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Nonprofit Compliance: Perceptions of Small Nonprofit Leaders to be Compliant

Andrea C. Ortega
University of Central Florida

NONPROFIT COMPLIANCE: PERCEPTIONS OF SMALL NONPROFIT LEADERS TO BE COMPLIANT

by

ANDREA ORTEGA, MNM, CNP
BS, University of Florida, 2013
MNM, University of Central Florida, 2015

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ABSTRACT

Small nonprofit organizations (NPOs) are at higher risk of having their IRS tax-exempt status revoked due to a lack of funding, governance, and structure. Organizations that fail to file an annual information return or notice for three consecutive years automatically lose their tax-exempt status by revocation. In May 2020, the IRS revoked the status of more than 30,000 NPOs for failing to file tax returns. This research contributes to the very limited number of qualitative studies on nonprofit leaders' knowledge of federal compliance, which is unknown and may contribute to small nonprofits losing their IRS-exempt status. This qualitative study examines the perceptions of nonprofit leaders of small organizations whose IRS tax-exempt status was revoked. A qualitative study was conducted between June 2023 and May 2024. Semi-structured interviews were conducted with purposefully selected ten nonprofit leaders until theoretical data saturation was reached. Inductive thematic analysis was used to identify key themes and develop a conceptual model. This study identified key themes regarding motivations, formation processes, leadership dynamics, and organizational learning that help explain why NPOs are revoked.

The Agency, Governance, Stakeholder, and Public Choice Theory will help us understand how small NPOs are significantly determined by the founders' initial readiness to address administrative, legal, and operational challenges. The leaders, driven by personal experiences and a desire to address community needs, often launched their organizations with passionate commitment but insufficient knowledge of the complex administrative and legal requirements. The findings offer valuable insights into the critical factors influencing nonprofit compliance and provide recommendations for future leaders to mitigate common challenges and reduce revocation.

Keywords: small NPOs, nonprofit compliance, revocation

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CHAPTER 1: INTRODUCTION

Every year, nonprofit organizations (NPOs) must file their tax forms with the Internal Revenue

Service (IRS) on the 15th day of the fifth month following the close of their tax year. The only

permissible exceptions to this rule are organizations classified as a church, a convention or association of

churches, or an integrated auxiliary of a church (Internal Revenue Service, 2022). Most small or newly

formed NPOs can file a 990-N if they received less than $50,000 in donations during their tax year.

Organizations that fail to file for three consecutive years automatically lose their tax-exempt status. The

IRS automatically revokes these nonprofits, permanently publishing that status in the IRS tax-exempt

search and master revocation list.

According to the Internal Revenue Service (2022), as of 2022, 1.97 million nonprofits were

operating in the US, and 1.48 million were 501(c)(3) tax-exempt organizations. In May 2020, during the

global pandemic, the IRS revoked the tax-exempt status of more than 30,000 nonprofits for failing to file

their tax returns (Durkee, 2020). To be revoked in 2020, these organizations must have also missed

filings for 2018 and 2019.

Aside from the annual tax returns the IRS requires, 42 out of the 50 states require a charity

registration. Most must be renewed annually with a copy of the 990 Full Form or a state-approved

equivalent financial form. In addition, most NPOs that operate or fundraise in each state must file

annual reports that keep the corporation active at the state level. According to the National Center for

Charitable Statistics (2019), only around 50% of nonprofits are successful after obtaining 501(c)(3) status

and about 30% of nonprofits will cease to exist after ten years.

This study defines small nonprofit organizations as those with gross receipts under $50,000.

These nonprofits can file Form 990-N (the e-Postcard), which does not require the organization to report

financial data. Nearly half of the 1.2 million filing organizations in December 2016 filed Form 990-N (NSF, 2021). Around 68,000 organizations received 501(c)(3) tax-exempt status in 2020 (Independent Sector, 2022). Startup costs for a nonprofit can be in the thousands, from incorporation to 501(c)(3) application and basic business costs. The average nonprofit consultant fees range from $85-$152 per hour. As of December 2019, the filing fees for Form 1023 were $600. Charitable organizations that do not anticipate that yearly income should surpass $50,000 may document Form 1023-EZ. As of December 2019, the expense for Form 1023-EZ was just $275. The IRS estimates that preparing Form 1023-EZ, usually filed by organizations bringing in under $50,000 a year, will take an average of 5½ hours, and record keeping and learning about the law or form will take another 12½ hours (Nevius, 2016). Assuming the lowest consultant fee and the shortest preparation time, it can cost $2,550 to apply for 501(c)(3). These costs do not include state-level filings or filing fees.

At the state level, the articles of incorporation typically cost between $30 and $125. This cost depends on the state where the nonprofit will work. For instance, as of December 2019, Pennsylvania's incorporation expense for a not-for-profit was $125, while Kentucky's charge was just $8.40. In 2019 alone, administrative expenses for the largest nonprofits in the US amounted to $6.27 billion (Hrywna, 2019). The IRS has published instructions for completing Form 990, which estimate that filing a 990-EZ will require 45 hours and $500 in out-of-pocket expenses, resulting in an "average total monetized burden" of $1200 for the filing organizations (Internal Revenue Service, 2019, p. 52). There were approximately 170,000 990-EZ filers in 2019, and this suggests that roughly $204 million annually is diverted from support for these organizations' missions each year (Barber and Smith, 2020).

Recently, nonprofits have experienced many challenges related to IRS backlogs. One of the challenges is the number of calls the IRS receives from clients concerning their tax returns. According to the National Taxpayer Advocate Issues Midyear Report (2022), the rate of the calls they receive versus

the calls answered is very low at around 10%. Also, during the call, clients are mostly put on hold, with wait times as long as twenty-nine minutes.

As posted on the IRS website, "The Taxpayer First Act, enacted July 1, 2019, requires tax-exempt organizations to file information returns and related forms electronically. The new law affects tax-exempt organizations in tax years beginning after July 1, 2019. The waiver process described below and in Notice 2010-13 does not apply to Forms 990, 990-EZ, 990-PF, 990-T, and for private foundations only, Form 4720." The waivers extended this rule to "For tax years ending July 31, 2021, and later, Forms 990-EZ must be filed electronically" (Internal Revenue Service, 2022). Yet, some NPOs unaware of this change still file their tax returns using paper rather than e-filing. This has been brought about by NPOs' challenges in filing their returns using the e-file system, which is currently done through a third-party approved site, except for the 990-N, which the IRS does have a free process for.

The IRS receives millions of paper income tax returns. However, the processing rate is not quick enough to process new returns and eliminate the paper backlog. As seen in Figure 1, there are delays in processing 990s after 2021. There is also a message regarding the incorrect automatic revocation during the COVID-19 extension. This issue is discussed later in the literature review.

Data Updates Delayed

Expect delays in data updates for the Tax Exempt Organization Search tool. We are still processing paper-filed 990 series received 2021 and later.

System Limitations Cause Some Inaccurate Revocation Dates

Organizations on the auto-revocation list with a revocation date between April 1 and July 14, 2020, should have a revocation date of July 15, 2020. See Revocation Date of Certain Organizations for details.

Figure 1 IRS Update

Study Context

The initial goal of this study was to focus exclusively on small nonprofit organizations (NPOs) in Central Florida, specifically within the Orlando metropolitan area and nearby counties, including Orange, Lake, Osceola, Seminole, Brevard, Citrus, Flagler, Hardee, Hernando, Hillsborough, Indian River, Manatee, Marion, Pasco, Pinellas, Polk, Sumter, and Volusia. According to the Florida Nonprofit Alliance (2020), these counties comprise the Southeast, Tampa Bay, and East Central regions, with the highest numbers of paid nonprofit employees, and contribute significantly to total wages. These regions also show remarkable diversity in revenue and assets. At the same time, the East Central Florida Region stands out with the highest average hourly wage, followed by the Southeast and Southwest regions. This data underscores the significant economic impact and diversity of the nonprofit sector across various regions of Florida.

However, as securing interviews proved challenging within this geographical focus, the research scope was expanded to encompass all qualifying nonprofits across the State of Florida while maintaining adherence to the established criteria. This adjustment ensured a more comprehensive data collection, capturing the broad economic impact and diversity of the state's nonprofit sector while reflecting the study's original objectives.

Explanation of Key Terms

Board of Directors

A group of individuals representing shareholders is primarily responsible for appointing and replacing the incumbent (Berns and Klarner, 2017).

Governance

The structures, processes, and institutions within and around organizations that allocate power and resource control among participants (Davis, 2005, p. 143).

Nonprofit Leaders

These individuals are a part of the organization's decision-making process, including the board of directors, executive positions or leadership staff, and nonprofit founders.

Small Nonprofit Organization

A 501(c)(3) nonprofit organization based in the United States with an annual $50,000 or less budget.

990-N

Small tax-exempt organizations can be eligible to file Form 990-N to satisfy their annual reporting requirement. To qualify, they must fit one of the following:

- Gross receipts are the total amounts the organization received from all sources during its annual accounting period without subtracting any costs or expenses.

- Gross receipts are usually $50,000 or less if the organization:

  - It has been in existence for one year or less and received, or donors have pledged to give, $75,000 or less during its first tax year.

  - It has existed between 1 and 3 years and averaged $60,000 or less in gross receipts during its first two tax years.

○ At least three years old and averaged $50,000 or less in gross receipts for the immediately preceding three tax years (including the year for which calculations are made).

990-EZ Short Form Return of Organization Exempt from Income Tax

Organizations can file Form 990-EZ with gross receipts of less than $200,000 and total assets of less than $500,000 at the end of their tax year.

990 Full Form

Form 990 is an annual information return required to be filed with the IRS by most organizations exempt from income tax under section 501(a) and specific political organizations and nonexempt charitable trusts.

Form 990 must be filed by an organization exempt from income tax under section 501(a) (including an organization that hasn't applied for recognition of exemption) if it has either (1) gross receipts greater than or equal to $200,000 or (2) total assets greater than or equal to $500,000 at the end of the tax year (with exceptions described below for organizations eligible to submit Form 990-N and for specific organizations described in Section B. Organizations Not Required To File Form 990 or 990-EZ, later). This includes:

● Organizations described in section 501(c)(3) (other than private foundations), and

● Organizations described in other 501(c) subsections.

Research Question

What are the perceptions of leaders of small NPOs regarding compliance that influence getting

their IRS status revoked?

CHAPTER 2: LITERATURE REVIEW

Organization of the Literature Review

The literature review begins by examining the various issues NPOs face when navigating compliance at both state and federal levels. It will then explore research on different factors that lead to revocation. Following this, the review investigates studies on leaders' perceptions of compliance, highlighting issues such as a lack of education on compliance, carelessness, and attempts to conceal or improperly file compliance items. The literature review will also cover different theories used to study these perceptions. It also addresses the most pertinent challenges affecting nonprofits and their compliance and governance structures. It emphasizes the importance of strong leadership, effective boards, and educational materials as solutions. Self-regulation supports compliance and the establishment of authority, as well as the policies, laws, and enforcement bodies usually situated outside the firm. Organizational compliance and governance are crucial for NPOs, prompting them to reconsider their position in a changing society and to address the community's needs.

Future research should clarify the current and optimal compliance frameworks and explore the creation of a new framework, listening to the voices of those impacted by it. Establishing a sustainable and equitable environment for the nonprofit sector should be a significant funding, research, and collaboration area. This will contribute to a nonprofit system that enhances nonprofits' ability to navigate compliance and prevent revocation.

Nonprofit Leaders' Motivations

Understanding what might compel nonprofit leaders to open a nonprofit and not prioritize compliance and governance is crucial. Management with clear-oriented goals and values committed to the organization's mission are more likely to engage in compliance and good governance. From this, it can be concluded that the desire to bring about change propels nonprofit leaders to embrace ethical practices, reporting, and accountability (Fitzgerald & Peltier, 2016). The author believes that nonprofit leaders should be urged to build a sense of mission and mission-oriented models of leadership, which call for matching core personal values of leadership to the values of the organization. Also, if the leaders' main concern is the organizations' longevity, these leaders are likely to address compliance and risk management, as non-compliance may have severe implications. Nonprofit organizations should establish a positive culture towards purposeful leadership to have a good setup for compliance and governance.

Nonprofit leaders driven by ethical reasons and personal values and free from self-interest are likelier to observe compliance and good governance practices (Rhode & Packel, 2009). These leaders understand that all the strategies they spearhead and all the decisions they make affect the organizations they lead and the societies that surround them. Key leaders need to portray ethical behavior and practices because this makes other people around them trust them and their organization.

Nonprofit leaders may also need help managing the pursuit of self-interest with the requirements of their positions. For instance, organizational leaders with high levels of mission-related self-identification, such as a passion for the cause, may need help addressing some systemic archetypes that require compliance and risk reduction instead of focusing on programmatic success at the initial

stage (Fromage & Van 2020). However, leaders with self-interest agendas may be inclined to bend the

rules in order or even act selfishly against the organization's best interest.

Nonprofit leaders should be phenomenologically self-reflective and able to assess their motives

and actions from time to time. They should also avoid conflicts of interest and have advisory boards and

mentors to guide them on which ethical and compliance issues to follow (Hillmann & Samers, 2023). If

nonprofit leaders embraced principles of personal integrity with the organization's mission and values,

good governance and the corresponding compliance would be established as a critical foundation for

sustainability and achievement of the intended organizational impact.

Difficulty in Forming a Nonprofit

The formation process of a nonprofit may be complicated due to various legal and regulatory

processes involved. New nonprofits will likely experience challenges in formulating and implementing

efficient event governance structures, mainly if they cannot acquire adequate capital and skills. It

underlines that new nonprofits must pay specific attention to governance and compliance because this

issue may be dangerous and problematic in the future (John et al., 2018). This may involve obtaining

counsel and other specialists, having specific policies and protocols, and hiring appropriate board

members. The Fitzgerald and Peltier (2016) paper offers some principles of information security and

governance, noting that suitable governance procedures should be in place right from the start of any

organization. Further, the authors encourage new nonprofits to allocate resources to technology and

information security to guard information flow and the organization's compliance with legal

requirements. When it comes to new nonprofits, the questions are about how to build a good

infrastructure for governance and ensure its compliance with the law.

However, forming a nonprofit goes beyond just identifying legal and regulatory hurdles. New nonprofits may also find recruiting and retaining quality personnel and volunteers challenging, which may be the case for the new organization (Warburton et al., 2018). New nonprofits may also experience some funding and strenuous relationship-building with major influential players like donors, community groups, and governments. New nonprofits should practice governance and compliance strategically to deal with these challenges. This may entail focusing capital on key strategic and procedural areas, including staff professional development, technological systems, and campus and community engagement (Kolnberger & Koff, 2023). Besides, future development of new nonprofit organizations can look for advice and mentorship from other nonprofits and engage in nonprofit associations and communities.

The survival of a new nonprofit organization can be closely related to how leaders in this organization lead this formation and organizational processes while paying adequate attention to whether or not the organization has a sound governance structure and compliance system in place (Moragues-Faus et al., 2022). With a focus on these areas right from the development stage and a search for resources and specialists, new organizations can create favorable conditions for their development and achieve the set goals.

Lack of Board Governance and Qualified Board Members

Despite the importance of having an efficient board that leads the nonprofit organization to compliance and success, many nonprofits need help acquiring talented board members. In their theoretical work, Islam et al. (2022) point out that effective governance depends on diverse and skilled board members. Nonprofit organizations need well-developed board governance and qualified board

members, as they may need help with compliance and need help to fulfill their missions to the full extent.

The study underscores the need for nonprofits to concentrate on recruitment and board development to achieve individuals with the required relevant knowledge and skills. These include having a clear framework for how the board sits, correctly sourcing for board members, and a continuous staff training framework. Board diversity should be sought so that the board of nonprofits can be staffed by people with experience (Adediran, 2022). Because board governance and development play a significant role in the stipulated compliance and the probable success of the organization, nonprofit organizations must perform these well.

However, having boards with members who lack experience can come back and negatively hurt nonprofit organizations. The research indicated that inexperienced boards sometimes require more to monitor the organization for management and give advice, hence wrong decisions and non-compliance. In addition, boards with a limited number of directors from diverse backgrounds would only be able to present the interests of the served communities, thus being at higher risks of boasting groupthink and bias.

Subsequently, much effort must be channeled to ensure it recruits and develops a board to provide the nonprofit with these qualities. It may involve coming up with a list of competencies needed on the board and the lists of other potential members who may bring in new ideas and experience to the board. In addition, it would be helpful to ensure that the board members are trained in their engagements with different stakeholders to keep increasing their familiarity with the nonprofit organization. Findings by Blevins et al. (2022) indicate that standard corporate governance practices, including independent boards, CEO oversight, and transparency, increase the effectiveness of donor

contributions in supporting a charity's mission. Adopting proper board governance and developing a

proper board enhance a nonprofit organization's likelihood of adhering to legal requirements and

progress fully in achieving its mission over time.

Lack of Education and Resources to Start a Nonprofit

Nonprofit organizations, like businesses, take a lot of time and money to start because

education, resources, and funding are needed. Due to limited resources, many nonprofits may need

help to attain adequate education on compliance and governance structures that are crucial in avoiding

legal implications and other financial difficulties (Thomann et al., 2018). This may refer to creating and

implementing practical training and educational materials, offering monetary and technical support, and

building networks and forums for collaborative learning and information exchange. Policymakers and

funders should dedicate more resources to the capacity support of nonprofit education as they

understand the importance of nonprofit organizations in tackling social challenges and serving

communities. Organizational capacity deficiency can lead to organizational ineffectiveness (Light, 2004).

Education and literature funding to nonprofit organizations offer an opportunity to help reshape the

nonprofit sector for the future, sustaining itself with resources needed to meet current and future needs

appropriate to the twenty-first Century.

The lack of education and resources significantly hampers the ability of individuals in rural areas

to start and sustain nonprofit organizations. Many rural nonprofits face challenges related to insufficient

staff and volunteers, which forces existing personnel to focus on daily operations rather than strategic

processes like planning and evaluation (Light, 2004). To address these challenges, the roles of, and the

relationships between, nonprofits, funders, policymakers, and educational institutions must become

more complex and effective through partnership. It might mean starting some special approaches and

actions toward nonprofit education and improving their performance, especially in the districts or states

with less attention paid. In addition, the findings suggest that more efforts must be made to research

and program evaluation to know the strategies with the type of education and the provision of

resources that nonprofit organizations provide. Emphasis on acquiring education on how to access,

develop, and maintain nonprofits together with provisions for resources for nonprofits will enhance the

development of more diverse, effective, and relevant purposeful nonprofits that are appropriate to

meet the challenges of the current and future issues in our societies and globally.

