taxable distributions under section 4966?                                                                                                                                                             | 9a  |    |
| <b>b</b>                                                                     | Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?                                                                                                                                              | 9b  |    |
| <b>10</b>                                                                    | <b>Section 501(c)(7) organizations.</b> Enter:                                                                                                                                                                                                 |     |    |
| <b>a</b>                                                                     | Initiation fees and capital contributions included on Part VIII, line 12                                                                                                                                                                       | 10a |    |
| <b>b</b>                                                                     | Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities                                                                                                                                                    | 10b |    |
| <b>11</b>                                                                    | <b>Section 501(c)(12) organizations.</b> Enter:                                                                                                                                                                                                |     |    |
| <b>a</b>                                                                     | Gross income from members or shareholders                                                                                                                                                                                                      | 11a |    |
| <b>b</b>                                                                     | Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)                                                                                                                  | 11b |    |
| <b>12a</b>                                                                   | <b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?                                                                                                                              | 12a |    |
| <b>b</b>                                                                     | If "Yes," enter the amount of tax-exempt interest received or accrued during the year                                                                                                                                                          | 12b |    |
| <b>13</b>                                                                    | <b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>                                                                                                                                                                        |     |    |
| <b>a</b>                                                                     | Is the organization licensed to issue qualified health plans in more than one state?<br><b>Note:</b> See the instructions for additional information the organization must report on Schedule O.                                               | 13a |    |
| <b>b</b>                                                                     | Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans                                                                                      | 13b |    |
| <b>c</b>                                                                     | Enter the amount of reserves on hand                                                                                                                                                                                                           | 13c |    |
| <b>14a</b>                                                                   | Did the organization receive any payments for indoor tanning services during the tax year?                                                                                                                                                     | 14a |    |
| <b>b</b>                                                                     | If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation on Schedule O                                                                                                                                      | 14b |    |
| <b>15</b>                                                                    | Is the organization subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year?<br>If "Yes," see the instructions and file Form 4720, Schedule N.                   | 15  |    |
| <b>16</b>                                                                    | Is the organization an educational institution subject to the section 4968 excise tax on net investment income?<br>If "Yes," complete Form 4720, Schedule O.                                                                                   | 16  |    |
| <b>17</b>                                                                    | <b>Section 501(c)(21) organizations.</b> Did the trust, or any disqualified or other person, engage in any activities that would result in the imposition of an excise tax under section 4951, 4952, or 4953?<br>If "Yes," complete Form 6069. | 17  |    |



**Part VI Governance, Management, and Disclosure.** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI ☐

**Section A. Governing Body and Management**

|                                                                                                                                                                                                                                      | 1a | 1b | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----|-----|----|
| <b>1a</b> Enter the number of voting members of the governing body at the end of the tax year . . . . .                                                                                                                              |    |    |     |    |
| If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.                    |    |    |     |    |
| <b>b</b> Enter the number of voting members included on line 1a, above, who are independent . . . . .                                                                                                                                |    |    |     |    |
| <b>2</b> Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? . . . . .                                             |    |    |     |    |
| <b>3</b> Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person? . . . . . |    |    |     |    |
| <b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? . . . . .                                                                                                  |    |    |     |    |
| <b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets? . . . . .                                                                                                        |    |    |     |    |
| <b>6</b> Did the organization have members or stockholders? . . . . .                                                                                                                                                                |    |    |     |    |
| <b>7a</b> Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? . . . . .                                                               |    |    |     |    |
| <b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? . . . . .                                                         |    |    |     |    |
| <b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:                                                                                           |    |    |     |    |
| <b>a</b> The governing body? . . . . .                                                                                                                                                                                               |    |    |     |    |
| <b>b</b> Each committee with authority to act on behalf of the governing body? . . . . .                                                                                                                                             |    |    |     |    |
| <b>9</b> Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O . . . . .      |    |    |     |    |

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)

|                                                                                                                                                                                                                                                                                                                 | Yes | No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>10a</b> Did the organization have local chapters, branches, or affiliates? . . . . .                                                                                                                                                                                                                         |     |    |
| <b>b</b> If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . . . . .                                                                   |     |    |
| <b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? . . . . .                                                                                                                                                                |     |    |
| <b>b</b> Describe on Schedule O the process, if any, used by the organization to review this Form 990. . . . .                                                                                                                                                                                                  |     |    |
| <b>12a</b> Did the organization have a written conflict of interest policy? If "No," go to line 13 . . . . .                                                                                                                                                                                                    |     |    |
| <b>b</b> Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? . . . . .                                                                                                                                                          |     |    |
| <b>c</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe on Schedule O how this was done . . . . .                                                                                                                                           |     |    |
| <b>13</b> Did the organization have a written whistleblower policy? . . . . .                                                                                                                                                                                                                                   |     |    |
| <b>14</b> Did the organization have a written document retention and destruction policy? . . . . .                                                                                                                                                                                                              |     |    |
| <b>15</b> Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?                                                                                  |     |    |
| <b>a</b> The organization's CEO, Executive Director, or top management official . . . . .                                                                                                                                                                                                                       |     |    |
| <b>b</b> Other officers or key employees of the organization . . . . .                                                                                                                                                                                                                                          |     |    |
| If "Yes" to line 15a or 15b, describe the process on Schedule O. See instructions.                                                                                                                                                                                                                              |     |    |
| <b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? . . . . .                                                                                                                                      |     |    |
| <b>b</b> If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? . . . . . |     |    |

**Section C. Disclosure**

**17** List the states with which a copy of this Form 990 is required to be filed \_\_\_\_\_

**18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
☐ Own website ☐ Another's website ☐ Upon request ☐ Other (explain on Schedule O)

**19** Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

**20** State the name, address, and telephone number of the person who possesses the organization's books and records.

**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

 Check if Schedule O contains a response or note to any line in this Part VII ☐
**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**
**1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See the instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (box 5 of Form W-2, box 6 of Form 1099-MISC, and/or box 1 of Form 1099-NEC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

See the instructions for the order in which to list the persons above.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

| (A)<br>Name and title | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position<br>(do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W-2/ 1099-MISC/ 1099-NEC) | (E)<br>Reportable compensation from related organizations (W-2/ 1099-MISC/ 1099-NEC) | (F)<br>Estimated amount of other compensation from the organization and related organizations |
|-----------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------|---------|--------------|------------------------------|--------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|                       |                                                                                            | Individual trustee or director                                                                               | Institutional trustee | Officer | Key employee | Highest compensated employee | Former |                                                                                 |                                                                                      |                                                                                               |
| (1)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (2)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (3)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (4)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (5)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (6)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (7)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (8)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (9)                   |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (10)                  |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (11)                  |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (12)                  |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (13)                  |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |
| (14)                  |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                                 |                                                                                      |                                                                                               |



**Part VII** Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

| (A)<br>Name and title                                          | (B)<br>Average hours per week (list any hours for related organizations below dotted line) | (C)<br>Position<br>(do not check more than one box, unless person is both an officer and a director/trustee) |                       |         |              |                              |        | (D)<br>Reportable compensation from the organization (W-2/1099-MISC/1099-NEC) | (E)<br>Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC) | (F)<br>Estimated amount of other compensation from the organization and related organizations |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------|---------|--------------|------------------------------|--------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
|                                                                |                                                                                            | Individual trustee or director                                                                               | Institutional trustee | Officer | Key employee | Highest compensated employee | Former |                                                                               |                                                                                    |                                                                                               |
| (15)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (16)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (17)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (18)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (19)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (20)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (21)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (22)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (23)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (24)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| (25)                                                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| <b>1b Subtotal</b>                                             |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| <b>c Total from continuation sheets to Part VII, Section A</b> |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |
| <b>d Total (add lines 1b and 1c)</b>                           |                                                                                            |                                                                                                              |                       |         |              |                              |        |                                                                               |                                                                                    |                                                                                               |

**2** Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization

|                                                                                                                                                                                                                                              | Yes | No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>3</b> Did the organization list any <b>former</b> officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>                                          |     |    |
| <b>4</b> For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> |     |    |
| <b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>                       |     |    |

**Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

| (A)<br>Name and business address                                                                                                                                          | (B)<br>Description of services | (C)<br>Compensation |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------|
|                                                                                                                                                                           |                                |                     |
|                                                                                                                                                                           |                                |                     |
|                                                                                                                                                                           |                                |                     |
|                                                                                                                                                                           |                                |                     |
|                                                                                                                                                                           |                                |                     |
| <b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization |                                |                     |

**Part VIII** Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII . . . . . ☐

|                                                                    |                                                                    |                                                                                                                                             |           | (A)<br>Total revenue | (B)<br>Related or exempt<br>function revenue | (C)<br>Unrelated<br>business revenue | (D)<br>Revenue excluded<br>from tax under<br>sections 512-514 |
|--------------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------|----------------------------------------------|--------------------------------------|---------------------------------------------------------------|
| <b>Contributions, Gifts, Grants,<br/>and Other Similar Amounts</b> | <b>1a</b>                                                          | Federated campaigns . . . . .                                                                                                               | <b>1a</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>b</b>                                                           | Membership dues . . . . .                                                                                                                   | <b>1b</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           | Fundraising events . . . . .                                                                                                                | <b>1c</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>d</b>                                                           | Related organizations . . . . .                                                                                                             | <b>1d</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>e</b>                                                           | Government grants (contributions)                                                                                                           | <b>1e</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>f</b>                                                           | All other contributions, gifts, grants,<br>and similar amounts not included above                                                           | <b>1f</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>g</b>                                                           | Noncash contributions included in<br>lines 1a-1f . . . . .                                                                                  | <b>1g</b> | \$                   |                                              |                                      |                                                               |
|                                                                    | <b>h</b>                                                           | <b>Total.</b> Add lines 1a-1f . . . . .                                                                                                     |           |                      |                                              |                                      |                                                               |
| <b>Program Service<br/>Revenue</b>                                 | <b>2a</b> Business Code                                            |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>b</b>                                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>d</b>                                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>e</b>                                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>f</b>                                                           | All other program service revenue . .                                                                                                       |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>g</b>                                                           | <b>Total.</b> Add lines 2a-2f . . . . .                                                                                                     |           |                      |                                              |                                      |                                                               |
| <b>Other Revenue</b>                                               | <b>3</b>                                                           | Investment income (including dividends, interest, and<br>other similar amounts) . . . . .                                                   |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>4</b>                                                           | Income from investment of tax-exempt bond proceeds                                                                                          |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>5</b>                                                           | Royalties . . . . .                                                                                                                         |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>6a</b>                                                          | Gross rents . . . . .                                                                                                                       | <b>6a</b> | (i) Real             | (ii) Personal                                |                                      |                                                               |
|                                                                    | <b>b</b>                                                           | Less: rental expenses                                                                                                                       | <b>6b</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           | Rental income or (loss)                                                                                                                     | <b>6c</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>d</b>                                                           | Net rental income or (loss) . . . . .                                                                                                       |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>7a</b>                                                          | Gross amount from<br>sales of assets<br>other than inventory                                                                                | <b>7a</b> | (i) Securities       | (ii) Other                                   |                                      |                                                               |
|                                                                    | <b>b</b>                                                           | Less: cost or other basis<br>and sales expenses . . . . .                                                                                   | <b>7b</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           | Gain or (loss) . . . . .                                                                                                                    | <b>7c</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>d</b>                                                           | Net gain or (loss) . . . . .                                                                                                                |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>8a</b>                                                          | Gross income from fundraising<br>events (not including \$ _____<br>of contributions reported on line<br>1c). See Part IV, line 18 . . . . . | <b>8a</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>b</b>                                                           | Less: direct expenses . . . . .                                                                                                             | <b>8b</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           | Net income or (loss) from fundraising events . . . . .                                                                                      |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>9a</b>                                                          | Gross income from gaming<br>activities. See Part IV, line 19 . . . . .                                                                      | <b>9a</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>b</b>                                                           | Less: direct expenses . . . . .                                                                                                             | <b>9b</b> |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           | Net income or (loss) from gaming activities . . . . .                                                                                       |           |                      |                                              |                                      |                                                               |
| <b>10a</b>                                                         | Gross sales of inventory, less<br>returns and allowances . . . . . | <b>10a</b>                                                                                                                                  |           |                      |                                              |                                      |                                                               |
| <b>b</b>                                                           | Less: cost of goods sold . . . . .                                 | <b>10b</b>                                                                                                                                  |           |                      |                                              |                                      |                                                               |
| <b>c</b>                                                           | Net income or (loss) from sales of inventory . . . . .             |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
| <b>Miscellaneous<br/>Revenue</b>                                   | <b>11a</b> Business Code                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>b</b>                                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>c</b>                                                           |                                                                                                                                             |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>d</b>                                                           | All other revenue . . . . .                                                                                                                 |           |                      |                                              |                                      |                                                               |
|                                                                    | <b>e</b>                                                           | <b>Total.</b> Add lines 11a-11d . . . . .                                                                                                   |           |                      |                                              |                                      |                                                               |
| <b>12</b>                                                          | <b>Total revenue.</b> See instructions . . . . .                   |                                                                                                                                             |           |                      |                                              |                                      |                                                               |