Nonprofit Compliance

Scholars have made significant attempts to examine how leaders perceive factors contributing

to IRS revocation in the past years. Research indicates that leaders of small-to-medium-sized nonprofits

perceive regulatory compliance and IRS oversight as an annoying rather than an existential threat to

their organizations' viability (Amarante, 2022). Mission focus consistently dominates the leader mindset.

However, losing tax-exempt status fundamentally undermines operating models reliant on public grants,

donations, and foundational support traditionally reserved for charitable entities. A central theme

emerging from the research is that nonprofit executives often need more foundational literacy in the

compliance, regulatory, and reporting environments governing the sector (Dicke & Ott, 2023).

Leadership training emphasizes program design, community engagement, fundraising, and impact

evaluation. However, maintaining exemption requires operating fully within strict statutory bounds. The

fluency gap leads organizations into troubling situations without leaders understanding the environment

effectively. While public service dedication drives most nonprofit leaders, researchers find few have

formal training in precise tax codes, mandated disclosure requirements, oversight systems, and complex

legal frameworks regulating the field (Lecy et al., 2023). In their study, Hammer (2023) found that

leaders of community-based nonprofits view IRS tax exemption requirements as detached from daily

operations. Core mental models surrounding nonprofit management must pay more attention to a sophisticated understanding of oversight rules and compliance.

The perceptual disconnect fosters conditions allowing operational change from essential baselines. Leaders hold assumptions emphasizing their organization's virtuous community contributions, enabling cultures to downplay fiscal and ethical self-regulation. Researchers observe compliance errors in environments where mission dedication fosters dismissing strict operational parameters as unimportant bureaucracy (Hammer, 2023). When leaders feel affirmed by community praise, they instinctually reject compliance essentials as time-wasting obligations unrelated to daily service delivery. From a particular perspective, this contributes to the marginalization of critical regulatory domains.

"Small nonprofits have not been the focus of research on their topics in academia, resulting in a large gap in the literature." (Gugerty, 2009, pg. 246). Nonprofit governance focuses on integrating a multifaceted approach that ensures the maintenance of systematic inventories related to stakeholders' needs, opportunities, decision-making, weaknesses, assets, strengths, and their influence on the completion of specific compliance documents. Whether the board completes these or hires a consulting agency, the board needs to include yearly compliance processes. Conceptualizing legitimacy to correspond to the beliefs and perceptions in the organization's legal, ethical, and moral contexts also helps develop specific actions, such as rule-based interventions, that account for the broad range of consequences of NPO engagement. Sommerer and Agné (2018) recognize that citing the relevant beliefs, perceptions, and environmental engagement for most NPOs is necessary to engage the relevant legitimate institutions, state governments, and affected stakeholders in promoting compliance and regulation of such NPOs. As NPOs still need to generate revenue for social purposes, there is a need to integrate theories of corporate finance and interventions for effective government compliance. Finally,

the complex regulatory system at the federal and state levels that NPOs must deal with demonstrates the importance of integrative compliance processes for monitoring performance.

Non-compliance Leads to Revocation of IRS Status

Previous literature provides empirical evidence concerning IRS status revocation. Lu et al. (2020) investigated the dissolution of NPOs using longitudinal data on US public charities from 2005 to 2015. In this study, the investigators revealed that revenue diversification favored NPOs' survival prospects. However, non-compliance with IRS rules may lead to revocation of IRS exempt status, which may negatively affect the operations of NPOs (Lu et al., 2020). Comparable results to Lu et al. (2020) were reported by Huber (2019), who examined whether NPOs live up to their intended purpose. Huber (2019) indicated that there are specific requirements the IRS has placed on nonprofit hospitals seeking to qualify or maintain tax-exempt status over the years. Failure to comply with the IRS requirements led to the revocation of IRS tax-exempt status, which can be triggered by non-compliance with section 501(r). Lu et al. (2020) also reported that non-compliance with the IRS may lead to the IRS status revocation of NPOs that do not meet or comply with IRS requirements.

Amarante (2021) also reported comparable findings to Lu et al. (2020), who investigated states as laboratories for charitable compliance in the United States. A sample of 500 documents was reviewed, and it was found that the IRS increased regulatory compliance in the charitable sector. Failure to comply with the regulatory requirements led nonprofit organizations to receive IRS status revocation (Amarante, 2021).

Factors Affecting Nonprofit Organizations' Compliance

A consistent research theme attributed to factoring in affecting compliance involves executive overconfidence regarding founding organizational documents providing sufficient clarity and continuing relevance to guide activities (Triplett, 2023). Static documents increasingly diverge from IRS expectations and practices as law, community needs, sector standards, and oversight stringency evolve. Furthermore, leaders leaning on initial organizational certificates as enduring compliance must pay more attention to the need for more vigilant and continuous assessment (Dicke & Ott, 2023). This causes an organization's operations to drift outside the boundaries of baseline requirements for tax exemption over time.

Researchers also uncovered patterns of undisciplined financial management flowing from executive assumptions that close relationships inherently create trust and alignment (Saiia & Schwartz, 2022). Nonprofit executives need to implement sensible accounting controls, audits, conflict-of-interest policies, and procedural checks to encourage misuse of funds. However, leaders inclined to believe in teammate integrity rationalize skipping best practices. This manifests in leaders developing "founder's syndrome" with key partners, perceiving themselves as intrinsically ethical agents immune from sectoral drawbacks like fraud and self-dealing (Saiia & Schwartz, 2022). However, failing to enact policies protecting against insider risks to nonprofit corruption demonstrates compliance negligence regardless of intention. Even negative motives and undisciplined fiscal management erode public trust and IRS confidence.

Problematic disconnects also emerge in governance, with multiple studies showing nonprofit executives rating their board oversight, strategy consistency, and accountability mechanisms much higher than third-party assessment (Bell & Smith, 2022; Gillespie et al., 2023). Leaders asked to self-evaluate governance functionality often describe model institutions while funders, regulators, and auditors observe extensive deficiencies. The perception gap is deeply concerning, signaling risks leaders

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fail to see internally. While arguably some variance is expected between critics, experts caution that leaders believe their organization exceptionally runs contrary to substantial opposing evidence (Dyvik & Haraldsen, 2023). These leaders dismiss legitimate external concerns about deviations from norms and standards. Their grounded confidence negatively impacts the critical thinking required for self-correction. From a particular perspective, there is a need for enhanced executive education around properly maintaining tax-exempt status. Findings suggest many leaders want to act ethically but blur the lines between mission programs, funding pressures, business practicalities, and compliance implications (Lecy et al., 2023). The sector assumptions recounting genuine sacrifice for the greater good foster self-perceptions that are less conscious of statutory obligations. Targeted interventions highlighting interdependencies between business processes and statutory obligations show promise in recalibrating executive mental models.

Existing literature proves that the main perceptions affecting small enterprises' federal compliance can be reduced by underestimating risks, overestimating leader fluency, and disregarding IRS oversight authority concerning mission requirements (Paco & Quezon, 2022). However, the sector relies on voluntary participation and peer accountability, contrasting harsh statutory factors directly linked to vital fund sources. Developing mechanisms that close this perception gap continually must be seen as a systemic characteristic if community nonprofits are to realize their significant potential in society. Thus, studies depict industry leaders as proactive individuals involved in addressing community needs while being passively controlled by the formal compliance duties that empower their activities (Bell & Smith, 2022). While the executives believe they serve the community first, all activities should follow requirements, including liability for setbacks on leaders (Noor et al., 2023). Leaders can develop teams that generate value in the long term and, therefore, contribute to a lasting positive imprint by shifting regulatory literacy from background annoyance to foreground priority. This may include

appointing board members with diverse skills and experience, ensuring that they develop and refresh

their knowledge base, and promoting the board's role and responsibilities in the organization and the

relationship between the board and the management (Carl-Ulrik Schierup et al., 2019). Selecting quality

board members is crucial for developing a team that generates long-term value and maintains

regulatory compliance. Leaders should prioritize individuals with diverse professional backgrounds,

including legal, financial, and nonprofit management expertise, ensuring they bring the necessary skills

and knowledge to navigate complex regulatory landscapes. It's essential to vet potential board members

for their commitment to the organization's mission, understanding of regulatory responsibilities, and

ability to provide strategic guidance.

However, tax compliance fluency is an encouragement for nonprofit members as a key

competence to improve program management skills or fundraising. Leaders' compliance attitude should

be evaluated and promoted with the same level of strategic seriousness afforded to budgets, audits, and

maintaining public faith. Moreover, compliance training should be treated as an orientation need for

nonprofit members rather than a development opportunity (Noor et al., 2023). Such leads started their

careers assuming important organizational roles beginning without well-built fundamentals of

governance stipulations such as fiduciary duty, differences between IRS form 990, benefits (inurement)

restriction, and political activity parameters, condemning them to career disruptions with only positive

goodwill. The primary antidote is transforming executive mindsets, so they no longer see compliance as

a separate bureaucracy (Gillespie et al., 2023). However, the leaders may only develop internal policies,

external messaging, and operational workflows based on a profound insight into how impervious such

boundaries should be to maintain integral tax-exempt status when regulation is not just dismissed as

useless abstractions but comes alive.

It is essential to note that nonprofit leaders are responsible for ensuring compliance and good corporate governance practices. Thus, focusing on the organizational values and behaviors from the top down, cultivating strong stakeholder relations, and investing in effective compliance and reliable change management work side by side to strengthen organizational integrity and assist organizations and their leaders in achieving their long-term strategic goals and societal missions.

Limitations of Self-Regulation of NPOs

Self-regulation, which most NPOs embrace, helps advance accountability and engage essential regulations for the performance of these organizations. However, AbouAssi and Bies (2018) note that self-regulation intervention increases room for developing an inadequate regulatory environment that encourages revenue diversification and private philanthropy. Franz et al. (2019) write that one of the most significant challenges facing regulatory compliance among NPOs is the need to properly identify the essential legal basis for integrative data processing operations. Obtaining consistent and practical data to incorporate legal bases among NPOs is a challenge that requires additional processing and analysis to highlight uncertainties. However, some NPOs face policies with uncertainties regarding their administrative and operational viewpoints. For example, Franz et al. (2019, p. 6) point out that some NPOs take a wait-and-see approach to integrate regulatory processes and hold off until all concepts gain clarity.

Moreover, the authors emphasize that most organizations focus on the public interest to drive regulation. Over time, this approach has become a staple for many nonprofits. It provides space for relevant exceptions and provisions to be subject to varying interpretations that significantly alter the permissibility of such regulatory interventions (Deming, 2018, p. 14). However, as Franz et al. (2019) write, such interpretations are solely in the hands of the NPOs.

On the other hand, retention policies embraced by NPOs challenge effective regulation and policy implementation among the organizations. Franz et al. (2019, p. 7) highlight that data retention policies that minimize data space and time to access information integrated by the minimization principle hinder advanced compliance transparency in organizations. The challenge evident in the retention policies of NPOs is that there are no precise definitions of retention periods (Bach-Mortensen and Montgomery, 2018). For example, no specific regulations exist to demonstrate ways of realizing necessity, parties with access to data, and the period for preserving data. Since the NPOs' administration system and policies currently do not comply with such interventions, the possibility of lack of compliance increases, especially among all engaged subjects (Bach-Mortensen and Montgomery, 2018). The lack of access to relevant nonprofit information through third-party tools challenges driving regulation and appropriate compliance (Franz et al., 2019).

Franz et al. (2019) note that such organizations strive to maintain the privacy of engaged shareholders and donors to avoid malicious attacks. Integrating risk-based assessments and interventions to take organizational and technical measures to defend against threats acts as a guardian and barrier to effective compliance. For example, Franz et al. (2019) insist on integrating such protective approaches to address the targeted and sophisticated attacks that most NPOs face. However, policies that reduce organizational vulnerability by establishing integrative capabilities prevent access to practical documentation and security regarding compliance efforts and concerns (Barnard, 2017). Although some policies aim to advance nonprofit compliance, other interventions focus on advanced protection that hinders the integration of practical strategies and practices of transparency and compliance.

NPOs operate in multiple jurisdictions with different requirements and compliance policies. Franz et al. (2019, p. 8) explain that numerous organizations are experiencing increased challenges in

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complying with the various rights and guidelines integrative through diverse states. The struggles of

conflicting interpretations of provisions across jurisdictions and a shift in privacy protections are leading

to challenges in consultation and implementation (Tovino, 2020, p. 289). In addition, such interventions

create uncertainty in selecting applicable regulations and policies to implement in nonprofit regulatory

compliance.

Self-regulation, especially in the nonprofit sector, has limitations. Dick (2020) focuses on the

failure to adhere to regulatory codes in nonprofit organizations about accountability imperatives and on

the analytical conflation of ends and means. Self-regulation is highlighted as a possibility that may not

guarantee obedience. Hence, outside intervention and supervision might be required to pull the strings

of nonprofit organizations. In the author's view, self-regulation in many circumstances depends on the

goodwill of the nonprofits and may only sometimes successfully address widespread non-compliance

(Atle Midttun. 2021).

Leaders' Role in Compliance

The board of directors' responsibility includes the NPO's overall governance and strength. These

responsibilities include providing adequate resources to support their mission, establishing

organizational policies and operating procedures, hiring and overseeing the executive director officer,

undertaking fiduciary oversight obligations with fiscal policy, and communicating to the community

(Aulgur, 2013). Fraizer (2016) found that 38–50% of new nonprofit leaders fail within the first 18

months.

Bassous (2015) examined the importance of ethical leadership and its effect on employees'

motivation and organizational performance. Schubert and Willems (2021) argue that the NPO's "context

calls for particular attention to the role of leaders' judgments, given the complexity of stakeholder

relationships." Typically, NPOs do not generate monetary returns for shareholders and, therefore, lack a straightforward ownership structure (Schubert and Willems, 2021). They lack a natural hierarchy of stakeholder interests, given that the narrow definition of accountability is about how a nonprofit organization reports its performance to a higher authority (Jeong and Kearns, 2015). Empirical research seeks to explain organizational outcomes based on stakeholder configurations through the careful reflection of operationalizing stakeholder perceptions (Schubert and Willems, 2021). Scheetz et al. (2021) conducted an experiment to understand why nonprofits (or, rather, the individuals at the nonprofit completing the form) choose to disclose or not disclose a significant diversion of assets on Form 990 or through a press release. Their findings suggest the lack of Form 990 disclosure stems from not understanding the IRS's definition of a significant diversion of assets.

The perception of compliance by leaders is shaped by the shared relationship between leaders, NPOs, stakeholders, and the government (Jeong and Kearns, 2015). Given the critical role of the board of directors and leadership, performance is significant in the governance literature (Cornforth, 2001). Accountability is related to stakeholders of such NPOs depending on the visions and missions under pursuit. NPO stakeholders include the government, the donors, and the beneficiaries, who converge at the NPOs in diverse ways to achieve the NPO's core intentions. Research on how perceived and actual detection risk impacts tax compliance finds that penalties arising from the discovery of underreporting tax obligations influence taxpayer compliance (Schauer and Bajor 2007).

Donors and boards of directors are the stakeholders that keep NPOs operational (Jeong and Kearns, 2015). In such a context, nonprofit's employed leaders appear as being 'employees' of donating stakeholders. Employed leaders require motivation, without which transparent accountability may be at stake (Tyler, 2018). In a similar approach, some donors or boards may impose requirements of undocumented returns to make hidden profits, an issue that renders transparent accountability at the

leadership level. Although the structure of NPOs does not require the generation of profits for any of the

stakeholders, a twist in internal operational factors causes leaders to be poorly accountable regarding

IRS compliance. When such is noticed, the result is an interpretation of nonprofits as not being

compliant with ethical standards by the government as required for proper documentation as per the

IRS codes—the view of nonprofit leaders as unethical increases the chances of nonprofit revocation.

Although the nonprofit sector is considered to have leaders lacking adequate managerial skills

and knowledge of accountability, there are several small and compliant nonprofits. Small compliant

nonprofits are only safe if they practice voluntary accountability, which is currently on the rise (Gugerty,

2009). Voluntary accountability is defined as when NPOs aim to have organizational compliance with

financial and ethical standards beyond legal regulations, to establish a rapport of quality and

trustworthiness (Becker, 2018). A large-scale perception of nonprofit leaders as inadequately certified in

the nonprofit industry generally labels them incompetent. A perception of incompetency may lead to

revocation following a slight slip that may be correctable. Under capitalistic or organizational structures,

when leaders perceive themselves as unfit due to generalized labels of lacking training and acceptable

competencies, they likely succumb to negative pressure, contributing to revocations due to avoidable

errors.

NPOs have a challenge finding qualified leaders with the necessary skills to lead the organization

(Kaiser et al., 2008). The gap in leadership training and understanding of nonprofit compliance

requirements is sometimes detrimental to an NPO. Leaders of NPOs are in a constant battle to meet the

financial demands when state, federal, and other donor organizations cannot give them the needed

funds to fulfill their operations (Kamara, 2020). Leaders of NPOs can be good stewards of their entities

and followers through knowledge building or training, effective communications, conflict management,

and role models. Therefore, leaders' perception of compliance is shaped by the shared relationship

between leaders, NPOs, stakeholders, and the government (Jeong and Kearns, 2015). NPO's

stakeholders include the government, the donors, and the beneficiaries who converge at the NPOs in

diverse modes to achieve the NPO's core intentions. Demands for accountability have intensified among

funders, and with leadership struggling to meet those demands, there has been significant progress

(Weisberg, 2019). NPOs are tackling this accountability with assessments related to budget efficiencies,

compliance standards, and the arguable perception of its effect on the nonprofit sector. In response to

this issue, the development of conflict of interest, whistleblower policies, and increased fiduciary

supervision by audit committees. Boards found that while challenging and time-consuming, these new

procedures fit tightly with the traditional functions of the board (Weisberg, 2019).

Income Concealing Behavior by Nonprofit Leaders

Scholars studying misconduct in the United States nonprofit sector have heavily focused on

financial fraud committed by individual perpetrators. This makes sense, given that about 5% of revenue

across all organizations globally, including charities, is estimated to be lost annually due to fraud

(Lamothe et al. 2022). Due to their frequent fraud scandals, NPOs in the US have been subject to

negatively portrayed media and public inquiries (Abu Khadra and Delen, 2020). The concealing of

nonprofits' incomes makes it difficult for the leaders in NPOs to provide the correct information while

filing tax returns. Therefore, these actions by the leaders can lead to the revocation of the tax

exemption given to these NPOs.

Even though there have been thousands of ways to perpetrate fraud, most fraud appears to

follow the fraud triangle, illustrating three key elements in all fraud cases.

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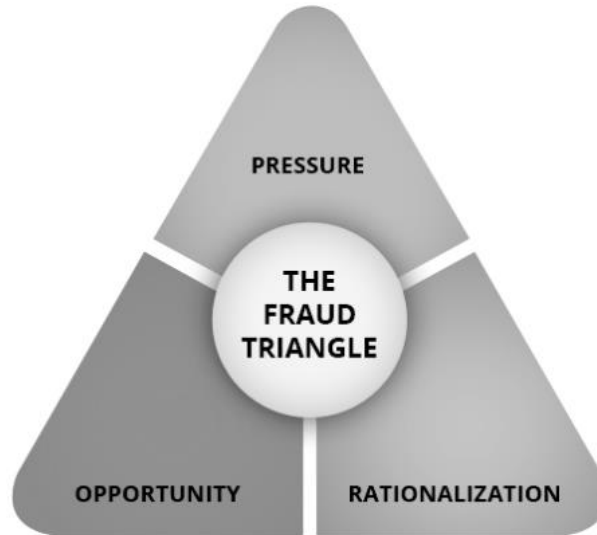
Figure 2 The Fraud Triangle

First, perceived pressure serves as a motive for fraud perpetrators. A twist in internal

operational factors causes leaders to be poorly accountable for IRS compliance. Second, rationalization

allows fraud perpetrators to rationalize their actions as acceptable. Third, the perceived opportunity

allows the fraud perpetrators to believe that committing and concealing the fraud is possible (Abu

Khadra and Delen, 2020). When such is noticed, the result is an interpretation of nonprofits as not being

compliant with ethical standards by the government as required for proper documentation as per the

IRS codes. The view of nonprofit leaders as unethical increases the chances of nonprofit revocation.

Leaders of organizations that do not fulfill their corporate responsibilities of being sensitive to their

communities and employees' needs have low employee morale. They are doomed to fail and go out of

business (Kamara, 2020). On the other hand, despite the frequent failures related to fraud cases

reported in the nonprofit sector and the agreement that NPOs could benefit greatly from proper

governance (Trautman and Ford, 2019; Sail et al., 2019), to date, NPOs have not received remotely

similar interest from the researchers compared with for-profit organizations. Therefore, very little

research has been conducted to examine the impact of governance on fraud in NPOs (Abu Khadra and

Delen, 2020). Fremont-Smith and Kosaras (2003) find that breaches of fiduciary duties by governing

boards are recurring incidents. Although the types of misconduct identified are still mostly financial

(such as misuse of assets for personal benefits, self-dealing, excessive compensation, excessive

expenditures, or improper investment), the involvement of board members or even the board in

scandals may indicate that these incidents are not always isolated events led by a few bad actors.

Inconsistency in the disclosure of fraud occurrences at nonprofits is a continuing problem. According to

the Association of Certified Fraud Examiners (ACFE) (2016; 2018), there was a 13% increase in fraud in

nonprofits reported between the 2016 and 2018 surveys. As Tichy and McGill stated while exploring an

in-depth example of how borderline-reasonable policies can so easily cross the line, "oversight lost

becomes an invitation to cheat" (2003, p. 24-25).

Leaders' Attitude to Filing Tax Returns

In 1996, legislation enabled the IRS to penalize individuals who abuse their positions in NPOs

(Board Source, 2021). Leaders in NPOs perceive that it is unnecessary to file their tax returns with the

IRS. The lack of proper record-keeping regarding the organization's financial status can make filing the

appropriate tax returns with the IRS very difficult. Lamothe et al. (2022) identified that previous studies

have distinguished between intentional, fraudulent behaviors and mistaken or negligent actions, such as

inappropriately using donation funds for lavish compensation. Distinguishing misconduct on the

individual level from the organizational level helps us understand possible causes for misbehavior and

potential preventive measures. Researchers frequently cite biological traits and predispositions (e.g.,

moral identity, self-control) for individual transgression while attributing organizational-level

misconduct to leadership failure and corrupt organizational culture (Lamothe et al., 2022).

This loss of confidence is a critical issue facing leaders in the private and public sectors today

(Tichy and McGill, 2003). In a study conducted by Brown and Robinson, they considered the board's

compliance with regulations outlined in key governance policies and procedures. Using the strongest

weight in predicting the respondents' good/bad idea belief was their response related to one essential

board governance practice. This response predicted that 16.2% of the variance in respondents believed

that if an organization is not compliant with legal governance structures and processes, it becomes

harder to withstand the review processes most foundations use to determine grant awards (Brown and

Robinson). They also found that board non-compliance with prior approved governance structures and

processes could make respondents less able to predict board response to any effort to change the

organization or what board members would do during capacity-building efforts. In another study, Brown

(2018) found that internal voluntary accountability has no effect. However, having no accountability is

associated with less public trust, perceived quality, and donation behavior than minimum legal

accountability.

Theoretical Framework

NPOs can use various theories to illustrate the need to evolve reporting and compliance. Yet,

much discovery is needed to integrate established frameworks to improve organizational practices and

functions. Brown (2018) notes that the compliance process in NPOs is a complex approach that includes

dynamic processes such as cash management, tax reporting, audits, human resource management,

expenditure control, and budgets. The organization must identify the governance challenges that

require interactivity between the board and the various agencies (Kreutzer, 2009). The theories below

could help us understand some findings but were not designed to understand small nonprofit

organizations. However, the theories presented below can help in addressing the research question.

These theories were developed by studying large nonprofit organizations or those with an established

board of directors to address compliance. In this study, the NPOs are qualified to file the 990-N and

failed to maintain compliance. These organizations could have been recently founded and might not

have an established board of directors.

The multi-layered nature of such organizations requires developing and providing guidelines to

assist in implementing and understanding the required compliance elements within the organization.

Cordery and Deguchi (2018) incorporate theories, such as public organizational life and public choice

theory, in developing precise regulations that meet the diverse needs of engaged NPOs and their

environments. There is a natural starting point in theory development: an examination of how the

existing theory and the theoretical categories from the research relate to perceptions of leaders in

nonprofits. The following theories help to understand the implications of large nonprofit stakeholders'

perceptions transforming into organizational decisions and the consequences of non-compliance, such

as revocation. NPOs that lose their tax-exempt status for failing to file reports for three consecutive

years remain on the revocation list, even if their tax-exempt status is restored.

Agency Theory

The foundations of agency theory are fundamentally rooted in principal-agent relationships,

where a contract exists between two parties: the principal and the agent. The principal engages another

party, the agent, to perform a service on their behalf, delegating decision-making authority to the agent.

In a nonprofit context, literature identifies the board of directors as the principal and the manager as

the agent. The manager is responsible for aligning the organization with stakeholder interests (Jensen & Meckling, 1976).

The agency theory explains the scenario of leaders acting as agents and donating stakeholders occupying the principal position. As Cornforth (2001) suggests, directors of an organization should be independent of management. Their primary role is ensuring managerial compliance and acting in the shareholder's best interests (Cornforth, 2001). Callen, Klein, and Tinkelman (2009) explained how agency theory supports the board of directors by monitoring costs and goals. Agency theory is often cited in nonprofit board governance research because of its focus on the board of directors' responsibility related to internal governance (de Andrés-Alonso et al., 2003). Under the Agency Theory, agents are expected to remain aligned with the guidelines of their superior principals, although they also pursue motivation (Tyler, 2018). Failure by either of them to satisfy internal associations may mean a buildup of conflicts. While this theory can help explain some of the financial burdens that arise from maintaining shareholders' best interests, the agency theory applies to organizations with an established board of directors that acts as the agency in charge of compliance.

According to Bendickson et al. (2016), the formal agency theory presented by Jensen and Meckling in 1976 outlines the relationship between principals and agents. In this context, shareholders are the principals who make decisions and delegate decision-making power to the managers, who act as agents. Managers may not always act in the best interests of shareholders due to self-interested objectives and information asymmetry. Panda & Leepsa (2017) argue that this dynamic sets the stage for issues such as moral hazard and adverse selection, where agents pursue personal success at the expense of the principals. To address this, agencies employ performance-based incentives, monitoring, and contractual agreements.

In the nonprofit sector, the principal-agent relationship is even more complex due to the diversity of stakeholders. The interests of donors, board members, staff, and beneficiaries often do not align. While for-profit organizations can easily measure efficiency through financial performance, nonprofits must balance fulfilling their mission with ensuring economic sustainability (Ressler et al., 2021). This complexity demands rigorous compliance mechanisms to ensure the efficient and ethical use of resources. Puyvelde (2013) notes that adapting agency theory to nonprofits helps understand how these organizations navigate the unique challenges their diverse stakeholder groups pose. Moreover, nonprofits operate under a dual accountability structure, which is accountable to donors and beneficiaries.

Donors provide the funding needed to further a nonprofit's mission, while beneficiaries receive these services or goods. This dual accountability creates a network prone to agency problems. Donors act as 'principals,' expecting the nonprofit's management to use their funds in ways that align with the organization's stated mission and goals (Ressler et al., 2021). However, information asymmetry and differing priorities can lead to management actions that do not fully align with donor expectations. A critical aspect of agency theory in nonprofits is the issue of mission drift. Grimes et al. (2019) describe mission drift as a situation where a nonprofit's activities diverge from its original mission, often due to external pressures, such as funding availability for certain programs.

Mission drift can be seen as an agency problem where management pursues financial opportunities that may not be central to the mission to support themselves financially. To mitigate the risk of mission drift, nonprofits must establish robust governance frameworks that ensure adherence to their mission, financial viability, and effective communication of their mission (Grimes et al., 2019). This includes regularly monitoring and evaluating programs, engaging donors in decision-making, and maintaining transparency and accountability. Puyvelde (2013) emphasizes that effective governance is

crucial for resolving nonprofit agency problems. The governance structure typically includes a board of directors that oversees management, ensuring the organization stays true to its mission and complies with legal and ethical standards.

The board serves as a bridge between donors and management, providing oversight and accountability for funds. The effectiveness of this governance system depends on the board's composition, expertise, and commitment to the organization's mission. A well-integrated board can mitigate agency problems by establishing clear policies, monitoring management activities, and ensuring transparency and accountability (Masoud & Basahal, 2023). Transparency involves disclosing all information regarding the organization's operations, financial position, and decision-making processes. Accountability involves mechanisms that hold management responsible for their plans and decisions.

These principles promote stakeholder trust and prevent agency problems. Enhanced transparency in nonprofits includes publishing financial reports, program evaluations, and impact assessments. Accountability mechanisms may involve performance evaluations, audits, and stakeholder feedback systems. According to Masoud & Basahal (2023), a culture of open disclosure and accountability helps ensure that all activities align with the mission and donor expectations. Compliance in the nonprofit sector involves adhering to various legal, regulatory, and ethical standards, including federal and state laws related to tax-exempt status, fundraising regulations, and employment laws. Ethical standards in financial management and program conduct are also critical to avoid conflicts of interest.

Failure to meet these standards can result in legal penalties, loss of tax-exempt status, and adverse publicity. Agency theory provides a framework for enforcing compliance through governance mechanisms and accountability structures. Effective financial management ensures funds are spent

appropriately and within donor restrictions and legal requirements. Financial mismanagement can be detrimental, leading to a loss of donor trust and potential sanctions.

Governance Theory

Research studies on corporate governance began with the work of Berle and Means in 1932. Their research remains relevant today, as highlighted by Seki and Clarke (2014), who focused on the separation of ownership and control, where managers determine the direction of the enterprise. Governance is viewed both as a monitoring and enabling role, emphasizing accountability, transparency, and ethical business conduct (Gregory, 2017; Ibrahim & Samad, 2011; Malla, 2010).

Governance theory is viewed as both a monitoring and enabling role that keeps watch on the performance of management with requirements of accountability, transparency, and ethical business conduct (Gregory, 2017; Ibrahim & Samad, 2011; Malla, 2010). Governance theory has evolved significantly, encompassing various frameworks and approaches to explain and improve the structures and processes that define organizational behavior. One of the foundational theories in governance is agency theory, which addresses the relationship between principals and agents, typically donors and members on one side and board members and executives on the other. Agency theory applied to nonprofits focuses on ensuring that agents act in the principal's best interests despite the incentives for agents to deviate and information asymmetry. According to the theory, robust governance mechanisms, such as a board of directors, are essential for mitigating these challenges and ensuring accountability. Governance theory explores how authority and accountability are structured and exercised within organizations and society, integrating insights from economics, sociology, and political science to understand and improve governance practices (Donnelly-Cox et al., 2022).

Nonprofit organizations use several distinct governance models, each with strengths and weaknesses. The most common model is a board-governed organization, where a board of directors holds authority and responsibility for the organization's activities (Bruni-Bossio & Kaczur, 2021). Often comprising volunteers, the board brings diverse experiences and perspectives to strategic management and oversight. Effective board governance requires clear roles and responsibilities, regular performance evaluations, and a commitment to ethical standards and compliance.

Another prevalent model is the advisory board structure, where guidance and expertise come from a separate advisory board that lacks formal decision-making authority (Bruni-Bossio & Kaczur, 2021). This model enhances governance by adding specialized knowledge and external perspectives to policy decisions but may create coordination and accountability challenges. Smith (2010) notes that some nonprofits adopt a hybrid model, integrating elements of board governance and advisory structures. Hybrid models balance different voices and expertise with transparent decision-making authority and accountability, fitting large or complex organizations with multiple governance tiers that manage various programs and stakeholder relationships.

Research shows that nonprofits face several regulatory and ethical compliance requirements. Compliance includes adhering to all applicable federal, state, and local laws, such as tax provisions, labor legislation, and reporting requirements. Industry standards and best practices, particularly those set by the Internal Revenue Service for maintaining tax-exempt status, are crucial (Bottiglieri et al., 2011). A critical compliance challenge for nonprofits is sustaining financial accountability and transparency, requiring proper accounting, regular audits, and full financial disclosure to stakeholders. Filing Form 990 with the IRS, containing information on the organization's finances, governance, and activities, is essential (Butler & Butler, 2016). Non-compliance with financial reporting can result in sanctions, including loss of tax-exempt status and reputational damage. From an economic standpoint, nonprofit

governance is often viewed as a specialized form of corporate governance. This perspective addresses

critical questions about which stakeholders make significant and specific investments in nonprofit

organizations and how these investments are protected without formal contracts or legal institutions.

Key governance mechanisms, such as boards and legal protections, are essential to safeguard

stakeholders' residual rights of control. This approach underscores the importance of authority

distribution and accountability in ensuring that nonprofit organizations operate effectively and in the

best interests of their stakeholders (Donnelly-Cox et al., 2022).

Managing conflicts of interest is another critical compliance area. Nonprofit board members and

executives often hold multiple interests that can create the appearance of conflicts. To enhance

corporate governance, nonprofits must establish stringent conflict-of-interest regulations and make

disclosures available, including recusal procedures and independent reviews to ensure strict ethical

compliance (Roy et al., 2022).

According to Renz et al. (2022), governance is vital for nonprofits to create their vision and

secure public trust. Proper structures and procedures improve accountability, transparency, ethical

practices, compliance, and organizational effectiveness. Nonprofits need robust governance systems to

address regulations, manage risks, and meet stakeholder expectations. Theoretical improvements and

adaptations in governance theory have significant implications for nonprofits (Renz et al., 2022).

Governance should be viewed not as a static event or structural exercise but as a dynamic process

requiring ongoing review and adaptation. This involves performance assessments, board training, and

policy updates, fostering a culture of continuous learning and improvement, and ensuring nonprofits

remain relevant and upholding governance standards.

Stakeholder Theory

Applying Stakeholder Theory to nonprofit compliance involves establishing control mechanisms for effective monitoring, inspection, and compliance enforcement. Schubert and Willems (2021) explain how organizational decisions are based only on stakeholder power, reducing the difficulty of how leaders' stakeholder perceptions will lead to organizational decisions. This study introduces the nonprofit literature that integrates agency theory into stakeholder theory. In doing so, they better understand the relationship between stakeholder power and representation.

First, they identified differences in stakeholder perceptions between board members and managers to imply that stakeholder analysis, as an important element of strategic planning, should always be an outcome of the effort of a team that includes the leadership team members holding various positions in the organization. Differences in stakeholder perceptions should then be openly discussed to determine when they are desirable and harmful (Schubert and Willems, 2021).

The stakeholder theory may explain revocations based on general labels of leaders as incompetent (Schubert, and Willems, 2021, p. 642). Under the stakeholder theory, a single correctable mistake due to generalized labeling of all nonprofit leaders, including the good ones, may result in revocation. Stakeholder theory has been criticized for lacking predictive power about the individual agency that goes beyond judgments of the organizational environment (Schubert & Willems, 2021). Professional managers, when evaluated based on the financial performance of the organization, are expected to grant a representation surplus to donors. At the same time, board members might emphasize the representation of beneficiaries and community interests. Therefore, we expect that stakeholder perceptions differ systematically between these two types of organizational leaders. (Schubert and Willems, 2021).

According to Stakeholder Theory, organizations must consider the interests of all individuals with a stake in their activities, whether for-profit or nonprofit (Freeman et al., 2021). Nonprofit organizations operate in an increasingly challenging environment, regulated by numerous legal and ethical requirements. Because the nonprofit sector is mission-driven and relies heavily on public trust and funding, it is held to higher ethical standards than its for-profit counterparts. Compliance in this sector ranges from tax compliance and reporting to good fundraising practices and protection against conflicts of interest. Stakeholder Theory helps explain the management of these compliance obligations by emphasizing the need to harmonize and integrate the interests of various stakeholders.

One aspect of Stakeholder Theory relevant to nonprofit compliance is its focus on accountability and transparency. Agbakpe (2022) notes that nonprofits are accountable to various stakeholders: donors who provide resources, beneficiaries who receive services, regulatory bodies that oversee them, and others. Engaging substantially with stakeholders and being responsive to their needs can win trust and increase legitimacy. For nonprofits, trust is a valuable asset that directly affects their ability to attract donations and garner support. Stakeholder-oriented governance practices help nonprofits meet compliance requirements and maintain public trust. For example, ongoing and open communication about financial health, programmatic outcomes, and organizational challenges can reduce non-compliance risks and enhance overall accountability.