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

|                                                                                                                                                                                                                                                                   | (A)<br>Total expenses | (B)<br>Program service expenses | (C)<br>Management and general expenses | (D)<br>Fundraising expenses |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|----------------------------------------|-----------------------------|
| <b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 . . . . .                                                                                                                                           |                       |                                 |                                        |                             |
| <b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22 . . . . .                                                                                                                                                                      |                       |                                 |                                        |                             |
| <b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16 . . . . .                                                                                                               |                       |                                 |                                        |                             |
| <b>4</b> Benefits paid to or for members . . . . .                                                                                                                                                                                                                |                       |                                 |                                        |                             |
| <b>5</b> Compensation of current officers, directors, trustees, and key employees . . . . .                                                                                                                                                                       |                       |                                 |                                        |                             |
| <b>6</b> Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .                                                                                                   |                       |                                 |                                        |                             |
| <b>7</b> Other salaries and wages . . . . .                                                                                                                                                                                                                       |                       |                                 |                                        |                             |
| <b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . .                                                                                                                                             |                       |                                 |                                        |                             |
| <b>9</b> Other employee benefits . . . . .                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| <b>10</b> Payroll taxes . . . . .                                                                                                                                                                                                                                 |                       |                                 |                                        |                             |
| <b>11</b> Fees for services (nonemployees):                                                                                                                                                                                                                       |                       |                                 |                                        |                             |
| <b>a</b> Management . . . . .                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>b</b> Legal . . . . .                                                                                                                                                                                                                                          |                       |                                 |                                        |                             |
| <b>c</b> Accounting . . . . .                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>d</b> Lobbying . . . . .                                                                                                                                                                                                                                       |                       |                                 |                                        |                             |
| <b>e</b> Professional fundraising services. See Part IV, line 17 . . . . .                                                                                                                                                                                        |                       |                                 |                                        |                             |
| <b>f</b> Investment management fees . . . . .                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A), amount, list line 11g expenses on Schedule O.) . . . . .                                                                                                                                  |                       |                                 |                                        |                             |
| <b>12</b> Advertising and promotion . . . . .                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>13</b> Office expenses . . . . .                                                                                                                                                                                                                               |                       |                                 |                                        |                             |
| <b>14</b> Information technology . . . . .                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| <b>15</b> Royalties . . . . .                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>16</b> Occupancy . . . . .                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>17</b> Travel . . . . .                                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| <b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .                                                                                                                                                |                       |                                 |                                        |                             |
| <b>19</b> Conferences, conventions, and meetings . . . . .                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| <b>20</b> Interest . . . . .                                                                                                                                                                                                                                      |                       |                                 |                                        |                             |
| <b>21</b> Payments to affiliates . . . . .                                                                                                                                                                                                                        |                       |                                 |                                        |                             |
| <b>22</b> Depreciation, depletion, and amortization . . . . .                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>23</b> Insurance . . . . .                                                                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>24</b> Other expenses. Itemize expenses not covered above. (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A), amount, list line 24e expenses on Schedule O.) . . . . .                                           |                       |                                 |                                        |                             |
| <b>a</b> _____                                                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| <b>b</b> _____                                                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| <b>c</b> _____                                                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| <b>d</b> _____                                                                                                                                                                                                                                                    |                       |                                 |                                        |                             |
| <b>e</b> All other expenses _____                                                                                                                                                                                                                                 |                       |                                 |                                        |                             |
| <b>25</b> <b>Total functional expenses.</b> Add lines 1 through 24e . . . . .                                                                                                                                                                                     |                       |                                 |                                        |                             |
| <b>26</b> <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) . . . . . |                       |                                 |                                        |                             |

**Part X Balance Sheet**Check if Schedule O contains a response or note to any line in this Part X ☐

|                                                                                      |                                                                                                                                                                                                                                    | (A)<br>Beginning of year | (B)<br>End of year |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|
| <b>Assets</b>                                                                        | <b>1</b> Cash—non-interest-bearing . . . . .                                                                                                                                                                                       | <b>1</b>                 |                    |
|                                                                                      | <b>2</b> Savings and temporary cash investments . . . . .                                                                                                                                                                          | <b>2</b>                 |                    |
|                                                                                      | <b>3</b> Pledges and grants receivable, net . . . . .                                                                                                                                                                              | <b>3</b>                 |                    |
|                                                                                      | <b>4</b> Accounts receivable, net . . . . .                                                                                                                                                                                        | <b>4</b>                 |                    |
|                                                                                      | <b>5</b> Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons . . . . . | <b>5</b>                 |                    |
|                                                                                      | <b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B) . . . . .                                                               | <b>6</b>                 |                    |
|                                                                                      | <b>7</b> Notes and loans receivable, net . . . . .                                                                                                                                                                                 | <b>7</b>                 |                    |
|                                                                                      | <b>8</b> Inventories for sale or use . . . . .                                                                                                                                                                                     | <b>8</b>                 |                    |
|                                                                                      | <b>9</b> Prepaid expenses and deferred charges . . . . .                                                                                                                                                                           | <b>9</b>                 |                    |
|                                                                                      | <b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .                                                                                                                           | <b>10a</b>               |                    |
|                                                                                      | <b>b</b> Less: accumulated depreciation . . . . .                                                                                                                                                                                  | <b>10b</b>               | <b>10c</b>         |
|                                                                                      | <b>11</b> Investments—publicly traded securities . . . . .                                                                                                                                                                         | <b>11</b>                |                    |
|                                                                                      | <b>12</b> Investments—other securities. See Part IV, line 11 . . . . .                                                                                                                                                             | <b>12</b>                |                    |
|                                                                                      | <b>13</b> Investments—program-related. See Part IV, line 11 . . . . .                                                                                                                                                              | <b>13</b>                |                    |
|                                                                                      | <b>14</b> Intangible assets . . . . .                                                                                                                                                                                              | <b>14</b>                |                    |
|                                                                                      | <b>15</b> Other assets. See Part IV, line 11 . . . . .                                                                                                                                                                             | <b>15</b>                |                    |
| <b>16</b> <b>Total assets.</b> Add lines 1 through 15 (must equal line 33) . . . . . | <b>16</b>                                                                                                                                                                                                                          |                          |                    |
| <b>Liabilities</b>                                                                   | <b>17</b> Accounts payable and accrued expenses . . . . .                                                                                                                                                                          | <b>17</b>                |                    |
|                                                                                      | <b>18</b> Grants payable . . . . .                                                                                                                                                                                                 | <b>18</b>                |                    |
|                                                                                      | <b>19</b> Deferred revenue . . . . .                                                                                                                                                                                               | <b>19</b>                |                    |
|                                                                                      | <b>20</b> Tax-exempt bond liabilities . . . . .                                                                                                                                                                                    | <b>20</b>                |                    |
|                                                                                      | <b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .                                                                                                                                          | <b>21</b>                |                    |
|                                                                                      | <b>22</b> Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons . . . . .     | <b>22</b>                |                    |
|                                                                                      | <b>23</b> Secured mortgages and notes payable to unrelated third parties . . . . .                                                                                                                                                 | <b>23</b>                |                    |
|                                                                                      | <b>24</b> Unsecured notes and loans payable to unrelated third parties . . . . .                                                                                                                                                   | <b>24</b>                |                    |
|                                                                                      | <b>25</b> Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D . . . . .                                          | <b>25</b>                |                    |
|                                                                                      | <b>26</b> <b>Total liabilities.</b> Add lines 17 through 25 . . . . .                                                                                                                                                              | <b>26</b>                |                    |
| <b>Net Assets or Fund Balances</b>                                                   | <b>Organizations that follow FASB ASC 958, check here</b> <input type="checkbox"/><br><b>and complete lines 27, 28, 32, and 33.</b>                                                                                                |                          |                    |
|                                                                                      | <b>27</b> Net assets without donor restrictions . . . . .                                                                                                                                                                          | <b>27</b>                |                    |
|                                                                                      | <b>28</b> Net assets with donor restrictions . . . . .                                                                                                                                                                             | <b>28</b>                |                    |
|                                                                                      | <b>Organizations that do not follow FASB ASC 958, check here</b> <input type="checkbox"/><br><b>and complete lines 29 through 33.</b>                                                                                              |                          |                    |
|                                                                                      | <b>29</b> Capital stock or trust principal, or current funds . . . . .                                                                                                                                                             | <b>29</b>                |                    |
|                                                                                      | <b>30</b> Paid-in or capital surplus, or land, building, or equipment fund . . . . .                                                                                                                                               | <b>30</b>                |                    |
|                                                                                      | <b>31</b> Retained earnings, endowment, accumulated income, or other funds . . . . .                                                                                                                                               | <b>31</b>                |                    |
|                                                                                      | <b>32</b> <b>Total net assets or fund balances</b> . . . . .                                                                                                                                                                       | <b>32</b>                |                    |
| <b>33</b> <b>Total liabilities and net assets/fund balances</b> . . . . .            | <b>33</b>                                                                                                                                                                                                                          |                          |                    |



**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response or note to any line in this Part XI ☐

|           |                                                                                                                          |           |  |
|-----------|--------------------------------------------------------------------------------------------------------------------------|-----------|--|
| <b>1</b>  | Total revenue (must equal Part VIII, column (A), line 12) . . . . .                                                      | <b>1</b>  |  |
| <b>2</b>  | Total expenses (must equal Part IX, column (A), line 25) . . . . .                                                       | <b>2</b>  |  |
| <b>3</b>  | Revenue less expenses. Subtract line 2 from line 1 . . . . .                                                             | <b>3</b>  |  |
| <b>4</b>  | Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A)) . . . . .                      | <b>4</b>  |  |
| <b>5</b>  | Net unrealized gains (losses) on investments . . . . .                                                                   | <b>5</b>  |  |
| <b>6</b>  | Donated services and use of facilities . . . . .                                                                         | <b>6</b>  |  |
| <b>7</b>  | Investment expenses . . . . .                                                                                            | <b>7</b>  |  |
| <b>8</b>  | Prior period adjustments . . . . .                                                                                       | <b>8</b>  |  |
| <b>9</b>  | Other changes in net assets or fund balances (explain on Schedule O) . . . . .                                           | <b>9</b>  |  |
| <b>10</b> | Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B)) . . . . . | <b>10</b> |  |

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response or note to any line in this Part XII ☐

|                                                                                                                                                                                                                                                                                                                                                                                                                                               | Yes | No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>1</b> Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other _____<br>If the organization changed its method of accounting from a prior year or checked "Other," explain on Schedule O.                                                                                                                                                             |     |    |
| <b>2a</b> Were the organization's financial statements compiled or reviewed by an independent accountant? . . . . .<br>If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both.<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis |     |    |
| <b>b</b> Were the organization's financial statements audited by an independent accountant? . . . . .<br>If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both.<br><input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis                            |     |    |
| <b>c</b> If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? . . . . .<br>If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.                                                                      |     |    |
| <b>3a</b> As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Uniform Guidance, 2 C.F.R. Part 200, Subpart F? . . . . .                                                                                                                                                                                                                                                           |     |    |
| <b>b</b> If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits . . . . .                                                                                                                                                                                                       |     |    |

## 2.2 Form 990-EZ

|                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Form <b>990-EZ</b><br><br>Department of the Treasury<br>Internal Revenue Service                                                                                                                                                                                                                           | <b>Short Form</b><br><b>Return of Organization Exempt From Income Tax</b><br>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)<br>Do not enter social security numbers on this form, as it may be made public.<br>Go to <a href="http://www.irs.gov/Form990EZ">www.irs.gov/Form990EZ</a> for instructions and the latest information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | OMB No. 1545-0047<br><div style="font-size: 24pt; font-weight: bold;">2025</div><br><b>Open to Public Inspection</b>                                                                                   |
| <b>A</b> For the 2025 calendar year, or tax year beginning , 2025, and ending , 20                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>B</b> Check if applicable:<br><input type="checkbox"/> Address change<br><input type="checkbox"/> Name change<br><input type="checkbox"/> Initial return<br><input type="checkbox"/> Final return/terminated<br><input type="checkbox"/> Amended return<br><input type="checkbox"/> Application pending |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>C</b> Name of organization<br>Number and street (or P.O. box if mail is not delivered to street address) Room/suite<br>City or town, state or province, country, and ZIP or foreign postal code                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>D</b> Employer identification number<br><br><b>E</b> Telephone number<br><br><b>F</b> Group Exemption Number                                                                                        |
| <b>G</b> Accounting Method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual Other (specify):                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>H</b> Check <input type="checkbox"/> if the organization is not required to attach Schedule B (Form 990).                                                                                           |
| <b>I</b> Website:                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>J</b> Tax-exempt status (check only one) -- <input type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) ( ) (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>K</b> Form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other:                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>L</b> Add lines 5b, 6c, and 7b to line 9 to determine gross receipts. If gross receipts are \$200,000 or more, or if total assets (Part II, column (B)) are \$500,000 or more, file Form 990 instead of Form 990-EZ. \$                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances</b> (see the instructions for Part I)                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| Check if the organization used Schedule O to respond to any question in this Part I                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                        |
| <b>Revenue</b>                                                                                                                                                                                                                                                                                             | <b>1</b> Contributions, gifts, grants, and similar amounts received<br><b>2</b> Program service revenue including government fees and contracts<br><b>3</b> Membership dues and assessments<br><b>4</b> Investment income<br><b>5a</b> Gross amount from sale of assets other than inventory<br><b>5b</b> Less: cost or other basis and sales expenses<br><b>5c</b> Gain or (loss) from sale of assets other than inventory (subtract line 5b from line 5a)<br><b>6</b> Gaming and fundraising events:<br><b>a</b> Gross income from gaming (attach Schedule G if greater than \$15,000)<br><b>6a</b><br><b>b</b> Gross income from fundraising events (not including \$ of contributions from fundraising events reported on line 1) (attach Schedule G if the sum of such gross income and contributions exceeds \$15,000)<br><b>6b</b><br><b>6c</b> Less: direct expenses from gaming and fundraising events<br><b>6d</b> Net income or (loss) from gaming and fundraising events (add lines 6a and 6b and subtract line 6c)<br><b>7a</b> Gross sales of inventory, less returns and allowances<br><b>7b</b> Less: cost of goods sold<br><b>7c</b> Gross profit or (loss) from sales of inventory (subtract line 7b from line 7a)<br><b>8</b> Other revenue (describe in Schedule O)<br><b>9</b> <b>Total revenue.</b> Add lines 1, 2, 3, 4, 5c, 6d, 7c, and 8 | <b>1</b><br><b>2</b><br><b>3</b><br><b>4</b><br><b>5a</b><br><b>5b</b><br><b>5c</b><br><b>6a</b><br><b>6b</b><br><b>6c</b><br><b>6d</b><br><b>7a</b><br><b>7b</b><br><b>7c</b><br><b>8</b><br><b>9</b> |
| <b>Expenses</b>                                                                                                                                                                                                                                                                                            | <b>10</b> Grants and similar amounts paid (list in Schedule O)<br><b>11</b> Benefits paid to or for members<br><b>12</b> Salaries, other compensation, and employee benefits<br><b>13</b> Professional fees and other payments to independent contractors<br><b>14</b> Occupancy, rent, utilities, and maintenance<br><b>15</b> Printing, publications, postage, and shipping<br><b>16</b> Other expenses (describe in Schedule O)<br><b>17</b> <b>Total expenses.</b> Add lines 10 through 16                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>10</b><br><b>11</b><br><b>12</b><br><b>13</b><br><b>14</b><br><b>15</b><br><b>16</b><br><b>17</b>                                                                                                   |
| <b>Net Assets</b>                                                                                                                                                                                                                                                                                          | <b>18</b> Excess or (deficit) for the year (subtract line 17 from line 9)<br><b>19</b> Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return)<br><b>20</b> Other changes in net assets or fund balances (explain in Schedule O)<br><b>21</b> Net assets or fund balances at end of year. Combine lines 18 through 20                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>18</b><br><b>19</b><br><b>20</b><br><b>21</b>                                                                                                                                                       |

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 106421

Form 990-EZ (2025) Created 5/2/25

**Part II**    **Balance Sheets** (see the instructions for Part II)

Check if the organization used Schedule O to respond to any question in this Part II . . . . . ☐

|    |                                                                                                     | (A) Beginning of year | (B) End of year |
|----|-----------------------------------------------------------------------------------------------------|-----------------------|-----------------|
| 22 | Cash, savings, and investments . . . . .                                                            |                       | 22              |
| 23 | Land and buildings . . . . .                                                                        |                       | 23              |
| 24 | Other assets (describe in Schedule O) . . . . .                                                     |                       | 24              |
| 25 | <b>Total assets</b> . . . . .                                                                       |                       | 25              |
| 26 | <b>Total liabilities</b> (describe in Schedule O) . . . . .                                         |                       | 26              |
| 27 | <b>Net assets or fund balances</b> (line 27 of column (B) <b>must</b> agree with line 21) . . . . . |                       | 27              |

**Part III** Statement of Program Service Accomplishments (see the instructions for Part III)

Check if the organization used Schedule O to respond to any question in this Part III . . . ☐

What is the organization's primary exempt purpose?

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. In a clear and concise manner, describe the services provided, the number of persons benefited, and other relevant information for each program title.

**Expenses**  
(Required for section 501(c)(3) and 501(c)(4) organizations; optional for others.)

|    |                                                                                                      |     |
|----|------------------------------------------------------------------------------------------------------|-----|
| 28 |                                                                                                      |     |
| 29 | (Grants \$ ) If this amount includes foreign grants, check here . . . . . <input type="checkbox"/>   | 28a |
| 30 | (Grants \$ ) If this amount includes foreign grants, check here . . . . . <input type="checkbox"/>   | 29a |
| 31 | Other program services (describe in Schedule O) . . . . . <input type="checkbox"/>                   | 30a |
| 32 | <b>Total program service expenses</b> (add lines 28a through 31a) . . . . . <input type="checkbox"/> | 31a |
|    |                                                                                                      | 32  |

**Part IV** List of Officers, Directors, Trustees, and Key Employees (list each one even if not compensated – see the instructions for Part IV)

Check if the organization used Schedule O to respond to any question in this Part IV ☐

[illegible]



**Part V Other Information** (Note the Schedule A and personal benefit contract statement requirements in the instructions for Part V.) Check if the organization used Schedule O to respond to any question in this Part V ☐

|                                                                                                                                                                                                                                                                                                                                                        | Yes        | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----|
| <b>33</b> Did the organization engage in any significant activity not previously reported to the IRS? If "Yes," provide a detailed description of each activity in Schedule O . . . . .                                                                                                                                                                | <b>33</b>  |    |
| <b>34</b> Were any significant changes made to the organizing or governing documents? If "Yes," attach a conformed copy of the amended documents if they reflect a change to the organization's name. Otherwise, explain the change on Schedule O. See instructions . . . . .                                                                          | <b>34</b>  |    |
| <b>35a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year from business activities (such as those reported on lines 2, 6a, and 7a, among others)? . . . . .                                                                                                                                              | <b>35a</b> |    |
| <b>b</b> If "Yes" to line 35a, has the organization filed a Form 990-T for the year? If "No," provide an explanation in Schedule O . . . . .                                                                                                                                                                                                           | <b>35b</b> |    |
| <b>c</b> Was the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization subject to section 6033(e) notice, reporting, and proxy tax requirements during the year? If "Yes," complete Schedule C, Part III . . . . .                                                                                                                    | <b>35c</b> |    |
| <b>36</b> Did the organization undergo a liquidation, dissolution, termination, or significant disposition of net assets during the year? If "Yes," complete applicable parts of Schedule N . . . . .                                                                                                                                                  | <b>36</b>  |    |
| <b>37a</b> Enter amount of political expenditures, direct or indirect, as described in the instructions <b>37a</b> . . . . .                                                                                                                                                                                                                           |            |    |
| <b>b</b> Did the organization file <b>Form 1120-POL</b> for this year? . . . . .                                                                                                                                                                                                                                                                       | <b>37b</b> |    |
| <b>38a</b> Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee; or were any such loans made in a prior year and still outstanding at the end of the tax year covered by this return? . . . . .                                                                                                     | <b>38a</b> |    |
| <b>b</b> If "Yes," complete Schedule L, Part II, and enter the total amount involved . . . . . <b>38b</b> . . . . .                                                                                                                                                                                                                                    |            |    |
| <b>39</b> Section 501(c)(7) organizations. Enter: . . . . .                                                                                                                                                                                                                                                                                            |            |    |
| <b>a</b> Initiation fees and capital contributions included on line 9 . . . . . <b>39a</b> . . . . .                                                                                                                                                                                                                                                   |            |    |
| <b>b</b> Gross receipts, included on line 9, for public use of club facilities . . . . . <b>39b</b> . . . . .                                                                                                                                                                                                                                          |            |    |
| <b>40a</b> Section 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under: section 4911: . . . . .; section 4912: . . . . .; section 4955: . . . . .                                                                                                                                                           |            |    |
| <b>b</b> Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year, or did it engage in an excess benefit transaction in a prior year that has not been reported on any of its prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I . . . . . | <b>40b</b> |    |
| <b>c</b> Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 . . . . .                                                                                                                                        |            |    |
| <b>d</b> Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Enter amount of tax on line 40c reimbursed by the organization . . . . .                                                                                                                                                                                                          |            |    |
| <b>e</b> All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? If "Yes," complete Form 8886-T . . . . . <b>40e</b> . . . . .                                                                                                                                                       |            |    |
| <b>41</b> List the states with which a copy of this return is filed: . . . . .                                                                                                                                                                                                                                                                         |            |    |
| <b>42a</b> The organization's books are in care of: . . . . . Telephone no. . . . .                                                                                                                                                                                                                                                                    |            |    |
| Located at: . . . . . ZIP + 4 . . . . .                                                                                                                                                                                                                                                                                                                |            |    |
| <b>b</b> At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? . . . . .                                                                                            | <b>42b</b> |    |
| If "Yes," enter the name of the foreign country: . . . . .                                                                                                                                                                                                                                                                                             |            |    |
| See the instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). . . . .                                                                                                                                                                                                         |            |    |
| <b>c</b> At any time during the calendar year, did the organization maintain an office outside the United States? . . . . .                                                                                                                                                                                                                            | <b>42c</b> |    |
| If "Yes," enter the name of the foreign country: . . . . .                                                                                                                                                                                                                                                                                             |            |    |
| <b>43</b> Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of <b>Form 1041</b> — Check here . . . . . <input type="checkbox"/>                                                                                                                                                                                                | <b>43</b>  |    |
| and enter the amount of tax-exempt interest received or accrued during the tax year . . . . .                                                                                                                                                                                                                                                          |            |    |
| <b>44a</b> Did the organization maintain any donor advised funds during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ . . . . .                                                                                                                                                                                                | <b>44a</b> |    |
| <b>b</b> Did the organization operate one or more hospital facilities during the year? If "Yes," Form 990 must be completed instead of Form 990-EZ . . . . .                                                                                                                                                                                           | <b>44b</b> |    |
| <b>c</b> Did the organization receive any payments for indoor tanning services during the year? . . . . .                                                                                                                                                                                                                                              | <b>44c</b> |    |
| <b>d</b> If "Yes" to line 44c, has the organization filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O . . . . .                                                                                                                                                                                                 | <b>44d</b> |    |
| <b>45a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)? . . . . .                                                                                                                                                                                                                                           | <b>45a</b> |    |
| <b>b</b> Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," Form 990 and Schedule R may need to be completed instead of Form 990-EZ. See instructions . . . . .                                                                                   | <b>45b</b> |    |



|                                                                                                                                                                                                                | Yes | No |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>46</b> Did the organization engage, directly or indirectly, in political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I . . . . . |     |    |
| <b>46</b>                                                                                                                                                                                                      |     |    |

**Part VI Section 501(c)(3) Organizations Only**

All section 501(c)(3) organizations must answer questions 47–49b and 52, and complete the tables for lines 50 and 51.