Stakeholder Theory also highlights the role of ethical leadership and decision-making in compliance. Hinds (2019) states that nonprofit leaders set the organizational culture and tone for appropriate behavior. A stakeholder-oriented approach empowers leaders to create proactive and enabling environments, framing compliance not just as adherence to the law but as a core value aligned with the institution's mission and ethical standards. This fosters a culture of integrity, integrating ethical concerns into all elements of decision-making and operations. Studies have shown a close connection

between ethical leadership and better compliance outcomes, as such leaders encourage the proactive identification of potential compliance vulnerabilities before issues arise.

Another critical component of Stakeholder Theory in driving nonprofit compliance is stakeholder engagement in governance and decision-making processes. Inclusive governance structures involving donors, beneficiaries, or representatives from their communities can leverage diverse perspectives and insights, making it easier to identify potential compliance risks (Bruni-Bossio & Kaczur, 2021). When involved in decision-making, stakeholders feel a sense of ownership and commitment, encouraging compliance and ethical behavior.

Stakeholder engagement and dialogue are vital dimensions of Stakeholder Theory related to nonprofit compliance. According to Wang (2021), engaging stakeholders through regular consultations, feedback mechanisms, and collaborative initiatives can provide valuable insights into emerging compliance challenges and opportunities for improvement. For example, involving beneficiaries in program evaluation can highlight areas not meeting required standards, leading to early interventions. Additionally, involving donors in evaluating the organization's financial reports enhances accountability. Addressing stakeholder complaints and concerns can prevent minor issues from escalating into major compliance problems.

The Public Choice Theory

Public choice theorists argue that individuals engage in misconduct based on their calculation of the benefits and costs of such behavior. This theory explains that NPOs are responsible for maintaining public interest in implementing general regulations like effective financial governance that supports such charities by increasing compliance. Cordery and Deguchi (2018) find that integrating public choice promotes the integration of effective government regulative mechanisms that encourage inter-

jurisdiction and party engagement in policy development and integration for the demotion of implementation in the self-interests in NPO management. As Franz et al. (2019) note, the focus on various parties' interests and roles in advancing compliance among NPOs is a concept worth increased focus on to yield high-level and essential findings for advancing compliance among the organizations. For instance, even though NPOs acknowledge the relevance of developed state laws and observations, the organizations choose to integrate proportionate and risk-based approaches that engage diverse practices in policymaking and integration of specific legal restrictions and advancements in such organizations. As McConville and Cordery (2018) second, the engaged monitoring networks among NPOs take on diverse frameworks like intervention logic, logical perspectives, and result-oriented accountability to advance responsibility and performance.

According to Shaw (2014), public choice theory bridges economics, science, and politics by explaining how individual self-interested actions influence group decisions. At its core, public choice theory posits that every actor's behavior is driven by a self-interested goal to maximize utility. When applied to nonprofit organizations, this theory helps to understand how self-serving actions by different stakeholders may either align with or contradict the organization's purpose and legal requirements. For example, board members may be motivated by charitable desires, personal fulfillment, or prestige. These interests can conflict with what is best for the nonprofit or with regulatory requirements, creating incentive problems and governance issues as compliance may be compromised to protect private interests.

Empirical studies highlight the complexities of board dynamics in nonprofit organizations (Counts, 2020). Prior research emphasizes that suitable governance structures are essential for ensuring compliance and accountability. Diversity in experience and preferences within a board can reduce the risk of decision-making being dominated by self-interested behavior. However, this diversity also poses

challenges in recruiting and retaining eligible board members who are willing to work voluntarily while adhering to rigorous compliance mechanisms. Public choice theory suggests that board members' commitment to compliance can be motivated by intrinsic or extrinsic incentives, such as recognition, personal fulfillment from contributing to a meaningful cause, and networking opportunities (Counts, 2020).

Public choice theory explains how self-interested behavior impacts organizational compliance (Shaw, 2014). Managers, under pressure to demonstrate impact and secure funding, may prioritize programmatic success and donor satisfaction over compliance, focusing on short-term outcomes and potentially neglecting compliance practices. Staff motivations, including job security, professional development, and organizational loyalty, can either support or hinder compliance efforts, depending on their alignment with the organization's regulatory framework. In a culture of compliance, aligning staff members' self-interests with compliance goals can facilitate adherence to regulations.

Donors and volunteers also play a role in the nonprofit compliance landscape, further complicating it. Donors often demand to see the results of their contributions, pressuring nonprofits to minimize administrative or compliance expenses. This donor-driven mindset can lead to underinvestment in compliance infrastructure, increasing the risk of regulatory breaches. Educating donors about the importance of compliance in sustaining the nonprofit's mission can help adjust their expectations and garner their support. Volunteers, driven by altruism, social connections, and personal interests, provide valuable resources to nonprofits. However, their informal status and lack of formal training make it challenging to ensure compliance with organizational policies and regulations. Establishing volunteer training programs and guidelines that align volunteers' self-interests with compliance objectives can mitigate these risks.

Public choice theory also affects the regulatory environment, as policymakers and regulators, driven by self-interest, create policies. Butler and Butler (2016) note that regulations on nonprofits often aim to ensure accountability, transparency, and public trust, but they can also be influenced by political and economic interests, leading to a complex and sometimes contradictory regulatory landscape. Policymakers must balance public interest with political gains when introducing regulations that support or hinder nonprofit compliance. Nonprofits, through advocacy and voicing concerns, can influence regulatory designs to better suit their operational realities and compliance capabilities.

Shaw (2014) asserts that public choice theory has numerous practical implications for nonprofit compliance. If stakeholders are self-interested, governance structures, incentive systems, and organizational cultures must be designed to promote compliance. Nonprofits can benefit from reliable internal controls, transparent reporting mechanisms, and ongoing education and training programs to embed compliance deeply into their operations. A culture of accountability, where compliance is everyone's responsibility, can reduce the risks arising from self-interested behaviors.

CHAPTER 3: METHODOLOGY

Research Strategy

The research strategy provides the general direction of the research study and includes the procedures and techniques used to conduct the research study. There are numerous research strategies found in the literature that are used by researchers depending on the objective of their research study (Steyerberg et al., 2013). Creswell (2007) states that qualitative research allows the "voices of our participants to speak and carry the story through dialogue" (p. 43). The empirical evidence is collected through qualitative data based on data sources where participants are contacted directly to obtain the most relevant data. Grounded theory design is valuable when the goal is to uncover explanations rather than merely describe events (Creswell & Poth, 2018; Ng & Hase, 2008). However, this research study did not choose a grounded theory design because it aims to understand the perceptions of leaders of small NPOs regarding compliance that influences getting their IRS status revoked.

Research Design

Thematic analysis is a highly popular technique among qualitative researchers for analyzing qualitative data, which usually comprises thick descriptive data (Naeem et al., 2023). Specifically, the qualitative data collection method was chosen to gather more detailed and subjective information (Goddard and Melville, 2004) about the perceptions of small nonprofit leaders regarding their organizations and the IRS's systems that increase their risk of being revoked. This qualitative study will be used to discover the reasoning and logic behind the actions of the leaders at small NPOs that had tax-exempt status revoked. Another justification for opting for the qualitative design is that the field of IRS revocation and leaders' perceptions in small NPOs have not been studied. The limited literature in this area contains only scattered findings that do not lead to developing a theory or standardized argument.

Ultimately, this study aims to contribute to the theoretical development of small NPOs in the context of IRS revocation by discussing various issues of nonprofit leaders' perceptions that drive them to lose tax-exempt status. There is a gap in the research, as most researchers focus on large nonprofit organizations or those with secondary data such as full 990 forms or 990-EZ. Little is known about those who file 990-Ns since the form does not require them to input any financial data.

A study done by Arbogust (2020), "Why do nonprofits fail?" failed to include small nonprofit organizations. Arbogust included only organizations that file Form 990 and claims that "organizations filing the 990PF (private foundation), 990-N (ePostcard, revenue under $50,000) are unlikely to add value to this study. Those that file 990PF are private foundations and likely have few independent board members and concentrated revenue. Organizations that file a 990-N have revenues less than $50,000. Ultimately, those that filed a Form 990 EZ were also excluded. Form 990-EZ is filed by organizations with revenue of less than $200,000 and assets of less than $500,000. These organizations, while important to the nonprofit ecosystem, are often not as professional and are therefore excluded from this study" (Arbogust, 2020, p.49). Arbogust is not the first nor the last to make such claims; therefore, this qualitative study hopes to solve such gaps. Thus, this study contributes to filling the gap in the literature by providing evidence to support the arguments and discussions so that the theoretical foundation in this area can be developed.

IRB Approval

Before commencing the research, all necessary documents were submitted to the University of Central Florida Institutional Review Board (IRB). The IRB ensured compliance with ethical standards and safeguarded the rights and welfare of the respondents. The researcher strictly adhered to ethical

guidelines, particularly in maintaining participant confidentiality. The study posed minimal risks, as identified by the researcher, including no physical or psychological harm to participants.

Participation in the study offered the benefit of a $50 Amazon Gift Card. Interview records were kept confidential, and any recordings made during the dissertation process were securely stored. The study reports contained only general demographic information about participants, ensuring their anonymity.

Participation in the study was voluntary, and participants could withdraw at any stage without facing adverse consequences. Before participation, participants signed an informed consent form detailing the study's purpose, procedures, potential risks, confidentiality measures, and the option to withdraw. The study received approval from the University of Central Florida's Institutional Review Board.

Participant Selection

For this study, participants (i.e., NPO leaders) were recruited through purposive sampling. Purposive selection will ensure that the sample population will be currently operating NPOs in the State of Florida. The purposive sampling method frames specific characteristics and variables representing the population (Nachmias et al., 2015). Participant selection will occur using the IRS Automatic Revocation of Exemption List. The IRS publishes this list and contains the information of organizations whose tax-exempt status was automatically revoked because of failure to file a required Form 990, 990-EZ, 990-PF, or Form 990-N (e-Postcard) for three consecutive years. Using this list, the researcher contacted nonprofit leaders of revoked nonprofit organizations between 2020 and 2023 with a $50,000 or less revenue.

12,210 nonprofit organizations were revoked between 2020 and 2023 in Florida (Internal Revenue Service, 2024). Due to the large number of organizations, a systematic approach was adopted to establish contact with potential participants. Initially, a list pull was conducted, targeting over 700 revoked nonprofits in Florida through direct mail postcards and more than 200 email contacts to a final count of 10 successful interviews. While three organizations initially expressed interest but ultimately "ghosted" and failed to participate, other efforts were implemented to ensure organizations understood the research goals. A dedicated webpage was designed to provide comprehensive information on the study, highlighting its objectives, methodologies, and anticipated benefits to encourage participation. Subsequently, additional efforts were made to reach the remaining organizations by leveraging alternative communication channels, such as email correspondence and engagement via pertinent Facebook group pages. Email outreach emerged as the most effective method for eliciting responses from prospective participants. Despite the small number of interviews, data saturation was carefully considered throughout the study. Although ten interviews may seem insufficient, the richness and consistency of the responses provided valuable insights that confirmed theoretical saturation. This enhanced the validity of the findings, demonstrating that the limited number of interviews successfully captured the diverse perspectives required for meaningful analysis.

Nonprofit leaders whose organizations met the criteria above were invited to participate in the study. The recruitment process served as a crucial precursor to the subsequent data collection phase, facilitating the engagement of relevant stakeholders and enriching the depth of insights garnered in this study. Nonetheless, the researcher attempted to obtain a response rate of at least 10 interviews or until data saturation has been reached. Data saturation will ensure that further data collection will yield similar results and that there is enough information to replicate the study.

Data Collection Procedure

Interviewing nonprofit leaders was the primary part of the qualitative data collection process. The advantage of primary data sources is that they provide the researcher with current information. Over time, individuals' behaviors, perceptions, and attitudes or organizations' circumstances may change, so the data source provides the researcher access to the most current information. It also helps to gather the most relevant information regarding the study's objectives. This data source is available to the public but collected by the owner for other purposes (Mohajan, 2018). However, it is ethically permissible for stakeholders to use this data.

Before the start of individual interviews, participants were required to complete a screening survey. This survey, created using Microsoft Forms, aimed to establish inclusion criteria. Questions included inquiries about participants' affiliation with nonprofit organizations, the size and industry focus of their organizations, their roles within these organizations, and their years of experience in leadership positions. The data source consisted of approximately 10 survey questions (refer to Appendix A for the survey questions) representing demographics and insight into the board's governance, size, experience, and funding and 10 semi-structured interview questions (refer to Appendix B for the interview questions). This study will include NPOs incorporated in Florida and revoked between 2020 and 2023. The unit of observation in this study is the small nonprofit leader. Upon confirming that participants met the screening requirements and provided consent to participate in the research, interviews were started.

Interviews began with a disclaimer that the interview was being recorded. Anonymity and review of the agreement were explained to participants. Participants were able to leave their camera off. A detailed list of the semi-structured interview questions can be found in Appendix B. Automatic

transcription features available on the Zoom platform facilitated the transcription of the interviews.

Interviews are widely used in communication, the social sciences, the humanities, business, and other

research areas to understand cultural, sociological, psychological, linguistic, and consumer behaviors. A

semi-structured interview includes a flexible guide and closed-ended and open-ended questions

(Croucher and Cronn-Mills, 2021).

Data Analysis

The transcriptions of the semi-structured interview were then loaded into Dedoose for analysis.

Dedoose is a qualitative analysis computer software (http://dedoose.com). The codes are then used to

develop the themes for the study's findings. The themes relate to the leaders' perceptions in the

nonprofit organization that caused the revocation of IRS tax-exempt status. These themes are then

addressed and discussed, considering the existing literature to assess their authenticity.

Inductive reasoning was chosen as the research tool for this study's analysis. The primary

justification for selecting the inductive approach is that the subject area of the present study needs to

be developed in the literature and still needs theoretical development. Therefore, the inductive

approach supports the idea by allowing the researchers to observe a particular phenomenon (Teherani

et al., 2015). In the present study, the researcher observed the factors of IRS revocation for small

nonprofit organizations for which there is no research and literature. This research collected qualitative

data to analyze the perceptions of small nonprofit leaders that led them to be revoked by the IRS.

Therefore, this study also aims to develop the theoretical basis for the perceptions of small nonprofit

leaders that lead to the revocation of IRS tax-exempt status. In contrast, the deductive approach starts

from an already-developed theory and focuses on collecting data, gaining insights, and supporting or

rejecting the theory based on the study's results (Zimmerman et al., 2010). However, a deductive

approach does not fit the topic of this study because the agenda examined in this study has yet to be developed in research. In addition to coding the interview transcripts, the study involved a thorough review of secondary documentation for each nonprofit based on the survey to understand the organization. This included examining how old the organization was in existence, how many board members did they have and how many were active. The process of coding interview transcripts, in conjunction with the review of the initial survey, enhanced the internal validity of the study through triangulation. Triangulation is a strategy employed by qualitative researchers to gather various forms of data pertinent to the research question(s), aiming to identify consistencies or inconsistencies across the collected data. (Leedy & Ormrod, 2016).

Initial Coding

The initial phase of coding involved a thorough reading of each interview transcript to identify significant statements and passages. These initial codes were created to capture the essence of the participants' experiences and perceptions. The initial codes were broad and descriptive, aimed at encapsulating the core ideas expressed by the interviewees. Table 1 below provides the connections between the research question, theories, and the initial coding themes.

Code	Description	Category
Personal health challenges	Experiences related to the founder's personal or familial health issues motivated the nonprofit's creation.	**Initial Motivation and Goals**
Inspired by personal journey	The founder's own life experiences and personal growth that inspired the establishment of the nonprofit.	
Addressing community needs	Efforts aimed at meeting specific needs within the community that the nonprofit was created to address.	
Unfamiliar with legal requirements	The founder's lack of knowledge regarding the legal steps and obligations required to start and maintain a nonprofit.	**Formation Process**
Overwhelmed by administrative tasks	Feelings of being burdened by the extensive administrative work involved in running a nonprofit organization.	
Legal support	The role of attorneys and consulting services in helping to set up and manage the nonprofit's legal framework.	
Family members as board members	Initial board composition predominantly consisting of the founder's family members.	**Leadership and Governance**
Involving inexperienced board members	Regret for not involving more experienced professionals and the desire to transition to include more experienced and professionally aligned individuals in the board and leadership positions.	
Reliance on external help	Dependence on outside individuals or organizations for administrative and compliance-related tasks.	
Missed filings	Instances where required tax or compliance documents were not submitted on time, leading to complications.	
Failure to comply with IRS requirements	Challenges related to adhering to IRS regulations and the resulting consequences for the nonprofit.	
Desire for better resources	There is a need for more comprehensive and accessible resources to support the nonprofit's operations and compliance.	**Lack of Resources and Education**
Need for compliance guidelines	The requirement for clear and detailed guidelines to help the nonprofit meet legal and regulatory standards.	
Financial planning	Understanding the financial commitment required to open and run a nonprofit and ensure its sustainability and compliance is crucial.	

Developing Categories and Subcategories

After the initial coding, the codes were reviewed and grouped into categories and subcategories. This process involved identifying patterns and relationships between the codes. Dedoose's features allowed for the visualization of code co-occurrence and the development of a hierarchical coding structure. The main categories identified were:

1. Initial Motivation and Goals

2. Formation Process

3. Leadership and Governance

4. Lack of Resources and Education

Within each of these categories, subcategories were developed to provide a more thorough understanding of the themes. The coding process for each category and subcategory is described below:

Initial Motivation and Goals

Personal Experiences: This subcategory included codes related to leaders' personal stories and experiences that motivated them to start the nonprofit. For example, codes like "personal health challenges" and "inspired by personal journey" were grouped under this subcategory.

Community Impact: This subcategory encompassed codes that highlighted the desire to make a positive impact on the community, such as "addressing community needs."

Formation Process

Lack of Preparedness: Codes in this subcategory captured the leaders' feelings of unpreparedness and the challenges faced during the initial setup. Examples include "unfamiliar with legal requirements" and "overwhelmed by administrative tasks."

Assistance from Legal and Professional Services: This subcategory included codes related to the support received from attorneys, consultants, and other professionals. A code like "legal support" was used here.