Check if the organization used Schedule O to respond to any question in this Part VI . . . . . ☐

|                                                                                                                                                                                                                                                                    | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>47</b> Did the organization engage in lobbying activities or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II . . . . .                                                                                     |     |    |
| <b>47</b>                                                                                                                                                                                                                                                          |     |    |
| <b>48</b> Is the organization a school as described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E . . . . .                                                                                                                                           |     |    |
| <b>48</b>                                                                                                                                                                                                                                                          |     |    |
| <b>49a</b> Did the organization make any transfers to an exempt non-charitable related organization? . . . . .                                                                                                                                                     |     |    |
| <b>49a</b>                                                                                                                                                                                                                                                         |     |    |
| <b>b</b> If "Yes," was the related organization a section 527 organization? . . . . .                                                                                                                                                                              |     |    |
| <b>49b</b>                                                                                                                                                                                                                                                         |     |    |
| <b>50</b> Complete this table for the organization's five highest compensated employees (other than officers, directors, trustees, and key employees) who each received more than \$100,000 of compensation from the organization. If there is none, enter "None." |     |    |

| (a) Name and title of each employee | (b) Average hours per week devoted to position | (c) Reportable compensation (Forms W-2/1099-MISC/1099-NEC) | (d) Health benefits, contributions to employee benefit plans, and deferred compensation | (e) Estimated amount of other compensation |
|-------------------------------------|------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------|
|                                     |                                                |                                                            |                                                                                         |                                            |
|                                     |                                                |                                                            |                                                                                         |                                            |
|                                     |                                                |                                                            |                                                                                         |                                            |
|                                     |                                                |                                                            |                                                                                         |                                            |
|                                     |                                                |                                                            |                                                                                         |                                            |
|                                     |                                                |                                                            |                                                                                         |                                            |
|                                     |                                                |                                                            |                                                                                         |                                            |

**f** Total number of other employees paid over \$100,000 . . . . .**51** Complete this table for the organization's five highest compensated independent contractors who each received more than \$100,000 of compensation from the organization. If there is none, enter "None."

| (a) Name and business address of each independent contractor | (b) Type of service | (c) Compensation |
|--------------------------------------------------------------|---------------------|------------------|
|                                                              |                     |                  |
|                                                              |                     |                  |
|                                                              |                     |                  |
|                                                              |                     |                  |
|                                                              |                     |                  |
|                                                              |                     |                  |
|                                                              |                     |                  |

**d** Total number of other independent contractors each receiving over \$100,000 . . . . .**52** Did the organization complete Schedule A? **Note:** All section 501(c)(3) organizations must attach a completed Schedule A . . . . . ☐ Yes ☐ No

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

|                                                                                                      |                          |                      |      |                                                 |
|------------------------------------------------------------------------------------------------------|--------------------------|----------------------|------|-------------------------------------------------|
| <b>Sign Here</b>  | Signature of officer     |                      | Date |                                                 |
|                                                                                                      | Officer's name and title |                      |      |                                                 |
| <b>Paid Preparer Use Only</b>                                                                        | Preparer's name          | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed |
|                                                                                                      | Firm's name              | Firm's EIN           |      | PTIN                                            |
|                                                                                                      | Firm's address           | Phone no.            |      |                                                 |

May the IRS discuss this return with the preparer shown above? See instructions . . . . . ☐ Yes ☐ No

## 2.3 Form 990-N

- (1) Employer identification number (EIN), also known as a Taxpayer Identification Number (TIN)
- (2) Tax year (calendar or fiscal filer)
- (3) Legal name and mailing address
- (4) Any other names the organization uses
- (5) Name and address of a principal officer
- (6) Website address if the organization has one
- (7) Confirmation that the organization's annual gross receipts are \$50,000 or less
- (8) If applicable, a statement that the organization has terminated or is terminating (going out of business)

## 2.4 Form 990-PF

|                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|--|
| Form <b>990-PF</b><br>Department of the Treasury<br>Internal Revenue Service                                                                                                                                                                                                                               | <b>Return of Private Foundation</b><br>or Section 4947(a)(1) Trust Treated as Private Foundation<br>Do not enter social security numbers on this form as it may be made public.<br>Go to <a href="http://www.irs.gov/Form990PF">www.irs.gov/Form990PF</a> for instructions and the latest information. | OMB No. 1545-0047<br><div style="font-size: 24pt; font-weight: bold;">2025</div><br>Open to Public Inspection                                                                       |                         |                                                             |  |
| For calendar year 2025 or tax year beginning , 2025, and ending , 20                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| Name of foundation                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                        | <b>A</b> Employer identification number                                                                                                                                             |                         |                                                             |  |
| Number and street (or P.O. box number if mail is not delivered to street address)                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                        | <b>B</b> Telephone number (see instructions)                                                                                                                                        |                         |                                                             |  |
| City or town                                                                                                                                                                                                                                                                                               | State or province                                                                                                                                                                                                                                                                                      | <b>C</b> If exemption application is pending, check here <input type="checkbox"/>                                                                                                   |                         |                                                             |  |
| Country                                                                                                                                                                                                                                                                                                    | ZIP or foreign postal code                                                                                                                                                                                                                                                                             | <b>D</b> 1. Foreign organizations, check here <input type="checkbox"/><br>2. Foreign organizations meeting the 85% test, check here and attach computation <input type="checkbox"/> |                         |                                                             |  |
| <b>G</b> Check all that apply: <input type="checkbox"/> Initial return <input type="checkbox"/> Initial return of a former public charity<br><input type="checkbox"/> Final return <input type="checkbox"/> Amended return<br><input type="checkbox"/> Address change <input type="checkbox"/> Name change |                                                                                                                                                                                                                                                                                                        | <b>E</b> If private foundation status was terminated under section 507(b)(1)(A), check here <input type="checkbox"/>                                                                |                         |                                                             |  |
| <b>H</b> Check type of organization: <input type="checkbox"/> Section 501(c)(3) exempt private foundation<br><input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation                                                              |                                                                                                                                                                                                                                                                                                        | <b>F</b> If the foundation is in a 60-month termination under section 507(b)(1)(B), check here <input type="checkbox"/>                                                             |                         |                                                             |  |
| <b>I</b> Fair market value of all assets at end of year (from Part II, col. (c), line 16) \$                                                                                                                                                                                                               | <b>J</b> Accounting method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual<br><input type="checkbox"/> Other (specify) _____<br>(Part I, column (d), must be on cash basis.)                                                                                                           |                                                                                                                                                                                     |                         |                                                             |  |
| <b>Part I Analysis of Revenue and Expenses</b> (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (See instructions).)                                                                                                                                 |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | (a) Revenue and expenses per books                                                                                                                                                                                                                                                                     | (b) Net investment income                                                                                                                                                           | (c) Adjusted net income | (d) Disbursements for charitable purposes (cash basis only) |  |
| Revenue                                                                                                                                                                                                                                                                                                    | 1 Contributions, gifts, grants, etc., received (attach schedule)                                                                                                                                                                                                                                       |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 2 Check <input type="checkbox"/> If the foundation is not required to attach Sch. B                                                                                                                                                                                                                    |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 3 Interest on savings and temporary cash investments                                                                                                                                                                                                                                                   |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 4 Dividends and interest from securities . . . . .                                                                                                                                                                                                                                                     |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 5a Gross rents . . . . .                                                                                                                                                                                                                                                                               |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | b Net rental income or (loss)                                                                                                                                                                                                                                                                          |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 6a Net gain or (loss) from sale of assets not on line 10                                                                                                                                                                                                                                               |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | b Gross sales price for all assets on line 6a                                                                                                                                                                                                                                                          |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 7 Capital gain net income (from Part IV, line 2) . .                                                                                                                                                                                                                                                   |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 8 Net short-term capital gain . . . . .                                                                                                                                                                                                                                                                |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 9 Income modifications . . . . .                                                                                                                                                                                                                                                                       |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 10a Gross sales less returns and allowances                                                                                                                                                                                                                                                            |                                                                                                                                                                                     |                         |                                                             |  |
| b Less: Cost of goods sold . . . . .                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| c Gross profit or (loss) (attach schedule) . . . . .                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| 11 Other income (attach schedule) . . . . .                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| 12 <b>Total.</b> Add lines 1 through 11 . . . . .                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| Operating and Administrative Expenses                                                                                                                                                                                                                                                                      | 13 Compensation of officers, directors, trustees, etc.                                                                                                                                                                                                                                                 |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 14 Other employee salaries and wages . . . . .                                                                                                                                                                                                                                                         |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 15 Pension plans, employee benefits . . . . .                                                                                                                                                                                                                                                          |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 16a Legal fees (attach schedule) . . . . .                                                                                                                                                                                                                                                             |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | b Accounting fees (attach schedule) . . . . .                                                                                                                                                                                                                                                          |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | c Other professional fees (attach schedule) . . . . .                                                                                                                                                                                                                                                  |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 17 Interest . . . . .                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 18 Taxes (attach schedule) (see instructions) . . . .                                                                                                                                                                                                                                                  |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 19 Depreciation (attach schedule) and depletion . .                                                                                                                                                                                                                                                    |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 20 Occupancy . . . . .                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 21 Travel, conferences, and meetings . . . . .                                                                                                                                                                                                                                                         |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 22 Printing and publications . . . . .                                                                                                                                                                                                                                                                 |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 23 Other expenses (attach schedule) . . . . .                                                                                                                                                                                                                                                          |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 24 <b>Total operating and administrative expenses.</b> Add lines 13 through 23 . . . . .                                                                                                                                                                                                               |                                                                                                                                                                                     |                         |                                                             |  |
|                                                                                                                                                                                                                                                                                                            | 25 Contributions, gifts, grants paid . . . . .                                                                                                                                                                                                                                                         |                                                                                                                                                                                     |                         |                                                             |  |
| 26 <b>Total expenses and disbursements.</b> Add lines 24 and 25                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| 27 Subtract line 26 from line 12:                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| a <b>Excess of revenue over expenses and disbursements</b>                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| b <b>Net investment income</b> (if negative, enter -0-) .                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |
| c <b>Adjusted net income</b> (if negative, enter -0-) . .                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                     |                         |                                                             |  |

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 11289X

Form 990-PF (2025) Created 7/22/25

| <b>Part II Balance Sheets</b>                                                                                                                                               |                                                                                                                                            | Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.) |                |                       | Beginning of year | End of year |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------|-----------------------|-------------------|-------------|--|
|                                                                                                                                                                             |                                                                                                                                            | (a) Book value                                                                                                       | (b) Book value | (c) Fair market value |                   |             |  |
| <b>Assets</b>                                                                                                                                                               | <b>1</b> Cash—non-interest-bearing . . . . .                                                                                               |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>2</b> Savings and temporary cash investments . . . . .                                                                                  |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>3</b> Accounts receivable<br>Less: allowance for doubtful accounts . . . . .                                                            |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>4</b> Pledges receivable<br>Less: allowance for doubtful accounts . . . . .                                                             |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>5</b> Grants receivable . . . . .                                                                                                       |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>6</b> Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see instructions) . . . . . |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>7</b> Other notes and loans receivable (attach schedule)<br>Less: allowance for doubtful accounts . . . . .                             |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>8</b> Inventories for sale or use . . . . .                                                                                             |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>9</b> Prepaid expenses and deferred charges . . . . .                                                                                   |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>10a</b> Investments—U.S. and state government obligations (attach schedule) . . . . .                                                   |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>b</b> Investments—corporate stock (attach schedule) . . . . .                                                                           |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>c</b> Investments—corporate bonds (attach schedule) . . . . .                                                                           |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>11</b> Investments—land, buildings, and equipment: basis<br>Less: accumulated depreciation (attach schedule) . . . . .                  |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>12</b> Investments—mortgage loans . . . . .                                                                                             |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>13</b> Investments—other (attach schedule) . . . . .                                                                                    |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>14</b> Land, buildings, and equipment: basis<br>Less: accumulated depreciation (attach schedule) . . . . .                              |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>15</b> Other assets (describe _____)                                                                                                    |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>16</b> <b>Total assets</b> (to be completed by all filers—see the instructions. Also, see page 1, item I) . . . . .                     |                                                                                                                      |                |                       |                   |             |  |
| <b>Liabilities</b>                                                                                                                                                          | <b>17</b> Accounts payable and accrued expenses . . . . .                                                                                  |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>18</b> Grants payable . . . . .                                                                                                         |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>19</b> Deferred revenue . . . . .                                                                                                       |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>20</b> Loans from officers, directors, trustees, and other disqualified persons . . . . .                                               |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>21</b> Mortgages and other notes payable (attach schedule) . . . . .                                                                    |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>22</b> Other liabilities (describe _____)                                                                                               |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>23</b> <b>Total liabilities</b> (add lines 17 through 22) . . . . .                                                                     |                                                                                                                      |                |                       |                   |             |  |
| <b>Net Assets or Fund Balances</b>                                                                                                                                          | <b>Foundations that follow FASB ASC 958, check here and complete lines 24, 25, 29, and 30</b> . . . . . <input type="checkbox"/>           |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>24</b> Net assets without donor restrictions . . . . .                                                                                  |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>25</b> Net assets with donor restrictions . . . . .                                                                                     |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>Foundations that do not follow FASB ASC 958, check here and complete lines 26 through 30</b> . . . . . <input type="checkbox"/>         |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>26</b> Capital stock, trust principal, or current funds . . . . .                                                                       |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>27</b> Paid-in or capital surplus, or land, bldg., and equipment fund . . . . .                                                         |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>28</b> Retained earnings, accumulated income, endowment, or other funds . . . . .                                                       |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>29</b> <b>Total net assets or fund balances</b> (see instructions) . . . . .                                                            |                                                                                                                      |                |                       |                   |             |  |
|                                                                                                                                                                             | <b>30</b> <b>Total liabilities and net assets/fund balances</b> (see instructions) . . . . .                                               |                                                                                                                      |                |                       |                   |             |  |
| <b>Part III Analysis of Changes in Net Assets or Fund Balances</b>                                                                                                          |                                                                                                                                            |                                                                                                                      |                |                       |                   |             |  |
| <b>1</b> Total net assets or fund balances at beginning of year—Part II, line 29, column (a) (must agree with end-of-year figure reported on prior year's return) . . . . . | <b>1</b>                                                                                                                                   |                                                                                                                      |                |                       |                   |             |  |
| <b>2</b> Enter amount from Part I, line 27a . . . . .                                                                                                                       | <b>2</b>                                                                                                                                   |                                                                                                                      |                |                       |                   |             |  |
| <b>3</b> Other increases not included on line 2 (itemize) . . . . .                                                                                                         | <b>3</b>                                                                                                                                   |                                                                                                                      |                |                       |                   |             |  |
| <b>4</b> Add lines 1, 2, and 3 . . . . .                                                                                                                                    | <b>4</b>                                                                                                                                   |                                                                                                                      |                |                       |                   |             |  |
| <b>5</b> Decreases not included on line 2 (itemize) . . . . .                                                                                                               | <b>5</b>                                                                                                                                   |                                                                                                                      |                |                       |                   |             |  |
| <b>6</b> Total net assets or fund balances at end of year (line 4 minus line 5)—Part II, line 29, column (b) . . . . .                                                      | <b>6</b>                                                                                                                                   |                                                                                                                      |                |                       |                   |             |  |



**Part IV Capital Gains and Losses for Tax on Investment Income**

| (a) List and describe the kind(s) of property sold (for example, real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.) |  | (b) How acquired<br>P—Purchase<br>D—Donation | (c) Date acquired<br>(mo., day, yr.) | (d) Date sold<br>(mo., day, yr.) |
|-------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------|--------------------------------------|----------------------------------|
| <b>1a</b>                                                                                                                                 |  |                                              |                                      |                                  |
| <b>b</b>                                                                                                                                  |  |                                              |                                      |                                  |
| <b>c</b>                                                                                                                                  |  |                                              |                                      |                                  |
| <b>d</b>                                                                                                                                  |  |                                              |                                      |                                  |
| <b>e</b>                                                                                                                                  |  |                                              |                                      |                                  |

| (e) Gross sales price | (f) Depreciation allowed<br>(or allowable) | (g) Cost or other basis<br>plus expense of sale | (h) Gain or (loss)<br>((e) plus (f) minus (g)) |
|-----------------------|--------------------------------------------|-------------------------------------------------|------------------------------------------------|
| <b>a</b>              |                                            |                                                 |                                                |
| <b>b</b>              |                                            |                                                 |                                                |
| <b>c</b>              |                                            |                                                 |                                                |
| <b>d</b>              |                                            |                                                 |                                                |
| <b>e</b>              |                                            |                                                 |                                                |

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69.

| (i) FMV as of 12/31/69 | (j) Adjusted basis<br>as of 12/31/69 | (k) Excess of col. (i)<br>over col. (j), if any | (l) Gains (col. (h) gain minus<br>col. (k), but not less than -0-) or<br>Losses (from col. (h)) |
|------------------------|--------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <b>a</b>               |                                      |                                                 |                                                                                                 |
| <b>b</b>               |                                      |                                                 |                                                                                                 |
| <b>c</b>               |                                      |                                                 |                                                                                                 |
| <b>d</b>               |                                      |                                                 |                                                                                                 |
| <b>e</b>               |                                      |                                                 |                                                                                                 |

|          |                                                                                                                                                                                                           |          |  |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>2</b> | Capital gain net income or (net capital loss) { If gain, also enter on Part I, line 7.<br>If (loss), enter -0- on Part I, line 7. }                                                                       | <b>2</b> |  |
| <b>3</b> | Net short-term capital gain or (loss) as defined in sections 1222(5) and (6):<br>If gain, also enter in Part I, line 8, column (c). See instructions. If (loss), enter -0- on<br>Part I, line 8 . . . . . | <b>3</b> |  |

**Part V Excise Tax Based on Investment Income (Section 4940(a), 4940(b), or 4948—see instructions)**

|           |                                                                                                                                                                                                                                     |           |  |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|
| <b>1a</b> | Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1.<br>Date of ruling or determination letter: _____ (attach copy of letter if necessary—see instructions) | <b>1</b>  |  |
| <b>b</b>  | All other domestic foundations enter 1.39% (0.0139) of line 27b. Exempt foreign organizations, enter<br>4% (0.04) of Part I, line 12, column (b) . . . . .                                                                          |           |  |
| <b>2</b>  | Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only; others, enter -0-)                                                                                                                          | <b>2</b>  |  |
| <b>3</b>  | Add lines 1 and 2 . . . . .                                                                                                                                                                                                         | <b>3</b>  |  |
| <b>4</b>  | Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only; others, enter -0-)                                                                                                                        | <b>4</b>  |  |
| <b>5</b>  | <b>Tax based on investment income.</b> Subtract line 4 from line 3. If zero or less, enter -0- . . . . .                                                                                                                            | <b>5</b>  |  |
| <b>6</b>  | Credits/Payments:                                                                                                                                                                                                                   |           |  |
| <b>a</b>  | 2025 estimated tax payments and 2024 overpayment credited to 2025 . . . . .                                                                                                                                                         | <b>6a</b> |  |
| <b>b</b>  | Exempt foreign organizations—tax withheld at source . . . . .                                                                                                                                                                       | <b>6b</b> |  |
| <b>c</b>  | Tax paid with application for extension of time to file (Form 8868) . . . . .                                                                                                                                                       | <b>6c</b> |  |
| <b>d</b>  | Backup withholding erroneously withheld . . . . .                                                                                                                                                                                   | <b>6d</b> |  |
| <b>7</b>  | Total credits and payments. Add lines 6a through 6d . . . . .                                                                                                                                                                       | <b>7</b>  |  |
| <b>8</b>  | Enter any <b>penalty</b> for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached . . . . .                                                                                                  | <b>8</b>  |  |
| <b>9</b>  | <b>Tax due.</b> If the total of lines 5 and 8 is more than line 7, enter <b>amount owed</b> . . . . .                                                                                                                               | <b>9</b>  |  |
| <b>10</b> | <b>Overpayment.</b> If line 7 is more than the total of lines 5 and 8, enter the <b>amount overpaid</b> . . . . .                                                                                                                   | <b>10</b> |  |
| <b>11</b> | Enter the amount of line 10 to be: <b>Credited to 2026 estimated tax</b> _____ <b>Refunded</b> _____                                                                                                                                | <b>11</b> |  |

For Refunded amount, also complete and attach Form 8050. See instructions.