Leadership and Governance

Family and Friends Involvement: This subcategory included codes related to the initial involvement of family and friends in the board and governance structure. Codes like "family members as board members" and "friends in leadership roles" were grouped here.

Evolution of Board: This subcategory captured the changes and professionalization of the board over time. Example code "involving inexperienced board members."

Administrative Oversight: This subcategory focuses on issues related to compliance and administrative errors. Codes such as "missed filings" and "failure to comply with IRS requirements" were included.

Miscommunication and Dependence on Others: Codes in this subcategory capture the reliance on others for administrative tasks and the resulting miscommunications. An example code includes "reliance on external help."

Lack of Resources and Education

Need for Clear Guidelines: This subcategory focused on clearer guidelines and resources for nonprofit management. Codes such as "desire for better resources" and "need for compliance guidelines" were included.

Financial Prudence and Sustainability: Codes in this subcategory highlighted the importance of financial planning and sustainability. Examples include "financial planning" and "sustainable funding strategies."

The data analysis involved initial coding to capture significant statements, developing categories and subcategories through pattern recognition, and using Dedoose to organize and visualize the data. This process resulted in a detailed understanding of the themes related to nonprofit governance and compliance, informing the recommendations and conclusions of this study.

Trustworthiness

Research is defined as producing new knowledge and applying pre-existing knowledge to produce novel ideas, approaches, and comprehensions to various issues (Creswell and Poth, 2018). Qualitative research is defined as a technique that investigates and comprehends meanings assigned to certain social and/or human issues. Qualitative research offers many benefits; process-based, narrated, and storied data can only be obtained through qualitative research because it is more closely related to the human experience (Stahl and King, 2020). In qualitative research, the researcher serves as the primary research tool (Bloomberg and Volpe, 2008). This allows the researcher to interact and learn about the participants' meanings and find various interpretations. This research also offers a natural setting and the ability to use multiple open-ended sources. On the other hand, the quantitative research

technique verifies objective theories by investigating the relationship between variables, measuring

them then statistically analyzing the results (Creswell and Poth, 2018). Despite significant differences in

data collection techniques, methodologies, and analyses, they are similar in that while qualitative

researchers rely on credibility, transferability, dependability, and confirmability to achieve

trustworthiness, quantitative researchers rely on validity and reliability to gain academic approval

(Golafshani, 2003; Shenton, 2004).

Addressing confirmability, transferability, dependability, and credibility as proposed by Guba

and Lincoln, is key to ensuring trustworthy qualitative research (Shenton, 2004). Successful interactions

with each setting can help establish credibility through interviewing processes and techniques,

establishing investigators' authority, gathering adequate reference materials, and peer debriefing.

Dependability can be addressed through a detailed explanation of the research methods, creating an

audit trail, replicating the data incrementally, confirmability through triangulation, and transferability

through rightful sampling.

Credibility

Credibility guarantees the establishment of truthful results. Credibility is the qualitative researcher's ability to determine whether the study's findings are correct and accurate. Harrison and MacGibbon (2001) also associate the concept of trust with ensuring one's data and research work is credible, reliable, and believable by various stakeholders. Validity demonstrates that the researcher validates the findings using procedures, and reliability demonstrates consistency in the approach used (Creswell and Poth, 2018).

Transferability

Transferability validates the extent to which the findings can be applied to other areas. Also referred to as the external validity of the findings, transferability is key in this qualitative study of several nonprofit organizations representing a wide variety of industry categories and diverse missions. The State of Florida is a good area model for several reasons. Diversity, political strata, and a reflection of organizations' different working sizes are among the few reasons this area was selected.

Dependability

Dependability guarantees repeatable findings. Dependability refers to the consistency and reliability of the research findings and the degree to which research procedures are documented, allowing someone outside the research to follow, audit, and critique the research process (Sandelowski, 1986).

Confirmability

Confirmability guarantees the ability to corroborate. Shenton defines (2004), confirmability as "the qualitative investigator's comparable concern to objectivity" (p. 72).

Triangulation in Qualitative Research

According to Rose and Johnson (2020), reliability in qualitative research is characterized by methodological quality, researcher legitimacy, the veracity of the findings, and the applicability of the research methods. Denzin and Lincoln (2017) suggest triangulation as one of the strategies that researchers can use to ensure validity and reliability. It entails using many methods and data sources to develop a deeper and more meaningful understanding of a topic.
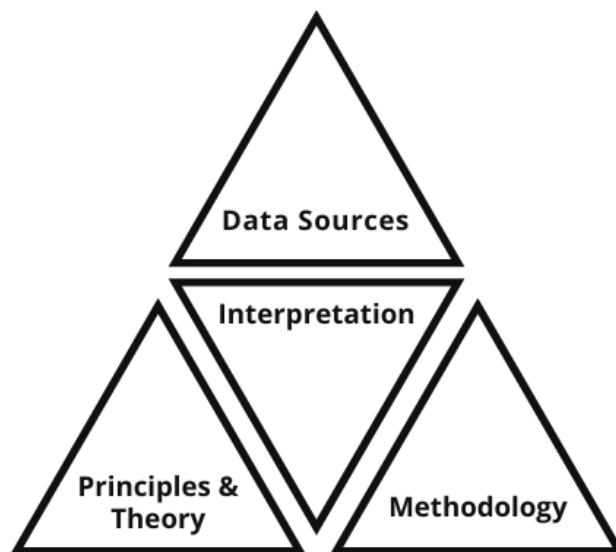

Figure 3 Triangulation in Qualitative Research

Golafshani (2003); Shenton (2004) also argue that trustworthiness using triangulation is achieved by collecting data and generating a convergence of meaning and findings. Four different types of triangulations can be used to back up the truthfulness and factuality of a qualitative study: method, theory, investigator, and data source triangulation (Creswell and Poth, 2018). In conducting this qualitative study on the perceptions of leaders of small nonprofit organizations regarding compliance issues influencing the revocation of their IRS status, I have employed data source triangulation to enhance the credibility and validity of the findings. Gathering data from multiple participants (P001 to P010) with diverse experiences and backgrounds and utilizing data from the survey to understand the context, I comprehensively understood the challenges and themes. This approach allows for cross-verification of information and helps to identify consistent patterns across different sources.

Limitations

This research has its limitations. Whether the findings can be generalized across all nonprofit sectors remains to be seen. Additionally, the participants were exclusively from nonprofits with budgets of $50,000 or less, excluding perspectives from a significant portion of nonprofit organizations. Other limitations identified in this study are primarily rooted in the nature of the data collected. During interviews, inherent flaws may have been recognized due to challenges such as researcher bias, difficulty in accessing participants, and participants' potential inability to respond to interview questions fully. It's essential to note that this study focused solely on nonprofit organizations located in Florida, thus restricting the applicability of the findings to this specific population.

A limitation of this study is that the thematic analysis was conducted by a single researcher, which may have introduced personal biases into the data interpretation process and potentially affected the identification and categorization of themes. Although steps were taken to maintain objectivity, the

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absence of multiple analysts prevented cross-checking and may have limited the diversity of perspectives in theme development. Validation strategies were employed to mitigate unintentional bias as much as possible. Future research could benefit from involving multiple researchers in the thematic analysis to enhance the reliability and validity of the findings through collaborative review and consensus-building.

Despite concerns about bias, my unique background strengthened the research process. With over 12 years of experience in nonprofit organizations in Florida as an employee, volunteer, and board member, my expertise provided valuable insights that informed the study.

Validity

Several potential threats to the validity of this study were identified, primarily stemming from my personal biases and familiarity with the nonprofit field. Given my extensive experience of over 12 years in this sector, there was a risk that my perspectives on effective leadership and compliance could influence the research outcomes. Furthermore, my preconceived notions regarding the role of federal state agencies and consulting firms posed another potential threat to validity. To mitigate these risks, I adopted several strategies throughout the research process.

Firstly, I maintained awareness of my biases and actively worked to keep them in check during interviews. This involved approaching discussions with an open mind, refraining from asking leading questions, sticking to the script, and consistently challenging my assumptions through reflective journaling and member checking.

Another critical aspect of ensuring validity was guaranteeing that the data collected was substantial enough to address the research questions effectively. To tackle this challenge, a thorough

sampling strategy was implemented to encompass various perspectives within the nonprofit sector.

Through an iterative coding process, saturation was closely monitored and ultimately attained. Towards

the study's conclusion, an abductive approach was employed, whereby interview statements were

cross-referenced with pre-existing codes, and new codes or categories were developed as necessary. By

the ninth and tenth interviews, more than 90% of excerpts were successfully coded to existing data, thus

demonstrating saturation and fortifying the reliability of the findings.

Costs and Funding Sources

This study was primarily self-funded by the researcher, costing approximately $500 for the

entire research study. The decision to self-fund this study was made to maintain autonomy over the

research process and to ensure timely completion without dependence on external funding sources. As

part of the research methodology, $50 gift cards were provided to 10 organizations that participated in

the study. These gift cards were used as a token of appreciation for their cooperation and valuable

contributions to the research objectives.

While the research was predominantly funded out of pocket, the budget was allocated to

optimize resources and minimize unnecessary expenditures. Despite the limited financial resources, the

study was conducted rigorously and adhered to ethical standards, ensuring the integrity and validity of

the findings. The absence of external funding sources underscores the researcher's commitment to

scholarly inquiry and the pursuit of knowledge.

CHAPTER 4: FINDINGS

Study Participants

Upon receiving approval to commence the research from the Institutional Review Board (IRB) office at UCF, efforts were initiated to engage with potential participants for the study. The recruitment process for this study involved reaching out to potential participants through various channels, including direct mail postcards, email correspondence, and Facebook messages. These efforts targeted organizations listed as revoked between 2020 and 2023 from the IRS (2023) Master Revocation List. However, the recruitment process proved to be challenging and tedious, with limited success in securing interviews with organizations that had been revoked. It became apparent that there was a higher likelihood of scheduling interviews with organizations that had undergone reinstatement and were still operational. This observation prompted a shift in focus towards engaging with reinstated organizations, with greater potential for scheduling an interview and data collection.

Ethical considerations were carefully considered throughout the recruitment process, with vigilant attention paid to obtaining informed consent and maintaining confidentiality. Participants were allowed to voluntarily participate in the study, with their autonomy and privacy was always respected. The interviews were conducted from June 2023 to May 2024.

Survey Responses

In the survey study, 924 potential participants were contacted via postcards and 170 via email. Despite our efforts, the response rate was notably low, with only 10 individuals responding. This represents an overall response rate of approximately 1.08%. Specifically, the response rate for the email

participants was 0.97% (9 out of 924), while there was just 1 response from those contacted via postcards.

This low engagement highlights the challenges in responses for this research, particularly when using traditional methods such as postcards. Additionally, it is worth noting that several individuals initially contacted us to schedule participation but then "ghosted," failing to follow through with their commitment. This further compounded the difficulty in securing adequate responses and underscored the challenges in engaging participants for survey-based research, particularly when relying on traditional and electronic communication methods.

The low response rate and participants not following through after initial contact indicate significant barriers in the outreach and engagement process. These barriers may include the impersonal nature of postcards and emails, lack of immediate interaction, and potential disinterest or lack of time among potential respondents.

Demographics

Ten participants completed the survey. Since this study was qualitative, achieving precise demographic representation aligned with the population was not a prerequisite. Nonetheless, these data contribute to the researcher's goal of fostering transparency and trust. The participants in this study were grassroots organizations in Florida that were either currently operating or planning to do so in the future. Most of these organizations had fewer than 10 board members, with a significant portion including family members on their boards.

Table 2 Participant Profiles

Participant	Revocation Year	IRS Reinstated?	Revenue	Category	Years in Existence	# of board members	# of active board members
P001	2020	No	Less than $50,000	Education	6+	5	5
P002	2020	Yes	Less than $50,000	Health	6+	5	5
P003	2020	Yes	Less than $50,000	Health	6+	7	5
P004	2020	Yes	Less than $50,000	Health	6+	7	7
P005	2020	Yes	Less than $50,000	Community Development	6+	3	3
P006	2020	Yes	Less than $50,000	Health	6+	5	5
P007	2023	No	Less than $50,000	Community Development	1-5	3	3
P008	2023	No	Less than $50,000	Education	6+	3	3
P009	2023	No	Less than $50,000	Community Development	1-5	7	7
P010	2023	No	Less than $50,000	Education	1-5	5	3

Founder's Story

P001

The idea for the organization stemmed from the challenges of running a middle school band program through the school's front office, which was cumbersome and demotivating for parents. The founder explained, "The best way for us to raise the level of participation and better control our funds was the start of 501(c)3." The creation of the association made it easier to access funds, increased parent involvement, and provided a better organizational structure, thereby enhancing the efficiency of running the band program.

The decision to form the 501(c)3 involved significant collaboration. "It was a number of us, some really involved parents and I, and my fiancée," the founder recalled. "We wrote our bylaws in such a way so that the bylaws allowed us to conduct business the way we needed to without being restrictive," ensuring the organization would support the band without interfering with the classroom curriculum.

Filing for the 501(c)3 status was driven by the founder's fiancée, who managed the paperwork despite having no formal training. "She has no training or whatever... but she was really good with this stuff, and she did it," highlighted the founder. They also had financial support from the officers to cover the filing costs. The board of directors was crucial to the organization's early success. The president was particularly influential, leveraging his community connections to establish the association's credibility and support. "He had an in with the community right around our school so that really helped with kind of getting established," the founder noted.

Despite their thorough preparation and initial success, the organization faced an unforeseen challenge when the superintendent closed the school. The founder explained, "At one point, there just

weren't enough kids in the school left... it became more laborious to have the association because we

didn't even have parents to staff it." As the student numbers dwindled, maintaining the association

became impractical, leading to its dissolution per its bylaws. Reflecting on the experience, the founder

would do it over again. "We really did take our time and built something really that would have lasted,"

he said, underscoring the unexpected nature of the school's closure and its impact on the association.

Ultimately, the remaining funds were donated to the school district to support future band programs,

aligning with the founder's vision of community support and continuity.

P002

In 2007, the founder's son had a brain tumor, leaving him paralyzed from the neck down after

surgery. Determined to help his son walk again, the founder committed to his son's rehabilitation,

ultimately succeeding. This journey led to the inception of a unique scuba therapy program. "I wonder if

I can help other people? And I basically started a scuba therapy program that really has never been done

like that before," the founder shared.

The organization was formed in 2016 when the founder and his wife, Kimberly, decided to

establish a nonprofit. Kimberly took courses in grant writing to better support the organization. Despite

having extensive experience running a for-profit company, the founder acknowledged the challenges of

navigating the nonprofit sector. "I can run a million-dollar company, but really not the topic... Some of

the things are a little different," he noted.

The filing process for 501(c)3 status was handled by their attorney, as the founder was

unfamiliar with the specific requirements. This approach allowed them to quickly secure their status,

although the subsequent revocation highlighted the need for better understanding and compliance.

"We got it a lot faster than I was expecting," the founder mentioned, emphasizing the unexpected

nature of the rapid approval and the subsequent challenges. They received approval for their nonprofit

status, only to have it revoked the next day due to a filing oversight. The founder explained, "We didn't

file an E-card within the last 3 years or something like that... It was weird that we got the status, but

then we were required to file an E-card for the last 3 years, which we didn't have a nonprofit." This

misunderstanding highlighted the complexities of nonprofit regulations, which the founder found

difficult to navigate without prior experience. Despite these hurdles, the founder expressed confidence

in their board of directors, who were initially more of a "filler board" but included individuals who could

provide valuable guidance in relevant areas, such as medical expertise. "We had a doctor on there... to

help us with those types of things," the founder explained.

Reflecting on the experience, the founder suggested that a simple, comprehensive IRS checklist

could have greatly facilitated the process. "If there was just a simple checklist of everything you had to

do... it would be more informative," he said, pointing out the helpfulness of the State of Florida's

website (Sunbiz) for starting businesses as a potential model.

Overall, this nonprofit organization's journey underscores the importance of preparation, clear

guidance, and adaptability in navigating the nonprofit landscape. Despite initial setbacks, the founder's

commitment and the support of key individuals helped steer the organization toward its mission of

helping others through innovative therapy programs.

P003

Years ago, the founder was invited to speak at the Beta House, a home for pregnant teenagers.

She shared her life story, written in the third person, which deeply impacted the girls and women

present. "I began to see some of the same girls... they didn't know that it was me until the very end,"

she recalled. This experience inspired the founder to think about how she could help other women and girls by sharing their stories and learning from them.

The idea for the nonprofit emerged one morning with the goal of fostering better relationships between mothers and daughters. Despite initial fears about managing the administrative side, the founder decided to move forward. "I was very afraid of that... I don't do well with the managing that whole piece," she admitted. With her then-fiancé (now husband) funding the initiative, the founder began hosting events at community centers, providing resources like journals and mirrors to encourage self-reflection and open communication. Early support came from the founder's daughter and family members, who shared her vision but lacked the legal expertise necessary for nonprofit management. "It was my daughter and I... and then I put my sister, my husband... nobody was on there who knew anything about what we were endeavoring from a legal perspective," she noted. Over time, the board expanded to include more knowledgeable individuals, but the founder remained the driving force behind the organization's activities.

The organization gained traction quickly, but the founder's focus was always on the work rather than the administrative details. "I really was not thinking to make money with it... it was a purposeful journey," she explained. However, this approach led to compliance issues, and the nonprofit's status was eventually revoked due to ignorance of the required filings. "I got the letter that I was out of compliance... I really did not know," she said. Despite hiring an attorney to handle the paperwork, the founder was unaware of the need to file Form 990, a requirement for maintaining nonprofit status.

Reflecting on the experience, the founder acknowledged her lack of preparedness and the challenges of managing a nonprofit. "I probably to this day would not have done it... had people around me not said you are onto something," she shared. The founder learned many lessons the hard way,

emphasizing the importance of having knowledgeable support from the outset. "Ignorance cannot be discounted... my ignorance of what I had jumped into," she admitted. Despite the administrative setbacks, the impact of the organization's work has been profound. The founder remains committed to the mission, even considering continuing the nonprofit as a platform for speaking engagements and occasional events. "I will forever file and keep that open... because somebody may want to down the line make a donation," she concluded.