**Part VI-A Statements Regarding Activities**

|                                                                                                                                                                                                                                                                                                                                                                                 | Yes       | No |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----|
| <b>1a</b> During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign? . . . . .                                                                                                                                                                                        | <b>1a</b> |    |
| <b>b</b> Did it spend more than \$100 during the year (either directly or indirectly) for political purposes? See the instructions for the definition . . . . .<br>If the answer is "Yes" to <b>1a</b> or <b>1b</b> , attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities. | <b>1b</b> |    |
| <b>c</b> Did the foundation file <b>Form 1120-POL</b> for this year? . . . . .                                                                                                                                                                                                                                                                                                  | <b>1c</b> |    |
| <b>d</b> Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year:<br><b>(1)</b> On the foundation. \$ _____ <b>(2)</b> On foundation managers. \$ _____                                                                                                                                                                               |           |    |
| <b>e</b> Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. \$ _____                                                                                                                                                                                                                         |           |    |
| <b>2</b> Has the foundation engaged in any activities that have not previously been reported to the IRS? . . . .<br>If "Yes," attach a detailed description of the activities.                                                                                                                                                                                                  | <b>2</b>  |    |
| <b>3</b> Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes . . . . .                                                                                                                                   | <b>3</b>  |    |
| <b>4a</b> Did the foundation have unrelated business gross income of \$1,000 or more during the year? . . . . .                                                                                                                                                                                                                                                                 | <b>4a</b> |    |
| <b>b</b> If "Yes," has it filed a tax return on <b>Form 990-T</b> for this year? . . . . .                                                                                                                                                                                                                                                                                      | <b>4b</b> |    |
| <b>5</b> Was there a liquidation, termination, dissolution, or substantial contraction during the year? . . . . .<br>If "Yes," attach the statement required by <i>General Instruction T</i> .                                                                                                                                                                                  | <b>5</b>  |    |
| <b>6</b> Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either:<br>• By language in the governing instrument, or<br>• By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument? . . . . .                           | <b>6</b>  |    |
| <b>7</b> Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col. (c), and Part XIV                                                                                                                                                                                                                                     | <b>7</b>  |    |
| <b>8a</b> Enter the states to which the foundation reports or with which it is registered. See instructions.                                                                                                                                                                                                                                                                    |           |    |
| <b>b</b> If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by <i>General Instruction G</i> ? If "No," attach explanation . . . . .                                                                                                                                          | <b>8b</b> |    |
| <b>9</b> Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2025 or the tax year beginning in 2025? See the instructions for Part XIII. If "Yes," complete Part XIII . . . . .                                                                                                        | <b>9</b>  |    |
| <b>10</b> Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses . . . . .                                                                                                                                                                                                                          | <b>10</b> |    |
| <b>11</b> At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule. See instructions . . . . .                                                                                                                                                                      | <b>11</b> |    |
| <b>12</b> Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement. See instructions . . . . .                                                                                                                                                                     | <b>12</b> |    |
| <b>13</b> Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address _____                                                                                                                                                                                                                             | <b>13</b> |    |
| <b>14</b> The books are in care of _____ Telephone no. _____<br>Located at _____ ZIP+4 _____                                                                                                                                                                                                                                                                                    |           |    |
| <b>15</b> Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of <b>Form 1041</b> —check here . . . . . <input type="checkbox"/><br>and enter the amount of tax-exempt interest received or accrued during the year . . . . . <b>15</b>                                                                                                                   |           |    |
| <b>16</b> At any time during calendar year 2025, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? . . . . .                                                                                                                                                                   | <b>16</b> |    |
| See the instructions for exceptions and filing requirements for FinCEN Form 114. If "Yes," enter the name of the foreign country _____                                                                                                                                                                                                                                          |           |    |

**Part VI-B Statements Regarding Activities for Which Form 4720 May Be Required**

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Yes          | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----|
| <b>1a</b> During the year, did the foundation (either directly or indirectly):                                                                                                                                                                                                                                                                                                                                                                                                                                     |              |    |
| (1) Engage in the sale or exchange, or leasing of property with a disqualified person? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>1a(1)</b> |    |
| (2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? . . . . .                                                                                                                                                                                                                                                                                                                                                                                           | <b>1a(2)</b> |    |
| (3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                               | <b>1a(3)</b> |    |
| (4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>1a(4)</b> |    |
| (5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? . . . . .                                                                                                                                                                                                                                                                                                                                                            | <b>1a(5)</b> |    |
| (6) Agree to pay money or property to a government official? ( <b>Exception.</b> Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.) . . . . .                                                                                                                                                                                                                                                  | <b>1a(6)</b> |    |
| <b>b</b> If any answer is "Yes" to 1a(1)–(6), did <b>any</b> of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance? See instructions . . . . .                                                                                                                                                                                                                                                                       | <b>1b</b>    |    |
| <b>c</b> Organizations relying on a current notice regarding disaster assistance, check here . . . . . <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                    |              |    |
| <b>d</b> Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2025? . . . . .                                                                                                                                                                                                                                                                                                         | <b>1d</b>    |    |
| <b>2</b> Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):                                                                                                                                                                                                                                                                                                                            |              |    |
| <b>a</b> At the end of tax year 2025, did the foundation have any undistributed income (Part XII, lines 6d and 6e) for tax year(s) beginning before 2025? If "Yes," list the years . . . . .                                                                                                                                                                                                                                                                                                                       | <b>2a</b>    |    |
| 20 ____ , 20 ____ , 20 ____ , 20 ____                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |              |    |
| <b>b</b> Are there any years listed in 2a for which the foundation is <b>not</b> applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to <b>all</b> years listed, answer "No" and attach statement—see instructions.) . . . . .                                                                                                                                                                           | <b>2b</b>    |    |
| <b>c</b> If the provisions of section 4942(a)(2) are being applied to <b>any</b> of the years listed in 2a, list the years here. 20 ____ , 20 ____ , 20 ____ , 20 ____                                                                                                                                                                                                                                                                                                                                             |              |    |
| <b>3a</b> Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? . . . . .                                                                                                                                                                                                                                                                                                                                                                     | <b>3a</b>    |    |
| <b>b</b> If "Yes," did it have excess business holdings in 2025 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969; (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Form 4720, Schedule C, to determine if the foundation had excess business holdings in 2025.) . . . . . | <b>3b</b>    |    |
| <b>4a</b> Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes? . . . . .                                                                                                                                                                                                                                                                                                                                                                                | <b>4a</b>    |    |
| <b>b</b> Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2025? . . . . .                                                                                                                                                                                                                                                               | <b>4b</b>    |    |



**Part VI-B** Statements Regarding Activities for Which Form 4720 May Be Required *(continued)*

|                                                                                                                                                                                                                                       | Yes          | No |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----|
| <b>5a</b> During the year, did the foundation pay or incur any amount to:                                                                                                                                                             |              |    |
| (1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?                                                                                                                                             | <b>5a(1)</b> |    |
| (2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?                                                                                   | <b>5a(2)</b> |    |
| (3) Provide a grant to an individual for travel, study, or other similar purposes?                                                                                                                                                    | <b>5a(3)</b> |    |
| (4) Provide a grant to an organization other than a charitable, etc., organization described in section 4945(d)(4)(A)? See instructions                                                                                               | <b>5a(4)</b> |    |
| (5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?                                                                 | <b>5a(5)</b> |    |
| <b>b</b> If any answer is "Yes" to 5a(1)–(5), did <b>any</b> of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance? See instructions | <b>5b</b>    |    |
| <b>c</b> Organizations relying on a current notice regarding disaster assistance, check here <input type="checkbox"/>                                                                                                                 |              |    |
| <b>d</b> If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant?                                                                   | <b>5d</b>    |    |
| If "Yes," attach the statement required by Regulations section 53.4945-5(d).                                                                                                                                                          |              |    |
| <b>6a</b> Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?                                                                                             | <b>6a</b>    |    |
| <b>b</b> Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?                                                                                                                   | <b>6b</b>    |    |
| If "Yes" to 6b, file Form 8870.                                                                                                                                                                                                       |              |    |
| <b>7a</b> At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?                                                                                                                        | <b>7a</b>    |    |
| <b>b</b> If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction?                                                                                                                    | <b>7b</b>    |    |
| <b>8</b> Is the foundation subject to the section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year?                                                                     | <b>8</b>     |    |

**Part VII** Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors**1** List all officers, directors, trustees, and foundation managers and their compensation. See instructions.

| (a) Name and address | (b) Title, and average hours per week devoted to position | (c) Compensation (If not paid, enter -0-.) | (d) Contributions to employee benefit plans and deferred compensation | (e) Expense account, other allowances |
|----------------------|-----------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------|---------------------------------------|
|                      |                                                           |                                            |                                                                       |                                       |
|                      |                                                           |                                            |                                                                       |                                       |
|                      |                                                           |                                            |                                                                       |                                       |
|                      |                                                           |                                            |                                                                       |                                       |
|                      |                                                           |                                            |                                                                       |                                       |

**2** Compensation of five highest-paid employees (other than those included on line 1—see instructions). If none, enter "NONE."

| (a) Name and address of each employee paid more than \$50,000 | (b) Title, and average hours per week devoted to position | (c) Compensation | (d) Contributions to employee benefit plans and deferred compensation | (e) Expense account, other allowances |
|---------------------------------------------------------------|-----------------------------------------------------------|------------------|-----------------------------------------------------------------------|---------------------------------------|
|                                                               |                                                           |                  |                                                                       |                                       |
|                                                               |                                                           |                  |                                                                       |                                       |
|                                                               |                                                           |                  |                                                                       |                                       |
|                                                               |                                                           |                  |                                                                       |                                       |
|                                                               |                                                           |                  |                                                                       |                                       |

Total number of other employees paid over \$50,000

3 Five highest-paid independent contractors for professional services. See instructions. If none, enter "NONE."

**Total** number of others receiving over \$50,000 for professional services

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

1

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.

1

All other program-related investments. See instructions.

**Total.** Add lines 1 through 3

**Part IX Minimum Investment Return** (All domestic foundations must complete this part. Foreign foundations, see instructions.)

|          |                                                                                                                           |           |
|----------|---------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>1</b> | Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:               |           |
| <b>a</b> | Average monthly fair market value of securities . . . . .                                                                 | <b>1a</b> |
| <b>b</b> | Average of monthly cash balances . . . . .                                                                                | <b>1b</b> |
| <b>c</b> | Fair market value of all other assets (see instructions) . . . . .                                                        | <b>1c</b> |
| <b>d</b> | <b>Total</b> (add lines 1a, 1b, and 1c) . . . . .                                                                         | <b>1d</b> |
| <b>e</b> | Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) . . . . .       | <b>1e</b> |
| <b>2</b> | Acquisition indebtedness applicable to line 1 assets . . . . .                                                            | <b>2</b>  |
| <b>3</b> | Subtract line 2 from line 1d . . . . .                                                                                    | <b>3</b>  |
| <b>4</b> | Cash deemed held for charitable activities. Enter 1.5% (0.015) of line 3 (for greater amount, see instructions) . . . . . | <b>4</b>  |
| <b>5</b> | <b>Net value of noncharitable-use assets.</b> Subtract line 4 from line 3 . . . . .                                       | <b>5</b>  |
| <b>6</b> | <b>Minimum investment return.</b> Enter 5% (0.05) of line 5 . . . . .                                                     | <b>6</b>  |

**Part X Distributable Amount** (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations, check here ☐ and do not complete this part.)

|           |                                                                                                                    |           |
|-----------|--------------------------------------------------------------------------------------------------------------------|-----------|
| <b>1</b>  | Minimum investment return from Part IX, line 6 . . . . .                                                           | <b>1</b>  |
| <b>2a</b> | Tax on investment income for 2025 from Part V, line 5 . . . . .                                                    | <b>2a</b> |
| <b>b</b>  | Income tax for 2025. (This does not include the tax from Part V.) . . . . .                                        | <b>2b</b> |
| <b>c</b>  | Add lines 2a and 2b . . . . .                                                                                      | <b>2c</b> |
| <b>3</b>  | Distributable amount before adjustments. Subtract line 2c from line 1 . . . . .                                    | <b>3</b>  |
| <b>4</b>  | Recoveries of amounts treated as qualifying distributions . . . . .                                                | <b>4</b>  |
| <b>5</b>  | Add lines 3 and 4 . . . . .                                                                                        | <b>5</b>  |
| <b>6</b>  | Deduction from distributable amount (see instructions) . . . . .                                                   | <b>6</b>  |
| <b>7</b>  | <b>Distributable amount</b> as adjusted. Subtract line 6 from line 5. Enter here and on Part XII, line 1 . . . . . | <b>7</b>  |

**Part XI Qualifying Distributions** (see instructions)

|          |                                                                                                                     |           |
|----------|---------------------------------------------------------------------------------------------------------------------|-----------|
| <b>1</b> | Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:                          |           |
| <b>a</b> | Expenses, contributions, gifts, etc.—total from Part I, line 26, column (d) . . . . .                               | <b>1a</b> |
| <b>b</b> | Program-related investments—total from Part VIII-B . . . . .                                                        | <b>1b</b> |
| <b>2</b> | Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes . . . . . | <b>2</b>  |
| <b>3</b> | Amounts set aside for specific charitable projects that satisfy the:                                                |           |
| <b>a</b> | Suitability test (prior IRS approval required) . . . . .                                                            | <b>3a</b> |
| <b>b</b> | Cash distribution test (attach the required schedule) . . . . .                                                     | <b>3b</b> |
| <b>4</b> | <b>Qualifying distributions.</b> Add lines 1a through 3b. Enter here and on Part XII, line 4 . . . . .              | <b>4</b>  |