P004

The founder, who served in various roles, including board member, treasurer, and later bookkeeper, recounts the organization's early days. The rowing club had a youth and adult program. Some parents from the youth program felt their needs were not being met and decided to form a separate one. The transition from an informal group to a formalized club involved electing a new president and board of directors, redrafting bylaws, and incorporating under a new name. "We elected a new president... we incorporated in 2014," the founder notes, emphasizing the shift to a more structured organization. In 2016, the founder, now the treasurer, filed the club's first 990 form and engaged a third-party vendor to help secure 501(c)3 status, achieved in November 2020. "We hired a third-party vendor to help with becoming a 501(c)3," the founder explains, highlighting the professional assistance sought.

Despite their efforts, the club faced significant challenges with the IRS, leading to the revocation of their nonprofit status. The founder described the frustrating process of contacting the IRS for clarification, which involved repeated failed attempts to get through via phone. "I spent hours and hours calling the IRS... always got a recording," they lamented. Eventually, a fax communication led to some

progress, but confusion persisted. The founder did not realize they had been reinstated until much later. "I finally reread it and found that one letter said we'd been reinstated," they recounted.

Reflecting on the experience, the founder acknowledges the lack of financial expertise among the board members but expresses confidence in their support. "They get a lot more financial information than they really have any interest in receiving," the founder notes, indicating their efforts to keep the board well-informed. The founder believes that better communication from the IRS and clearer notifications could have prevented much of the stress and confusion. "It would be nice on their part to... bold out in a headline you have been reinstated," they suggest, highlighting the need for clearer communication. The club continues to operate, and the founder remains committed to its mission. The story underscores the challenges of managing nonprofit compliance and the importance of clear communication and understanding in maintaining nonprofit status.

P005

The story of this nonprofit organization is rooted in a personal passion for helping others, particularly the homeless and those in need. The founder shares how this passion developed from a young age and led to the organization's creation. "I've always had a passion... for helping out the homeless, anybody in need," the founder recalls. The name was inspired by the concept of providing resources and encouragement to help people achieve their potential, much like how the founder was encouraged to buy a house at a young age. Early support came from the founder's children and family, who were inspired by the founder's passion and helped push the vision forward. The filing process for 501(c)3 status was done informally with the help of a friend, which the founder now sees as a mistake. "What I had to learn... you need the proper things in place to be successful," they state. The founder stresses the importance of seeking professional consulting to navigate the complexities of nonprofit

management. The founder acknowledges that the board, composed mainly of family members, lacked the knowledge and resources to support the organization fully. "I'm revamping... getting more people from higher levels who believe in the vision," the founder notes.

The organization focuses on various pillars, including a food pantry and support for seniors, inspired by the founder's grandmother. Events like "Let's Go Back to Motown," which honors the founder's grandmother and brings together seniors for free, showcase the organization's community involvement. "I get vendors to donate... to offer this resource to people," the founder explains. The founder admits that their nonprofit status was revoked due to a lack of awareness and understanding of the necessary administrative requirements. "The revocation comes when a nonprofit is not making money... I just totally really just kinda forgot." Despite using the nonprofit's name to solicit donations, the founder did not file the required 990 forms, leading to non-compliance issues.

Reflecting on the experience, the founder emphasizes the need for a nonprofit business plan and realistic goals. "Stop trying to get to year 5 when you're not in year 1," they advise, suggesting that nonprofits should focus on small, achievable goals rather than feeling pressured to make a large impact immediately. The founder also highlights the importance of education and proper guidance for board members, who were aligned with the organization's values but lacked the knowledge to be effective. "They were aligned with the values but didn't know what to do," the founder explains, underscoring the need for better training and understanding of board responsibilities. This founder's experience underscores the importance of proper planning, professional guidance, and realistic goal setting to ensure the sustainability and success of a nonprofit organization.

P006

The founder and CEO of the organization, who also runs a for-profit mental health agency,

shares that the nonprofit was established in response to the 2016 Orlando shooting. "There was a

shooting in Orlando... most of the people who were at the shooting were Hispanics, and we were one of

the only Hispanic agencies providing mental health services," the founder recalls. They quickly realized

the need to offer services to those without health insurance, which led to the creation of the nonprofit.

In the early stages, the founder shared their vision with key figures in the Hispanic community, which

suggested converting the for-profit into a nonprofit. However, the founder separated both entities to

retain control over their hard-earned business. "I wasn't gonna agree with it... I wasn't gonna put all this

effort for somebody then to remove me," they assert. Initially, the nonprofit was intended to bridge the

gap for those lacking insurance, but maintaining it proved challenging. "Every year, we say we're gonna

start doing more things... but then we get caught up with the day-to-day business," the founder

explains. Despite recognizing the significant need, the nonprofit often took a backseat to the for-profit

operations due to time constraints and lack of resources.

The filing process for 501(c)3 status was handled internally, leveraging the expertise of their for-

profit business. This approach helped navigate some complexities, but the nonprofit still faced

numerous challenges. "It's hard to create a new... there's a lot of reading to do and people to call," the

founder notes, emphasizing the importance of understanding legal and ethical responsibilities.

The board of directors, composed of trusted colleagues from the for-profit agency, faced

difficulties due to lack of knowledge and experience in nonprofit management. "It's not that you don't

want to help, it's that you don't know how to help," the founder explains. This led to repeated

revocations of their 501(c)3 status due to administrative oversights, such as failing to file necessary paperwork on time.

Reflecting on the experience, the founder highlights the importance of having dedicated personnel for nonprofit operations. "We need to have somebody in charge of the nonprofit working specifically with the nonprofit," they suggest, acknowledging the difficulty of balancing priorities and resources between the two entities. The founder also points out the need for better support and reminders from legal and financial advisors. "Sending reminders... having lawyers and accountants accessible for people or affordable... it will be really good," they propose, stressing the financial burden and the ethical concerns of managing both the for-profit and nonprofit organizations.

P007

The story of this nonprofit organization is deeply rooted in the personal experiences and passions of its founders, particularly the husband's journey through sports. Growing up in foster care and dealing with financial struggles, he used sports as an outlet and a way to thrive. His experience highlighted the importance of mentorship and support for young athletes in similar situations. A pivotal moment came when he was working at a local high school and encountered a student-athlete who was homeless, which reinforced his determination to start the foundation. "He decided that he would ask him just kind of see what was going on at home... he didn't really have clothes... so my husband wanted to get some of his things that he didn't have and try to give to the kid," the founder's wife explains.

The vision for the nonprofit was shared with close friends with similar backgrounds and experiences. The husband's best friend, a former college basketball player, was particularly supportive. "They both didn't really have father figures... they built a bond there," the wife notes. This close-knit group, along with the wife's expertise in branding and marketing, helped shape the mission and vision of

the foundation. To file for 501(c)3 status, they consulted with a friend, who had a successful nonprofit and experience in setting up other nonprofits. This friend helped ensure the foundation's structure was properly established and compliant with regulations. "She pretty much took over from there to go in and ensure that everything was properly set up," the wife recounts.

However, maintaining compliance proved challenging—miscommunications and misunderstandings about the filing requirements for the annual 990 form led to the nonprofit's revocation. The wife attended a compliance workshop and realized that the annual filings had not been done correctly. "I thought that that was something that was done with our taxes... it really was not," she explains. Although aligned with the organization's values, the board of directors faced logistical challenges due to being in different locations and having varying schedules. This sometimes hindered effective communication and coordination. "I do feel that they are aligned in terms of their vision... but sometimes schedules cause a little bit of hindering," the wife notes.

Reflecting on the experience, the wife suggests that having a cheat sheet or checklist for compliance could have prevented many issues. The friend (consultant) now provides such resources to ensure nonprofits are set up for success and avoid falling out of compliance. "That would be primarily important... no one wants to be in this position where you are unaware that your 501(c)3 was revoked," she emphasizes. The wife also highlights the lack of notifications from the IRS about compliance deadlines, suggesting that similar reminders to those sent by the state of Florida for annual reports could help nonprofits stay on track. "If the IRS could put in some format a way to notify all of these 501(c)3 organizations... that would be ideal," she concludes.

The story underscores the importance of thorough understanding and diligent management of nonprofit compliance requirements, as well as the need for accessible support and resources to help new nonprofits succeed.

P008

The story of this nonprofit organization revolves around a Parent Teacher Organization (PTO) that struggled to maintain operations and compliance during and after the COVID-19 pandemic. The journey began when the current President, a parent of a kindergartener, stepped into a virtually non-existent PTO at her child's school. The previous President had left when his child aged out of elementary school during the pandemic, leaving no one to continue the PTO's activities. "The President before me... never came back to the school," she recalls, describing how she started by simply asking how she could help, despite not being allowed in the building due to COVID restrictions. By default, she became the PTO President the following year, as no one else took the role. "There wasn't... anyone to vote... so I became President," she explains. Her involvement began with small activities, such as stuffing Easter eggs, and gradually expanded as she sought to support the school however, she could. Her initial efforts to build a team involved reaching out to faculty and teachers for recommendations on parents who were already active and willing to help. "I kind of just went about it that way... like who would you suggest?" she notes, gradually forming a small but dedicated group of volunteers.

However, the organization faced significant administrative challenges. The President assumed they fell under the school's 501(c)3 status, only to discover they needed to refile for their own status. "I naively thought we fell under the school's 501(c)3... I found out a week ago that I need to refile," she shares. This realization came after receiving letters about taxes and compliance issues, which she struggled to understand and address.

The challenges were compounded by a lack of continuity and guidance from the previous administration. The former treasurer, a paralegal, left suddenly, leaving a box of financial documents with no explanation. "She left the state in a state of panic... just dumped a file box of everything she had," the President recounts. This left her to navigate the complexities of tax filings and compliance on her own. Despite these difficulties, she managed to resolve the issues with the help of an H&R Block employee who happened to be in the same coffee shop she visited. This encounter led to the discovery that they had missed several sales and use tax filings, which she diligently corrected. "The woman at H&R Block... helped us file the past six sales and use tax," she explains.

The President highlights the absence of succession planning as a major issue. The previous PTO leadership left no documentation or guidance, leaving her to learn and figure out the processes on her own. "There's no succession planning... nobody left anything," she laments, emphasizing the need for better transition practices and documentation.

Reflecting on her experience, she suggests that a tangible handoff, such as a Google Docs file detailing necessary actions and timelines, would greatly benefit future PTO leaders. "Anything tangible to hand off... like a Google Docs file of what needs to happen and when," she recommends, aiming to ensure smoother transitions and continuity in the organization's operations.

P009

The founding story of this nonprofit organization is one of dedication and unforeseen challenges, shaped by the founder's commitment to supporting the community, particularly grandparents raising their grandchildren. The founder began their journey by working with another nonprofit to assist a youth group. What was intended to be a temporary role extended into a five-year commitment? Following this, another nonprofit organization approached the founder to take on a

similar role: helping grandparents raise their grandchildren. The founder became a crucial liaison for these families. "At some point, I had the old organization contact me and say... we'll help you start your own nonprofit," the founder recalls. This support led to the establishment of their own nonprofit organization. The filing process for 501(c)3 status was done online, and the founder felt well-prepared due to their prior experience with other organizations. "I was very prepared... I knew exactly what type of programs I wanted to utilize it for," they state. The founder meticulously planned and completed the necessary paperwork, staying up late to ensure everything was done correctly.

Initially, the founder had strong support from coworkers and friends interested in the cause. They held a luncheon to discuss the vision and recruited these individuals as board members. "I called like a luncheon... and they were like, 'Oh wow!' So then everybody agreed, and everybody was on deck," the founder explains, highlighting the enthusiasm and commitment of the initial team.

However, the organization faced a significant setback when its 501(c)3 status was revoked. The founder had hired someone to handle the annual filings and reports, but this individual failed to notify them that they had stopped providing the service. "I contacted the gentleman and he said, 'Oh, I no longer provide that service... I didn't have time to notify,'" the founder recounts. This lack of communication led to the revocation of their status without the founder's knowledge.

The founder discovered the issue while preparing for a new program and attempting to access necessary documents online. The founder is determined to rectify and reinstate the organization's status despite the confusion and frustration. "I'm getting ready to get it... back active because it's very important to me," they emphasize.

Reflecting on the experience, the founder acknowledges the importance of direct involvement and oversight. They regret relying entirely on someone else for such a crucial task. "Lesson learned...

from this point forward, I know now to double-check regardless," they state. The founder and the board

decided to educate themselves on the process of handling filings internally in the future. The founder

also suggests that a backup communication method could have prevented the issue. "If there was an

alternative way to say, 'Okay, we'll email this person,' we would have known," they explain, highlighting

the need for better communication and redundancy in receiving important notifications. Overall, this

story underscores the importance of vigilance, effective communication, and direct involvement in the

administrative aspects of running a nonprofit organization.

P010

The story of this nonprofit organization is poignant, rooted in personal experiences and driven

by a strong desire to address systemic challenges faced by autistic individuals in the job market. The

founder's journey began with the realization of their own and their father's autism. "My dad died the

last year of his life... I started thinking hey I think he's autistic... we were realizing that he was in fact

autistic," the founder recalls. This realization, coupled with their own diagnosis shortly after their

father's death, highlighted the significant unemployment challenges faced by autistic individuals. "We

have an 85% unemployment rate... Nobody should struggle that much to get a job," the founder

explains, describing their father's struggles in securing employment after being laid off. The founder,

along with a couple of friends who were also autistic, decided to start a nonprofit to address these

challenges. "I got pissed... we decided screw it. Let's start up a nonprofit and try and fight this," they

state. They shared this vision with two of their cousins, who agreed to join the board despite varying

levels of commitment.

The filing process for 501(c)3 status was handled through extensive research and online

resources. "The autism kicked in... Googled everything... did it ourselves," the founder notes. They found

the process relatively straightforward with the help of resources like Sunbase.org, but the IRS part was more challenging, leading them to involve a cousin's sister-in-law who worked in taxes. However, this decision proved detrimental. The sister-in-law, who oversold her capabilities and mishandled the grant applications, ultimately led to the organization's downfall. "She oversold her role... applied for a grant we didn't even qualify for," the founder explains. This mismanagement extended to the filing of the 501(c)3 status, which she handled poorly, resulting in the revocation of their status. The founder was unaware of the need to file tax form 990, believing it wasn't necessary until they became profitable. This misunderstanding and the sister-in-law's incompetence led to their nonprofit's status being revoked. "I thought you know we're not profitable... it did matter," the founder laments.

Reflecting on the experience, the founder regrets hiring the sister-in-law and acknowledges the importance of better oversight and communication. "Not hired (sister-in-law)... should have fired her then and hired somebody else immediately," they state. They also suggest that receiving multiple notices from the IRS could have prevented the oversight, as the initial notice was missed by the sister-in-law. "At least a second notice from the IRS... another one would have been helpful," they propose. The founder also criticizes the IRS system for being difficult to navigate, especially for disabled individuals. "It's beyond frustrating... very ableist," they explain, emphasizing the need for an overhaul to make the system more accessible.

Despite the setbacks, the founder remains determined to rectify the situation and continue their mission. They are in the process of reapplying for their nonprofit status retroactively and are committed to fighting the high unemployment rates among autistic individuals.

Overview of Participating Organizations

Participant P001

Participant P001, categorized under Education, has existed for over six years. The organizational mission is to provide educational resources and support to underprivileged children in their community. Despite its revenue of less than $50,000, this organization has maintained a consistent board structure with five active members. It offers after-school tutoring and enrichment programs to help children excel academically and personally. However, it faced a revocation in 2019 and has not been reinstated by the IRS. Interview lasted approximately 20 minutes.

Participant P002

Participant P002 operates in the health sector with a mission to offer health services and awareness programs to low-income families. They have been around for more than six years. Like P001, it generates less than $50,000 in revenue and has five active board members. Their services include free health clinics, wellness workshops, and nutritional counseling to improve family health outcomes. After a revocation in 2019, P002 successfully regained its IRS status. Interview lasted approximately 25 minutes.

Participant P003

This Health-focused organization, Participant P003, has a slightly larger board with seven members, five of whom are active. It has been operating for over six years with revenues below $50,000. It aims to improve access to mental health resources for those in need. It organizes community workshops and provides counseling services to address mental health issues and reduce stigma.

Following a revocation in 2020, P003 managed to have its status reinstated. Interview lasted approximately 25 minutes.

Participant P004

Participant P004 is categorized as a health organization, has been active for over six years, and maintains an entire board of seven active members. With revenues under $50,000, it provides comprehensive health services to underserved populations, including affordable healthcare, vaccinations, screenings, and chronic disease management. It faced revocation in 2020 but successfully regained its IRS recognition. Interview lasted approximately 25 minutes.

Participant P005

Focused on Community Development, Participant P005's mission is to provide comprehensive health services to underserved populations. This organization has existed for over six years and operates with a small board of three active members. They run job training programs, community gardens, and housing assistance initiatives to uplift their neighborhood. Despite its limited revenue of less than $50,000, it managed to get reinstated after a revocation in 2020. Interview lasted approximately 20 minutes.

Participant P006

Operating within the Health sector, Participant P006 is dedicated to community development through various support programs. It has maintained its mission for over six years, offering mobile health units and outreach programs to deliver preventive care to remote and underserved areas. With revenues below $50,000 and a board of five active members, it faced a revocation in 2020 but was later reinstated by the IRS. Interview lasted approximately 30 minutes.

Participant P007

A newer entity, Participant P007, focuses on driving community development and empowerment for marginalized groups. It has been in existence for 1-5 years. Despite having less than $50,000 in revenue, it is managed by three active board members. Their programs focus on leadership development, skills training, and advocacy to empower community members. It faced a revocation in 2023 and has yet to be reinstated. Interview lasted approximately 20 minutes.

Participant P008

In the Education category, Participant P008 has operated for over six years with a small revenue of less than $50,000. Its mission is to support students with scholarships, mentoring, and career guidance to ensure their academic success. It has three active board members and partners with local schools to provide supplementary educational materials and extracurricular activities to enhance learning. After facing revocation in 2023, the IRS has not reinstated it. Interview lasted approximately 30 minutes.

Participant P009

This Community Development organization, Participant P009, fosters community development and provides essential services to those in need. It is relatively new, with 1-5 years of existence. It operates with seven active board members and has revenues below $50,000. Their initiatives include food distribution, job placement services, and community-building activities. After a revocation in 2023, it has yet to regain its IRS status. Interview lasted approximately 15 minutes.

Participant P010

Participant P010, also in the education category, works towards enhancing educational

opportunities and providing support for children from low-income families. It has been active for 1-5

years. With revenues of less than $50,000 and three out of five board members active, it partners with

local schools to provide supplementary educational materials and extracurricular activities to enhance

learning. It experienced a revocation in 2023 and has not been reinstated by the IRS. Interview lasted

approximately 20 minutes.

Analysis and Themes

The first step in data analysis was to have the recorded data. Zoom provided transcripts for all

interviews. The researcher tried to preserve confidentiality by assigning a code to each participant as

P001, P002, P003,...P010. Upon completion of all 10 interviews, the researcher then uploaded the

transcript prepared in Microsoft® Word to clean up for confidentiality prepare for coding. The text

needed to be cleaned to ensure accurate and detailed records of the participant's responses. The

researcher read through the transcripts of the initial round of interviews without attempting to code to

develop a broad sense of the information provided by the participants. The transcripts were entered

into the qualitative analysis computer software, Dedoose (http://dedoose.com). Data was then coded

utilizing common themes such as motivation, understanding of the formation process, leadership and

governance, and the lack of resources and education. A comprehensive table detailing these themes can

be found in Table 3.

Theme Analysis

Table 3 Theme Analysis

Initial Motivation and Goals	● They were driven by personal experiences and a strong desire to impact their communities positively. ● Focus on specific social issues or needs personally relevant to the nonprofit leaders.
Formation Process	● Significant challenges in understanding and fulfilling legal and administrative requirements. ● Reliance on personal networks, including family, friends, and occasionally professional services, for initial setup and ongoing operations.
Leadership and Governance	● Initial boards were frequently composed of family and friends, which sometimes lacked the necessary expertise to run a nonprofit. ● Over time, a move towards involving more experienced individuals to provide better governance and strategic direction. ● Administrative and compliance issues were common, particularly with IRS filings and understanding tax requirements. ● Revocations were often due to lack of communication, misunderstandings, and administrative errors.
Resources and Education	● The need for better education and resources for nonprofit leaders to understand compliance requirements and maintain their status.

Theme 1: Initial Motivation and Goals

Different people start nonprofits for various reasons. One of the key reasons is in the context of

impacting society (Harvard Business Review, 2023). The other key reason is that many people will often

have an innate sense to help the general population. One of the goals for starting a nonprofit is to meet

needs that still need to be met (McRay, 2023). When properly managed, nonprofits can have extensive

positive impacts on society.

Numerous factors influence decisions and interests in the context of setting up nonprofits. Similar to previous interviews, motivations often stemmed from personal experiences and a desire to address specific needs (e.g., community impact personal challenges). Individuals who are well-traveled or who have conducted significant research into the lives led by the different groups in different settings are likely to lean towards setting up nonprofits. "Involvement with a cause can result from past experiences or part of their self-concept" (Sandoval & García-Madariaga, 2023). Past interactions, as well as knowledge and insights that an individual has about factors such as the state of quality of life of certain groups, can be instrumental in determining the decisions made about the same.

Personal Experiences

- "It was a middle school band program. All of our expenses were running through the front office. which is cumbersome, and it was very hard to access funds. It was hard to motivate parents to be a part of anything, because they didn't have ownership of the Association. because, you know, ownership in something breeds participation. the best way for us to raise the level of participation and have better control of our funds with the start of 501(C)3 " - P001
- "My son had a brain tumor, and it's right in the middle of his brain and lift them paralyzed from the neck down after the surgery." - P002
- "Okay, basically, what happened is, I was actually working with a group of youth with another nonprofit. And it was supposed to be just a temporary assistance for them and it turned into pretty much a 5 year and then from there, when that assignment did end, I had another organization contact me, another nonprofit contact me and asked me, if would I play the same role within their organization? So I agreed to." - P009
- "Well, my dad died the last year of his life. I don't remember exactly what it was. That kind of triggered it off. But I started thinking, hey, I think he's autistic and I was kind of a caretaker

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towards him like he wasn't incapable, but he needed help and I was setting him up for the testing. And we were realizing that he was, in fact, autistic the last year of his life. And As we were doing that, I came to realize, hey, these symptoms look familiar. I started to realize I'm autistic. And started off my own testing journey. and I was actually diagnosed officially a few months after he passed away. And the entire reason that he died is because of the autism. We have an 85% unemployment rate…And it. Just when I heard that unemployment rate at the time it was still being said as 75% unemployment rate. I got pissed. It was infuriating. because the main reason that we're not being hired is for stupid things we can't maintain eye contact. What does that have to do with my ability to to register your purchase on a cash register like that's a stupid reason not to hire a person? And so me and a couple of my friends who are also autistic, we decided, screw it. Let's start it up nonprofit. and try and fight this." - P010

Community Impact

Aiming to provide support and services to underserved or specific groups within the community. Nonprofits have been considered crucial in creating equitable and thriving communities (National Council of Nonprofits, 2024). Past research has indicated a direct correlation between the number of nonprofits in a community and the thriving of that community (Ressler et al., 2021). Thus, promoting equity should be a factor in setting up more nonprofits.

- "Yeah Again, it was a number of us some really involved parents and I and my fiancée. We, We sat down, and we we just talked about what we needed, and it got to the point where our group was so big the band was so big but that we didn't have the parental resources to manage the program and when we were funneling so much money through the checking through the school bookkeeper's office. and we really didn't have a way to account for that money personally. So

those are really the 2 biggest factors, where, having financial control and being able to take care of things in an efficient manner, like bills and ordering, and what not, and being able to harness the HR portion of what we needed. So, the conversation is really centered around. What can we do?" - P001

- "And then I thought, Hmm, I wonder if I can help other people? And I basically started a scuba therapy program that really has never been done like that before. And it's been 15 years. We've been doing that in 2015, 2016, we we have. Yeah, we have a successful dial shop, and you know, it's a for profit company. And we just felt like we needed to have a corporate involvement. you know. and decided to, you know, start a not for profit, and had no idea how to how to do that or how to run it. ." - P002

- "Somewhere around that time, I was asked to speak at the beta house. And the beta house was a home for teenage pregnant women, young girls rather. And going there. As often as I was going, I began to see some of the same girls. And so they're not getting it. They're not understanding that this is truly a sentence that's going to be carried out throughout their entire life. So let me just walk them through what my life looked like at their age. And I wrote my life story in third person. And I read this from a yellow legal pad that day. And not only did it touch the young girls, because they didn't know that it was me until the very end. But it it really impacted the women in that room because they could understand where it was coming from. " - P003

- "But Promises came from that from just seeing the seed and seeing from people giving me resources. I was at 23 years old, purchase my own home, and I didn't know but it took somebody saying, You can do this, and I'm like. Don't you have to be married, you know, like.

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And so that just clean to me that when people have resources or have something to give you that's positive, that can change the trajectory of your life. That is a promise, and you know, and then that's a seed. And so that's what promises initiative came from." - P005

Theme 2: Formation Process

The first crucial step in the formation process is assessing need and feasibility. This step involves assessing whether the organization to be established will effectively meet the identified need (Forbes, 2024). The other step is setting up a firm foundation. This will entail selecting a name, identifying values and a mission, and selecting a board of directors. The other vital steps will be filing for articles of incorporation and tax-exempt status. Lack of preparedness can have adverse impacts because it can impair how well issues are addressed and readiness to make appropriate change decisions. Many nonprofit leaders felt unprepared for the administrative and legal challenges of setting up a nonprofit. One of the key elements that must be assessed and considered relates to regulations in the state in the nonprofit is to be set up (Moore, 2023). Before setting up the organization, the leaders must thus effectively familiarize themselves with the specific concepts relevant to the running and setting up of the organization. Insights into the same will be instrumental in determining the decisions to be made and the interventions embraced to create positive outcomes.

Lack of Preparedness

- "It really came down to my fiancee having the time to do it because it was long and involved. And you know she has a lot of investments and experience with paperwork, plus she, for whatever reason loves paperwork. So, you know, it really fit her skill set on. And so she did it, and it just happened to work out for us that way." - P001

- "No, my attorney, he filed it. Well, again, I just didn't know anything about it. You know, we set it up, and it's not a again. We weren't ready to really use it. So I think we just prematurely started it, you know. Just so all the paperwork can be done." - P002

- "Yeah, I filed when I took over Treasurer 2016, I filed the first 990, and we hired a third-party vendor to help with becoming a 501(c)3. Which is about that same time. or maybe may not take it back. 501(C)3 was later than that, I think. In November 2020, we filed to become a 501(c)3" - P004

- "I think I just use the friend that did it on our own. But that's that's a big hiccup to, and even me as a nonprofit. People like. Oh, let me help you! But what I had to learn! It's so many other steps that if you don't go to a consulting, or you don't go to somebody that's gonna tell you A to Z, because we stopped, and that was my thing. I got the 501(c)3, but I stopped and didn't get the the solicitation of funds from agriculture, or get, you know other things to really expand until I got fined." - P005

Assistance from Legal and Professional Services

One of the key interventions and approaches that can be explored to realize positive outcomes is in the context of seeking external assistance. Some founders sought help from attorneys or consultants, but the level of support varied. Seeking the help of professionals can be crucial in allowing for the effective navigation of the various challenges encountered in setting up and running the organization. For instance, with the help of lawyers, it is possible to navigate various filings such as tax exemptions and annual 990 tax forms (American Bar Association, 2016). These are issues that leaders may need to be better placed to navigate. Professionals will also be instrumental in setting up systems that work. For instance, contracting accountants will ensure proper financial systems are set up.

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- "We did it with an attorney. And he did all the paperwork and you know, we paid him. Well, I paid him to do it all I'm going to be honest with you." - P003

Theme 3: Leadership and Governance

Common issues associated with administrative oversight have led to a lack of understanding and meeting IRS requirements, leading to revocation of nonprofit status. The management of a nonprofit ought to have proper insights into the requirements of the various agencies as well as requirements that provide that they remain as nonprofits. For instance, the IRS requires nonprofits to file annual information returns (Internal Revenue Service, 2024)—failure to file for three consecutive years results in automatic revocation. Once the tax exemption is revoked, the organization must file tax. Management should properly comprehend these concepts, including the requirements at the various levels and administrative roles that will be instrumental in shaping the organization's continuous growth.

Administrative Oversight

- "So I didn't have the tech support that I needed to have around me to even know that 990 was due, I didn't even know why I was setting it up as a nonprofit" - P003
- "I thought that that was something that was done with our taxes, and because I would remind everyone that did our taxes that hey? Make sure you do our 990. And they would say, Okay, okay. So, I assume that it was given done. But it really was not. And it wasn't until I talked to Maggie again after her compliance workshop, she said, no, that's not how it works. With the 990, you have to go in on your own and set it up and make sure you just go in each year and just fill out a quick form, and if I would have known it was that simple and that easy." - P007

Significant challenges are often encountered due to reliance on others for filing and

administrative tasks, usually resulting in missed filings. While it is essential to distribute tasks in the

organization and ensure that the various functions are assigned to individuals who are best suited for

the tasks, failure to consider an element such as effective coordination between individuals as well as

the embracement of proper oversight can have extensive adverse in the different contexts. This should

be covered by interventions such as effective organizational structure development. There will be

minimal confusion linked to elements such as who reports to whom and who the employees and

volunteers should approach when facing challenges. Leadership and governance concepts are central to

any organization's success. The nonprofit organization's success will depend extensively on the

leadership that is in place (Masoud & Basahal, 2023). Such will be in the context of the leadership's

ability to address developing issues and create growth opportunities. Governance also plays a significant

role in the actualization of change outcomes. Such is in the sense that it shapes factors such as the

prevalence of accountability and adherence to stipulated guidelines linked to the embracement of

operational concepts.

Miscommunication and Dependence on Others

- "I didn't know about that into the second year, the first year, and I think it was a

   miscommunication, too, because I talked to her, and I told her the first year if I wasn't mistaken,

   she told me that she was gonna file it. So I'm like, okay, cool The second year I work with her

   because she also has a pretty much as a business consultant like agency, where they get out

   taxes for us, and I assume, then they Hey. you're gonna take care of the 990. And then, the

   following year, I work with another text professional. And then I reached out to him and said,

   Hey, we have the nonprofit, he said. No problem. I'll take care of the nonprofit stuff. Just add

the information. So, it was just to me every. It was really a big miscommunication on that, because I thought initially that she took care of it for the initial start of the nonprofit." - P007

- "Then I looked and it said, Revoked, I'm like revoked, that's the what. So, then I called. That's when I call him, and he was like well, no, it should have, I said no, it wasn't revoked after I found it, and then I was like, you know, I that's what you were getting paid for...He just took everything, he said. You know this is how much I charge. I'll make sure it's done every year. I'll make sure, you know, he said, I'll you know he gave me his fee. This is the yearly fee that we're paying him, and he said, I'll handle you. Don't have to worry about any of this lesson. Learn less and learn. " - P009

- "No, to probably when I first started, maybe 2 to 3 years afterward, like I didn't know to do it." - P005

Family and Friends Involvement

While friends and family can be crucial in supporting a course and informing the decisions of progress that are to be embraced at the various levels, they can be associated with some shortcomings. For many nonprofit organizations, the initial boards often comprise family members and friends, sometimes leading to inefficiencies. This should apply at all levels of the organization, including the high levels. A board filled with family and friends may need more effective accountability, especially due to the informality that may exist due to the already-existent relationships. Attention must thus be channeled towards these elements to ensure the constructive realization of positive outcomes.

- "I think if we all knew what we knew now, then it would have been, I would have set it up not just with family members, but with people who knew more of who were maybe had done this before with other people." - P003

- "Initial boards often comprised family members and friends, which sometimes led to inefficiencies." - P005

Evolution of Board

The board makes instrumental decisions that drive the organization's progress. Over time, there should be a shift towards involving more experienced and professionally aligned board members. More specifically, attention must be channeled toward the board members' certifications and the impact they can be expected to have. The growth of the organization in the long term, as well as the impact that it will have in terms of having changes in the communities that it is operating in, will be informed by the decisions made by the top leadership as well as the ability of the organization to manage prevailing issues. A well-structured board is among the elements that will be significant in determining long-term output.

- "Yeah, we yeah, our charter President was a a small business manager. and he was really well-known in the community. His daughter was well known, and the you know, very involved in the program. They, of course, went and went on to the High School, and he was really involved there." - P001

- "It was just me. And I think Miss Ortega had I known the right questions to ask people to help me with probably, and I know I would have gotten better assistance, but you don't know what you don't know." - P003

90

- "You know, being a retired banker, most of the other board has no financial background except for the President. So you know, the navigation process was not too bad for us. Also, at this point we have never really taken any major donations, and that type of stuff. So, the 501(c)3 is basically built for the future. " - P004

- "So I believe they were aligned with the values, but they didn't know what to do. You know. I think it's more of education, not from just me, from that. I didn't know to get that education, what board members, responsibilities, and what they were signing up for? because a lot of people think, Oh, let me just do this, but they don't know the process once again, so I don't. I think they were in line with the vision. They were there, but they didn't know how to help." - P005

Theme 4: Lack of Resources and Education

Need for Clear Guidelines

- "I guess if there was like just a simple checklist of everything you had to do." - P002

- "I would have hired like aren't gonna have money, but I would have hired or invited someone to sit on the board who understood so that they could guide me as well, we could be so much further." - P003

- "But you know we gotta follow the guidelines, and then, after you tell us that we correct it. Hey? Here are some resources to keep you in line." - P005

Notifications

- "I think it all falls in IRS. I think that the Board of Directors, you know, they were. They would support anything I needed, but they did not have the knowledge that I even had the President did an okay job of supporting." - P004

- "So if the IRS could put in some format a way to notify all of these, 501(c)3. Organizations that, Hey? You need to file your 990, I feel like they, even from a legal standpoint, should provide guidance. Once the person is set up. Once the organization is set up as a 501(c)3. Send out a list or things that they need to be aware of for compliance so that they ensure that these organizations are set up for success." - P007

- "At least a second notice from the IRS. Apparently, we did receive one. but Katie got it, set it aside, and forgot about it. Another one would have been helpful I likely would have gotten it, not her Beyond that, I don't think much could have been done other than the IRS website, having being better with the information that they provide." - P009

Results

This qualitative research study aims to examine the perceptions of leaders of small nonprofit organizations regarding compliance issues that influence the revocation of their IRS status.

The primary research question is: What are the perceptions of leaders of small NPOs regarding compliance that influence the revocation of their IRS status?

The specific questions guiding the study are:

1. Let's start from the beginning. I am interested in your story as a leader and founder of a nonprofit organization that lost its 501c3 status. Can you walk me through your journey, from the morning you awoke with an idea to start the organization until the time the organization was revoked?

2. Thinking about that moment you decided to start, who did you share this vision with and how did they support you? Can you share details of those early conversations of sharing your vision and what kind of commitment you asked for?

3. When you made the decision, how did you file for 501c3 status?

    a. If you used a consulting business, what was your experience?

4. Throughout the process of starting the legal paperwork, how prepared did you feel to start a nonprofit?

5. Thinking about the board of directors that helped in founding the organization, please share the following:

    a. Were the board of directors effective communicators and leaders in the community who helped you with different aspects of the process?

    b. Were the board of directors fully aligned with your organization's values?

    c.   Have your complete confidence and respect?

6.   During those 3 years after founding, what factors contributed to the revocation?

7.   Were you aware of the filing of tax form 990?

    a.   Did the consulting service educate you about the process?

8.   Reflecting on your experience of starting a nonprofit organization, what could have been done differently by your founding members?

9.   Reflecting on your experience of starting a nonprofit organization, what could have been done differently by those who helped you with the legal aspects (ie. formation or tax forms)?

Factors Leading to Revocation

Administrative Misunderstandings and Ignorance of Filing Requirements

Organizations Affected: P002, P003, P008, P010

Administrative misunderstandings and ignorance of filing requirements emerged as significant factors leading to the revocation of nonprofit status for several organizations. These issues were often rooted in a lack of awareness or understanding of the specific requirements mandated by the IRS.

P002: This organization faced revocation due to misunderstandings of IRS compliance requirements. Despite the founder's commitment and vision, the lack of a clear understanding of the necessity of regular filings and compliance documentation led to the revocation of their nonprofit status. This case highlights the critical need for nonprofit leaders to be fully educated on compliance obligations from the outset.

P003: Ignorance of filing requirements was this organization's primary cause of revocation. A lack of administrative knowledge undermined the founder's enthusiasm and dedication, particularly regarding

annual filings. The absence of a structured approach to handling compliance tasks indicates a significant gap in the administrative capabilities required to sustain nonprofit status.