**Part XII** Undistributed Income (see instructions)

|                                                                                                                                                                                             | (a)<br>Corpus | (b)<br>Years prior to 2024 | (c)<br>2024 | (d)<br>2025 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------------------|-------------|-------------|
| <b>1</b> Distributable amount for 2025 from Part X, line 7                                                                                                                                  |               |                            |             |             |
| <b>2</b> Undistributed income, if any, as of the end of 2025:                                                                                                                               |               |                            |             |             |
| <b>a</b> Enter amount for 2024 only . . . . .                                                                                                                                               |               |                            |             |             |
| <b>b</b> Total for prior years: 20 __, 20 __, 20 __                                                                                                                                         |               |                            |             |             |
| <b>3</b> Excess distributions carryover, if any, to 2025:                                                                                                                                   |               |                            |             |             |
| <b>a</b> From 2020 . . . . .                                                                                                                                                                |               |                            |             |             |
| <b>b</b> From 2021 . . . . .                                                                                                                                                                |               |                            |             |             |
| <b>c</b> From 2022 . . . . .                                                                                                                                                                |               |                            |             |             |
| <b>d</b> From 2023 . . . . .                                                                                                                                                                |               |                            |             |             |
| <b>e</b> From 2024 . . . . .                                                                                                                                                                |               |                            |             |             |
| <b>f</b> <b>Total</b> of lines 3a through 3e . . . . .                                                                                                                                      |               |                            |             |             |
| <b>4</b> Qualifying distributions for 2025 from Part XI, line 4: \$ _____                                                                                                                   |               |                            |             |             |
| <b>a</b> Applied to 2024, but not more than line 2a .                                                                                                                                       |               |                            |             |             |
| <b>b</b> Applied to undistributed income of prior years (Election required—see instructions) . . . .                                                                                        |               |                            |             |             |
| <b>c</b> Treated as distributions out of corpus (Election required—see instructions) . . . . .                                                                                              |               |                            |             |             |
| <b>d</b> Applied to 2025 distributable amount . .                                                                                                                                           |               |                            |             |             |
| <b>e</b> Remaining amount distributed out of corpus                                                                                                                                         |               |                            |             |             |
| <b>5</b> Excess distributions carryover applied to 2025 (If an amount appears in column (d), the same amount must be shown in column (a).) . .                                              |               |                            |             |             |
| <b>6</b> <b>Enter the net total of each column as indicated below:</b>                                                                                                                      |               |                            |             |             |
| <b>a</b> Corpus. Add lines 3f, 4c, and 4e. Subtract line 5                                                                                                                                  |               |                            |             |             |
| <b>b</b> Prior years' undistributed income. Subtract line 4b from line 2b . . . . .                                                                                                         |               |                            |             |             |
| <b>c</b> Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed . . . . . |               |                            |             |             |
| <b>d</b> Subtract line 6c from line 6b. Taxable amount—see instructions . . . . .                                                                                                           |               |                            |             |             |
| <b>e</b> Undistributed income for 2024. Subtract line 4a from line 2a. Taxable amount—see instructions . . . . .                                                                            |               |                            |             |             |
| <b>f</b> Undistributed income for 2025. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2026 . . . . .                                                              |               |                            |             |             |
| <b>7</b> Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (Election may be required—see instructions) . . . . .         |               |                            |             |             |
| <b>8</b> Excess distributions carryover from 2020 not applied on line 5 or line 7 (see instructions) .                                                                                      |               |                            |             |             |
| <b>9</b> <b>Excess distributions carryover to 2026.</b> Subtract lines 7 and 8 from line 6a . . . .                                                                                         |               |                            |             |             |
| <b>10</b> Analysis of line 9:                                                                                                                                                               |               |                            |             |             |
| <b>a</b> Excess from 2021 . . . . .                                                                                                                                                         |               |                            |             |             |
| <b>b</b> Excess from 2022 . . . . .                                                                                                                                                         |               |                            |             |             |
| <b>c</b> Excess from 2023 . . . . .                                                                                                                                                         |               |                            |             |             |
| <b>d</b> Excess from 2024 . . . . .                                                                                                                                                         |               |                            |             |             |
| <b>e</b> Excess from 2025 . . . . .                                                                                                                                                         |               |                            |             |             |



**Part XIII Private Operating Foundations** (see instructions and Part VI-A, question 9)

**1a** If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2025, enter the date of the ruling . . . . .

**b** Check box to indicate whether the foundation is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

|                                                                                                                                                                    | Tax year | Prior 3 years |          |          | (e) Total |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------|----------|----------|-----------|
|                                                                                                                                                                    | (a) 2025 | (b) 2024      | (c) 2023 | (d) 2022 |           |
| <b>2a</b> Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part IX for each year listed . . . . .                     |          |               |          |          |           |
| <b>b</b> 85% (0.85) of line 2a . . . . .                                                                                                                           |          |               |          |          |           |
| <b>c</b> Qualifying distributions from Part XI, line 4, for each year listed . . . . .                                                                             |          |               |          |          |           |
| <b>d</b> Amounts included on line 2c not used directly for active conduct of exempt activities . . . . .                                                           |          |               |          |          |           |
| <b>e</b> Qualifying distributions made directly for active conduct of exempt activities. Subtract line 2d from line 2c                                             |          |               |          |          |           |
| <b>3</b> Complete 3a, 3b, or 3c for the alternative test relied upon:                                                                                              |          |               |          |          |           |
| <b>a</b> "Assets" alternative test—enter:                                                                                                                          |          |               |          |          |           |
| <b>(1)</b> Value of all assets . . . . .                                                                                                                           |          |               |          |          |           |
| <b>(2)</b> Value of assets qualifying under section 4942(j)(3)(B)(i) . . . . .                                                                                     |          |               |          |          |           |
| <b>b</b> "Endowment" alternative test—enter $\frac{2}{3}$ of minimum investment return shown on Part IX, line 6, for each year listed . . . . .                    |          |               |          |          |           |
| <b>c</b> "Support" alternative test—enter:                                                                                                                         |          |               |          |          |           |
| <b>(1)</b> Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) . . . . . |          |               |          |          |           |
| <b>(2)</b> Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) . . . . .                                      |          |               |          |          |           |
| <b>(3)</b> Largest amount of support from an exempt organization . . . . .                                                                                         |          |               |          |          |           |
| <b>(4)</b> Gross investment income . . . . .                                                                                                                       |          |               |          |          |           |

**Part XIV Supplementary Information** (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year—see instructions.)

**1 Information Regarding Foundation Managers:**

**a** List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000). (See section 507(d)(2).)

---

**b** List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

---

**2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:**

Check here ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc., to individuals or organizations under other conditions, complete items 2a, 2b, 2c, and 2d. See instructions.

**a** The name, address, and telephone number or email address of the person to whom applications should be addressed:

---

**b** The form in which applications should be submitted and information and materials they should include:

---

**c** Any submission deadlines:

---

**d** Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

---

**Part XIV** Supplementary Information *(continued)***3 Grants and Contributions Paid During the Year or Approved for Future Payment**

| Recipient                            | If recipient is an individual, show any relationship to any foundation manager or substantial contributor | Foundation status of recipient | Purpose of grant or contribution | Amount    |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------|-----------|
| Name and address (home or business)  |                                                                                                           |                                |                                  |           |
| <b>a</b> Paid during the year        |                                                                                                           |                                |                                  |           |
| <b>Total</b> . . . . .               |                                                                                                           |                                |                                  | <b>3a</b> |
| <b>b</b> Approved for future payment |                                                                                                           |                                |                                  |           |
| <b>Total</b> . . . . .               |                                                                                                           |                                |                                  | <b>3b</b> |

## Enter gross amounts unless otherwise indicated.

| Unrelated business income                                                |               | Excluded by section 512, 513, or 514 |               | (e)<br>Related or exempt<br>function income<br>(See instructions.) |
|--------------------------------------------------------------------------|---------------|--------------------------------------|---------------|--------------------------------------------------------------------|
| (a)<br>Business code                                                     | (b)<br>Amount | (c)<br>Exclusion code                | (d)<br>Amount |                                                                    |
| <b>1</b> Program service revenue:                                        |               |                                      |               |                                                                    |
| <b>a</b> _____                                                           |               |                                      |               |                                                                    |
| <b>b</b> _____                                                           |               |                                      |               |                                                                    |
| <b>c</b> _____                                                           |               |                                      |               |                                                                    |
| <b>d</b> _____                                                           |               |                                      |               |                                                                    |
| <b>e</b> _____                                                           |               |                                      |               |                                                                    |
| <b>f</b> _____                                                           |               |                                      |               |                                                                    |
| <b>g</b> Fees and contracts from government agencies                     |               |                                      |               |                                                                    |
| <b>2</b> Membership dues and assessments . . . .                         |               |                                      |               |                                                                    |
| <b>3</b> Interest on savings and temporary cash investments              |               |                                      |               |                                                                    |
| <b>4</b> Dividends and interest from securities . . . .                  |               |                                      |               |                                                                    |
| <b>5</b> Net rental income or (loss) from real estate:                   |               |                                      |               |                                                                    |
| <b>a</b> Debt-financed property . . . . .                                |               |                                      |               |                                                                    |
| <b>b</b> Not debt-financed property . . . . .                            |               |                                      |               |                                                                    |
| <b>6</b> Net rental income or (loss) from personal property              |               |                                      |               |                                                                    |
| <b>7</b> Other investment income . . . . .                               |               |                                      |               |                                                                    |
| <b>8</b> Gain or (loss) from sales of assets other than inventory        |               |                                      |               |                                                                    |
| <b>9</b> Net income or (loss) from special events . . .                  |               |                                      |               |                                                                    |
| <b>10</b> Gross profit or (loss) from sales of inventory . .             |               |                                      |               |                                                                    |
| <b>11</b> Other revenue: <b>a</b> _____                                  |               |                                      |               |                                                                    |
| <b>b</b> _____                                                           |               |                                      |               |                                                                    |
| <b>c</b> _____                                                           |               |                                      |               |                                                                    |
| <b>d</b> _____                                                           |               |                                      |               |                                                                    |
| <b>e</b> _____                                                           |               |                                      |               |                                                                    |
| <b>12</b> Subtotal. Add columns (b), (d), and (e) . . . .                |               |                                      |               |                                                                    |
| <b>13</b> <b>Total.</b> Add line 12, columns (b), (d), and (e) . . . . . |               |                                      |               |                                                                    |

**13**

(See worksheet in the line 13 instructions to verify calculations.)

| Line No. | Explain below how each activity for which income is reported in column (e) of Part XV-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes). (See instructions.) |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

[illegible]



**Part XVI** Information Regarding Transfers to and Transactions and Relationships With Noncharitable Exempt Organizations

|     |                                                                                                                                                                                                                                                                                                                                                                                              |            |           |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|
| 1   | Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?                                                                                                                                                      | <b>Yes</b> | <b>No</b> |
| a   | Transfers from the reporting foundation to a noncharitable exempt organization of:                                                                                                                                                                                                                                                                                                           |            |           |
| (1) | Cash . . . . .                                                                                                                                                                                                                                                                                                                                                                               | 1a(1)      |           |
| (2) | Other assets . . . . .                                                                                                                                                                                                                                                                                                                                                                       | 1a(2)      |           |
| b   | Other transactions:                                                                                                                                                                                                                                                                                                                                                                          |            |           |
| (1) | Sales of assets to a noncharitable exempt organization . . . . .                                                                                                                                                                                                                                                                                                                             | 1b(1)      |           |
| (2) | Purchases of assets from a noncharitable exempt organization . . . . .                                                                                                                                                                                                                                                                                                                       | 1b(2)      |           |
| (3) | Rental of facilities, equipment, or other assets . . . . .                                                                                                                                                                                                                                                                                                                                   | 1b(3)      |           |
| (4) | Reimbursement arrangements . . . . .                                                                                                                                                                                                                                                                                                                                                         | 1b(4)      |           |
| (5) | Loans or loan guarantees . . . . .                                                                                                                                                                                                                                                                                                                                                           | 1b(5)      |           |
| (6) | Performance of services or membership or fundraising solicitations . . . . .                                                                                                                                                                                                                                                                                                                 | 1b(6)      |           |
| c   | Sharing of facilities, equipment, mailing lists, other assets, or paid employees . . . . .                                                                                                                                                                                                                                                                                                   | 1c         |           |
| d   | If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting foundation. If the foundation received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received. |            |           |

| (a) Line no. | (b) Amount involved | (c) Name of noncharitable exempt organization | (d) Description of transfers, transactions, and sharing arrangements |
|--------------|---------------------|-----------------------------------------------|----------------------------------------------------------------------|
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |
|              |                     |                                               |                                                                      |

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) (other than section 501(c)(3)) or in section 527?      Yes No

b If "Yes," complete the following schedule.

| (a) Name of organization | (b) Type of organization | (c) Description of relationship |
|--------------------------|--------------------------|---------------------------------|
|                          |                          |                                 |
|                          |                          |                                 |
|                          |                          |                                 |
|                          |                          |                                 |
|                          |                          |                                 |

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

---

Signature of officer or trustee \_\_\_\_\_
Date \_\_\_\_\_ Title \_\_\_\_\_

May the IRS discuss this return with the preparer shown below?  
See instructions.    Yes No

|                 |                      |      |                                                 |      |
|-----------------|----------------------|------|-------------------------------------------------|------|
| Preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| Firm's name     |                      |      | Firm's EIN                                      |      |
| Firm's address  |                      |      | Phone no.                                       |      |

## 2.5 CHAR500 (New York)

Docusign Envelope ID: \_\_\_\_\_

|                                                                            |                                                                                                                                                                                                                                                        |                                      |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| <b>CHAR500<br/>Online</b><br><br>For new annual filings,<br>and amendments | <b>Annual Filing for Charitable Organizations</b><br><br>New York State Office of the Attorney General<br>Charities Bureau - Registration Section<br>28 Liberty Street<br>New York, NY 10005<br><a href="http://charitiesnys.com">charitiesnys.com</a> | <b>Open to Public<br/>Inspection</b> |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|

Filing Type: ☒ New Filing ☐ Amendment Filing Year: 2025

### General Information

|                                  |                                |
|----------------------------------|--------------------------------|
| Current Organization Name: _____ | Updated Name: _____            |
| NY Registration Number: _____    | Registration Category: _____   |
| Organization Type: _____         | EIN: _____                     |
| Current Fiscal Year End: _____   | Updated Fiscal Year End: _____ |
| Organization Email: _____        | Organization's Phone: _____    |
| Tax Exempt Status: _____         | Website: _____                 |

### Organization Address

| Mailing Address                          | Principal Address                        | NY State Address                         |
|------------------------------------------|------------------------------------------|------------------------------------------|
| <br><br><br><br><br><br><br><br><br><br> | <br><br><br><br><br><br><br><br><br><br> | <br><br><br><br><br><br><br><br><br><br> |

### Primary Contact Information

First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Phone: \_\_\_\_\_ Email: \_\_\_\_\_

### Organization Type

Type of IRS document filed with IRS: \_\_\_\_\_ Organization Type: \_\_\_\_\_

### Third Party Preparer Information

First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_ Title: \_\_\_\_\_  
Firm Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Email: \_\_\_\_\_

### Third Party Address

Street: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_  
Zip: \_\_\_\_\_ Country: \_\_\_\_\_

### Registration Category

1. Does the organization conduct activity in New York State other than soliciting? This may include, but is **not limited to**, maintaining an office, having employees or staff, or running a program.  
☒ Yes   ☐ No
2. Does the organization have assets in New York State?  
☒ Yes   ☐ No
3. Is the organization incorporated or formed in New York State?  
☒ Yes   ☐ No
4. Has the organization received more than \$25,000 in total contributions from New York State residents, foundations, corporations or government agencies or other entities in the period covered by this filing?  
☒ Yes   ☐ No
5. Does the organization plan to receive more than \$25,000 annually in total contributions from New York State residents, foundations, corporations, government agencies or other entities?  
☒ Yes   ☐ No
6. Does the organization use a professional fundraiser or fundraising counsel?  
☐ Yes   ☒ No

Based on your responses to the above questions, this organization's registration category remains as \_\_\_\_\_

### Contribution Information

1. Did the organization solicit or receive contributions during the fiscal year in New York State?  
☒ Yes   ☐ No
3. Choose the total contributions in New York State this fiscal year:

### Annual Exemptions

1. Were the total contributions from New York State, including residents, foundations, government agencies, etc. under \$25,000 during the fiscal year?  
☐ Yes   ☐ No
2. Did the organization use a professional fundraiser or fundraising counsel during the fiscal year?  
☐ Yes   ☐ No
3. Were the organization's gross receipts under \$25,000 and the market value of its assets under \$25,000 during the fiscal year?  
☐ Yes   ☒ No

Based on your responses to annual exemption questions, this organization is required to file under \_\_\_\_\_ during this fiscal year.

### Financial Information

Type of IRS document filed with IRS \_\_\_\_\_ Organization's total revenue: \_\_\_\_\_

Organization's total contributions: \_\_\_\_\_ Organization's total assets: \_\_\_\_\_

Organization's net assets: \_\_\_\_\_ Organization's total revenue and contributions: \_\_\_\_\_

Organization's total liabilities: \_\_\_\_\_ Organization's total assets/worth: \_\_\_\_\_

Organization's total income: \_\_\_\_\_

For this filing year, does your organization plan to complete any of the following with the New York State Charities Bureau?

☐ Closing ☐ Withdrawing ☐ Dissolving ☐ None

Is this your final filing with New York State? ☐ Yes ☐ No

### Filing Information

Did your organization use a professional fundraiser or fundraising counsel for fundraising activity in New York State?

☐ Yes ☒ No

| General Information                                                                                                                                                      | Description of Services | Description of Compensation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|
| Name of Firm: _____<br>Type: <u>N/A</u> Reg Number: _____<br>Contract Start: _____ Contract End: _____<br>Amount Paid: _____ Phone : _____<br>Mailing Address: _____<br> |                         |                             |
| Name of Firm: _____<br>Type: _____ Registration ID: _____<br>Contract Start: _____ Contract End: _____<br>Amount Paid: _____ Phone : _____<br>Mailing Address: _____<br> |                         |                             |
| Name of Firm: _____<br>Type: _____ Registration ID: _____<br>Contract Start: _____ Contract End: _____<br>Amount Paid: _____ Phone : _____<br>Mailing Address: _____<br> |                         |                             |

Did the organization receive government grants during this fiscal year?

☒ Yes ☐ No

| Government Grant Agency | Grant Amount |
|-------------------------|--------------|
|                         |              |
|                         |              |
|                         |              |
|                         |              |
|                         |              |

### Documents

Attached organization's required documents:

- ☒ IRS document
- ☐ Certified Public Accountant's Audit Report
- ☐ Certified Public Accountant's Review Report
- ☐ Complete Certificate of Amendment or other document amending the name
- ☐ Other documents

### Signatures

*We certify under penalties of perjury that we reviewed this report, including all attachments, and to the best of our knowledge and belief, they are true, correct and complete in accordance with the laws of the State of New York applicable to this report.*

| Role | First Name | Last Name | Email |
|------|------------|-----------|-------|
|      |            |           |       |
|      |            |           |       |

Signature of  
Executive Director

Date:

Signature of

Date:

## 2.6 Form COF-85 (Maryland)



### Annual Financial Report for Charities- Form COF-85

Office of the Secretary of State, State House, Annapolis MD 21401 Telephone: 410-974-5534

This form should be filed annually as part of the charitable organization's annual update of registration. This form **must** be completed if the organization does not file a 990 or 990-EZ with the IRS. This form **must** also be completed if the organization files a 990-N with the IRS. You do not need to complete this if the organization files a 990 or 990-EZ with the IRS.

Name of organization \_\_\_\_\_

Mailing address of organization \_\_\_\_\_

EIN \_\_\_\_\_

Fiscal year end being reported: \_\_\_\_\_ Month \_\_\_\_\_ Year

#### **Part I- Statement of Revenue**

1. Contributions/donations received: \_\_\_\_\_
2. Government Grants/Monies received: \_\_\_\_\_
3. Program Service Revenue received: \_\_\_\_\_
4. Membership Dues and Assessments received: \_\_\_\_\_
5. Investment Income received: \_\_\_\_\_
6. Fundraising/Special Events Income: \_\_\_\_\_
  - a. Gross revenue received from fundraising events: \_\_\_\_\_
  - b. Less Direct Expenses: \_\_\_\_\_
  - c. Net revenue received from fundraising events (= line 6a- line 6b) \_\_\_\_\_
7. Gaming Activities Income: \_\_\_\_\_
  - a. Gross revenue received from gaming activities: \_\_\_\_\_
  - b. Less Direct Expenses: \_\_\_\_\_
  - c. Net revenue received from gaming activities (= line 7a- line 7b) \_\_\_\_\_
8. Revenue from Sales of Inventory: \_\_\_\_\_
  - a. Gross revenue received from sales of inventory: \_\_\_\_\_
  - b. Less cost of goods sold: \_\_\_\_\_
  - c. Net revenue received from sales of inventory (= line 8a- line 8b): \_\_\_\_\_
9. Other income (provide attachment explaining): \_\_\_\_\_
10. **Total Revenue (sum of lines 1 through 9):** \_\_\_\_\_

#### **Part II- Statement of Expenses**

11. Program Services Expenses incurred: \_\_\_\_\_
12. Management and General Expenses incurred: \_\_\_\_\_
13. Fundraising Expenses incurred: \_\_\_\_\_
14. Other Expenses incurred (provide attachment explaining): \_\_\_\_\_
15. **Total Expenses (sum of lines 11 through 14):** \_\_\_\_\_



**Part III- Totals**

16. Excess (or deficit) income for the year (= line 10- line 15) \_\_\_\_\_
17. Net assets or fund balances at beginning of year \_\_\_\_\_
18. **Net assets or fund balances at end of year (=line 16+ line 17)** \_\_\_\_\_

**Part IV- Statement of Program Accomplishments**

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Describe the services provided, the number of persons benefited, and other relevant information for each program.

| DESCRIPTION OF PROGRAM SERVICES PROVIDED: | EXPENSES: |
|-------------------------------------------|-----------|
| a.)                                       |           |
| b.)                                       |           |
| c.)                                       |           |

**Part V- List of officers, directors, trustees, and key employees**

List the officers, directors, trustees, and key employees. Give their name and address, title, average hours per week devoted to the position, and reportable compensation

| NAME AND ADDRESS | TITLE | HOURS PER WEEK | REPORTABLE COMPENSATION |
|------------------|-------|----------------|-------------------------|
|                  |       |                |                         |
|                  |       |                |                         |
|                  |       |                |                         |
|                  |       |                |                         |
|                  |       |                |                         |
|                  |       |                |                         |

**Part VI- Other Information**

19. Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc. to any other charitable or non-charitable organization? ☐ Yes ☐ No

20. The financial books are in the care of: \_\_\_\_\_
- Located at: \_\_\_\_\_
- Telephone number: \_\_\_\_\_
- Email address: \_\_\_\_\_

UNDER THE PENALTIES OF PERJURY, I DECLARE THAT I HAVE EXAMINED THIS REPORT, INCLUDING ACCOMPANYING STATEMENTS AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IT IS TRUE, CORRECT, AND COMPLETE.

Name of Officer: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Signature of Officer: \_\_\_\_\_



## Report on the Fact-Finding Mission to the United States

–Exploring the Factors Fostering the Development of the U.S. Nonprofit Sector–

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Published in June 2026

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