P008: In this case, the lack of succession planning and administrative knowledge led to tax issues and eventual revocation. The leadership transition without adequate handover or documentation overlooked critical compliance tasks. This underscores the importance of structured succession planning and comprehensive administrative training for incoming leaders.

P010: The organization suffered from mismanagement by a board member who was initially trusted to handle compliance but failed to do so effectively. This case illustrates the dangers of relying on individuals without verifying their competency and the necessity for ongoing oversight and checks to ensure compliance tasks are correctly executed.

Poor Communication and Lack of Knowledge

Organizations Affected: P004, P007, P009

Poor communication and a lack of knowledge among board members and administrative staff significantly contributed to the revocation of nonprofit status for several organizations.

P004: Miscommunication and lack of knowledge led to administrative setbacks in this organization. The lack of clear communication channels and understanding among the team resulted in missing essential compliance tasks. This highlights the need for robust communication strategies and ongoing education for all members involved in nonprofit management.

P007: This organization struggled with maintaining compliance due to miscommunication and a lack of administrative support. The founder's vision was not adequately supported by the board, leading to

missed filings and, ultimately, revocation. Effective communication and a well-supported administrative framework are crucial for ensuring ongoing compliance.

P009: The failure of a hired individual to maintain compliance led to the revocation of this organization's status. This case emphasizes the risks associated with outsourcing critical tasks without proper oversight and the importance of having knowledgeable and reliable individuals handling compliance.

Organizational Changes and Transitions

Organizations Affected: P001, P005, P006

Organizational changes and transitions, including shifts in leadership and balancing multiple operational focuses, were also significant factors leading to revocation.

P001: The closure of the school that housed this organization's activities led to its dissolution. This case underscores the vulnerability of nonprofits to external changes and the importance of having contingency plans in place to handle such transitions.

P005: This organization faced difficulty maintaining nonprofit status due to a lack of administrative knowledge during transitions. Changes in leadership and operations without proper administrative support and training contributed to their compliance failures. This highlights the need for consistent administrative capacity regardless of organizational changes.

P006: Balancing for-profit and nonprofit operations led to neglect of the nonprofit's compliance requirements. The founder's divided attention and resources resulted in the nonprofit status being overlooked. This case illustrates the challenges of managing multiple operational focuses and the necessity of dedicated resources for nonprofit compliance.

Across these cases, several common themes emerge: the critical importance of thorough administrative knowledge and compliance education, robust communication and support structures, and effective succession planning and contingency strategies. Addressing these areas can significantly enhance the sustainability and compliance of nonprofit organizations, preventing revocation and ensuring ongoing operational success. Table 4 shows the factors that led to revocation for each participating organization.

Table 4 Factors Leading to Revocation

Administrative Misunderstandings and Ignorance of Filing Requirements	- P002: Misunderstandings with IRS compliance requirements. - P003: Revocation due to ignorance of filing requirements. - P008: Lack of succession planning and administrative knowledge led to tax issues. - P010: Mismanagement by a board member resulted in revoked status
Poor Communication and Lack of Knowledge	- P004: Miscommunication and lack of knowledge leading to administrative setbacks. - P007: Challenges in maintaining compliance due to miscommunication and lack of administrative support. - P009: Failure of a hired individual to maintain compliance, leading to revocation.
Organizational Changes and Transitions	- P001: School closure led to the dissolution of the association. - P005: Difficulty maintaining nonprofit status due to lack of administrative knowledge. - P006: Balancing for-profit and nonprofit operations, leading to neglect of nonprofit status.

CHAPTER 5: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

Summary

This qualitative research study helps us understand the perceptions of leaders of small

nonprofits regarding compliance and the factors influencing the revocation of their IRS status. The

primary motivations for founding these organizations were deeply rooted in personal experiences and a

strong desire to address specific community needs. Founders aimed to make a tangible positive impact

by providing support and services to underserved groups. However, a significant number of them

reported feeling unprepared for the administrative and legal challenges involved in establishing a

nonprofit. This lack of preparedness often led to difficulties meeting regulatory compliance

requirements, which were crucial to their challenges with the IRS and led to their revocation.

Challenges in the formation process also came through as a factor of revocation due to

inconsistent assistance from legal and professional services. While some founders sought help, the

varying levels of support influenced the overall effectiveness of their efforts. Administrative oversight,

particularly with IRS requirements, was a common issue. Misunderstandings and errors in this area

frequently led to the revocation of nonprofit status. Additionally, miscommunication and reliance on

others for administrative tasks often resulted in missed filings and other compliance-related problems.

The initial boards of these nonprofits were typically composed of family and friends, which sometimes

led to inefficiencies due to a lack of necessary expertise. Over time, there was a shift towards involving

more experienced and professionally aligned board members, enhancing governance and strategic

direction.

The findings highlight the importance of clear, accessible guidelines and checklists to aid

nonprofit leaders in navigating the formation and compliance processes effectively. Leaders consistently

cited the need for better education and resources to understand compliance requirements and maintain their nonprofit status. These insights underscore the necessity of having a clear, structured plan and seeking professional advice to navigate the complexities of nonprofit management. Overall, the findings provide a comprehensive overview of the perceptions of small nonprofit leaders regarding compliance and the factors that influence the revocation of their IRS status, offering valuable implications for future nonprofit leaders.

Recommendations

The recommendations broadly address nonprofit governance practices and offer guidance for future research concerning nonprofit organizations in their early stages or with limited resources for board professional development. Based on the analysis of the interviews and the identified themes, the following recommendations address nonprofit governance practices and offer guidance for future research concerning nonprofit organizations in their early stages or with limited resources for board professional development.

Recommendations for Nonprofit Leaders

Governance and Compliance

Nonprofit leaders should prioritize developing and participating in comprehensive training programs on compliance, governance, and administrative requirements. These programs can be facilitated through partnerships with experienced nonprofit organizations, academic institutions, or professional associations. Training should include detailed guidelines on IRS requirements, including the importance of filing Form 990, maintaining accurate records, and understanding the legal implications of nonprofit status. Available training programs include those offered by the National Council of

Nonprofits, which provides extensive resources on governance and compliance. Local universities offer

nonprofit management courses that cover these critical areas. Professional associations like the

Association of Fundraising Professionals (AFP) and the American Institute of CPAs (AICPA) provide

specialized training and resources that can enhance nonprofit leaders' understanding of compliance

issues. The IRS also offers educational materials and workshops for smaller nonprofits to help them

navigate the complexities of maintaining their 501(c)(3) status.

Implement Regular Compliance Checks

Establish a schedule for regular compliance checks to ensure all necessary filings and

administrative tasks are up to date. This can include quarterly reviews of financial records, filing

deadlines, and governance documentation. Compliance management can also be set up using tools that

provide reminders and checklists to help manage these tasks efficiently. Utilizing Google Calendar to

create a shared board compliance calendar with essential deadlines can streamline these processes and

ensure that all compliance requirements are met timely. Furthermore, nonprofits can benefit from the

IRS's outreach programs, which include webinars and newsletters that communicate compliance needs

and updates. These are particularly useful when setting up and maintaining a 501(c)(3) status.

Board Development

To diversify and strengthen the board, founders should aim to include members with varied

professional backgrounds, including legal, financial, and nonprofit management expertise. This diversity

can enhance the board's ability to navigate complex compliance and governance issues. Offering board

members ongoing professional development opportunities can improve their understanding of

nonprofit governance and their specific roles and responsibilities. Programs such as BoardSource's

leadership training and the AFP's board development courses provide valuable education for board

members. Additionally, establishing clear roles and responsibilities by defining and documenting them ensures accountability and clarity in their bylaws. This documentation should include expectations for participation, financial oversight, and compliance monitoring. Developing a succession plan for board positions ensures continuity and stability in governance practices.

Resource Management and Sustainability

Leverage community and professional resources by seeking partnerships with local universities, professional associations, and experienced nonprofits to access training, mentorship, and resources at a reduced cost or for free. These partnerships can provide valuable insights and support for emerging nonprofit leaders. Local universities often have nonprofit management programs that offer mentorship and consulting services to nonprofits. Professional associations such as the AFP and the National Association of Nonprofit Organizations and Executives (NANOE) can provide access to a network of professionals and resources supporting nonprofit growth and sustainability. The IRS also offers support mechanisms for smaller nonprofits, including tailored guidance on compliance needs and ongoing education to ensure these organizations remain in good standing.

Table 5 Recommendations for Nonprofit Leaders

Recommendations for Nonprofit Leaders		
Governance and Compliance	Develop Comprehensive Training Programs	● Nonprofit leaders should prioritize developing and participating in comprehensive training programs focused on compliance, governance, and administrative requirements. These programs can be facilitated through partnerships with experienced nonprofit organizations, academic institutions, or professional associations. ● Training should include detailed guidelines on IRS requirements, including the importance of timely filing of Form 990, maintaining accurate records, and understanding the legal implications of nonprofit status.
	Implement Regular Compliance Checks	● Establish a schedule for regular compliance checks to ensure all necessary filings and administrative tasks are up to date. This can include quarterly reviews of financial records, filing deadlines, and governance documentation. ● Utilize compliance management software or tools that provide reminders and checklists to help manage these tasks efficiently.
Board Development	Diversify and Strengthen the Board	● Aim to diversify the board by including members with varied professional backgrounds, including legal, financial, and nonprofit management expertise. This diversity can enhance the board's ability to navigate complex compliance and governance issues. ● Offer board members ongoing professional development opportunities to enhance their understanding of nonprofit governance and their specific roles and responsibilities.
	Establish Clear Roles and Responsibilities	● Define and document the roles and responsibilities of each board member to ensure accountability and clarity in governance. This documentation should include expectations for participation, financial oversight, and compliance monitoring. ● Develop a succession plan for board positions to ensure continuity and stability in governance practices.
Resource Management and Sustainability	Leverage Community and Professional Resources	● Seek out partnerships with local universities, professional associations, and experienced nonprofits to access training, mentorship, and resources at a reduced cost or for free. These partnerships can provide valuable insights and support for emerging nonprofit leaders.

Founder's Readiness Framework

The Founder's Readiness Framework assists prospective nonprofit founders in preparing for the challenges of establishing and maintaining a nonprofit organization (NPO). Based on research and the experiences of ten nonprofit founders, this framework emphasizes the critical role of founder preparedness and access to resources in ensuring compliance and sustaining the organization's IRS status. It highlights the importance of comprehensive preparation, including understanding regulatory requirements, effective governance, and financial planning.

Implementing the Founder's Readiness Framework involves several practical steps.

1. Comprehensive education and training programs for founders and board members enhance their understanding of regulatory requirements and improve their preparedness.
2. Creating and distributing clear guidelines and leveraging technological tools can streamline compliance processes and improve efficiency.
3. Encouraging continuous learning and professional development ensures that nonprofit leaders stay informed about evolving regulatory requirements and best practices.
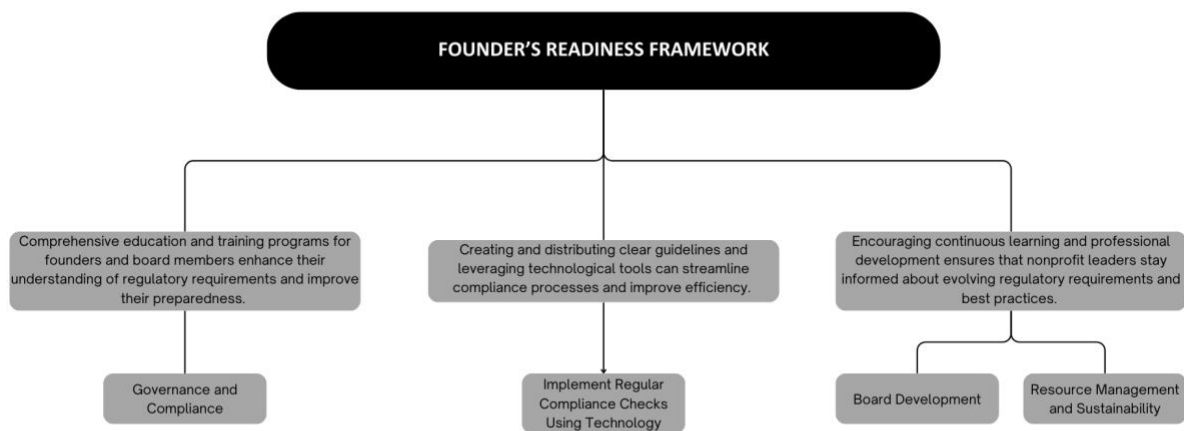
Figure 4 Founder's Readiness Framework

Recommendations for Future Research

Future research should explore effective governance models that small and recently founded nonprofits can adopt to enhance compliance and operational efficiency. This includes studying best practices from successful small nonprofits and conducting longitudinal studies to assess the impact of compliance and governance training programs on performance and sustainability. These studies can help identify the most effective training methods and content for small nonprofit leaders. Research should also examine small nonprofits' specific barriers to compliance with regulatory requirements. Understanding these barriers can inform the development of targeted interventions and support mechanisms. Furthermore, investigating the role of technology in supporting nonprofit governance and compliance, such as the use of software tools for document management, compliance tracking, and

communication, is essential. Assessing the effectiveness of these tools can guide their implementation in resource-constrained settings.

Future research should explore applying these and other theories in diverse contexts to validate and expand upon their principles. Investigating effective governance models that small and emerging nonprofits can adopt to enhance compliance and operational efficiency is crucial. This includes studying best practices from successful nonprofits and adapting them to different organizational contexts. Additionally, longitudinal studies should be conducted to assess the impact of compliance and governance training programs on the performance and sustainability of small nonprofits. These studies can help identify the most effective training methods and content for nonprofit leaders.

Understanding the perspectives of these individuals is crucial for developing comprehensive solutions. Researchers should identify the best approaches to engage participants and increase response rates, ensuring that insights are adequately captured and addressed. This can involve creating a supportive and confidential environment, employing empathetic communication strategies, and highlighting the potential benefits of their contributions to improving nonprofit compliance and sustainability.

Implications

The themes identified in this research study have significant implications for nonprofit practice and policy. For practitioners, this theory provides a clear roadmap for enhancing organizational preparedness and compliance, reducing the risk of IRS status revocation and other compliance-related issues. It emphasizes the need for continuous education and professional development, encouraging nonprofit leaders to stay informed about regulatory changes and best practices.

For policymakers, the findings underscore the importance of providing accessible resources and support to nonprofit organizations. This includes creating policies facilitating access to legal and professional advice, offering grants for capacity-building initiatives, and developing clear guidelines to help nonprofits navigate compliance requirements.

Conclusion

The thematic analysis of ten interviews with nonprofit leaders reveals several themes across their experiences establishing and managing nonprofit organizations. These themes highlight the multifaceted challenges and motivations fundamental to the nonprofit sector. The primary motivations for founding nonprofits were deeply rooted in personal experiences and a desire to address specific community needs. Founders were driven by personal stories and encounters with social issues, underscoring the intrinsic connection between individual experiences and philanthropic initiatives. This alignment of personal and organizational goals is essential for the passion and dedication required in the nonprofit sector.

Establishing a nonprofit took work and a financial burden on leaders, particularly regarding legal and administrative requirements. Many leaders felt unprepared for these tasks, often relying on personal networks and professional services for support. However, this support led to significant gaps in understanding compliance. This emphasizes the necessity for more accessible resources and comprehensive guidelines for new nonprofit founders to navigate these complexities effectively.

The initial stages of nonprofit governance were often characterized by the involvement of family and friends, which sometimes led to inefficiencies and governance issues. Over time, there was a noticeable desire to incorporate more experienced and professionally aligned board members, highlighting the evolution in governance practices. This evolution is vital for enhancing organizational

stability and strategic direction. Administrative oversight emerged as a significant barrier, with many

organizations experiencing revocation of their nonprofit status due to missed filings and compliance

issues. Miscommunications and reliance on external parties for administrative tasks often intensified

these problems. This points to a critical need for nonprofit leaders to have more understanding of

compliance requirements and better communication with their service providers. Nonprofit leaders

highlighted the importance of clear guidelines, professional support, and a structured approach to

nonprofit management. The recurring administrative and compliance issues highlight the need for

accessible education and resources tailored to nonprofit leaders.

     The founders, driven by personal experiences and a desire to address community needs, often

launched their organizations with passionate commitment but needed to gain more knowledge of the

complex administrative and legal requirements. This gap in understanding led to everyday challenges,

such as administrative oversight and reliance on informal networks for operational tasks, which

frequently resulted in compliance issues and IRS revocations. Founders recognized the need to evolve

board composition from family and friends to more experienced members, indicating an adaptive

response to governance inefficiencies and the need for strategic expertise. Despite limited financial

resources, some organizations' successful reinstatement of IRS status highlights the importance of clear

guidelines, professional advice, and structured planning in overcoming compliance hurdles.

     Agency Theory helps to explain the governance issues faced by nonprofit leaders. Agency theory

addresses the conflicts that can arise when there is a separation between ownership and control, which

is seen between nonprofit founders and their boards. However, this theory could benefit from

additional research regarding boards composed of family and friends. There could have been a lack of

accountability and strategic direction. As founders recognized the need for more experienced board

members, they addressed these agency issues by seeking individuals who could provide better oversight and strategic guidance.

Governance Theory provides a framework for understanding the evolution in governance practices that these nonprofits experienced. Governance theory focuses on the structures, processes, and practices that ensure an organization is effectively directed and controlled. The shift from informal governance involving family and friends to more formal governance with experienced board members demonstrates an effort to adopt better governance practices to enhance organizational stability and effectiveness. Governance theory can also help explain the issues related to compliance and administrative errors due to the lack of preparedness.

Stakeholder Theory is evident in the founders' motivations to address specific community needs and the importance of aligning personal and organizational goals. Stakeholder theory emphasizes the importance of considering the interests of all stakeholders in an organization, not just the founders or board members. The founders' commitment to addressing community needs and the involvement of family and friends in the early stages reflect the range of stakeholders involved in these nonprofits.

Public Choice Theory, which applies economic principles to political science, can help explain the founders' struggles with administrative and compliance issues. It suggests that individuals within organizations, including nonprofit founders, act based on self-interest. The reliance on personal networks and the challenges with compliance may reflect the founders' attempts to minimize costs and administrative burdens, even if it led to inefficiencies and compliance issues.
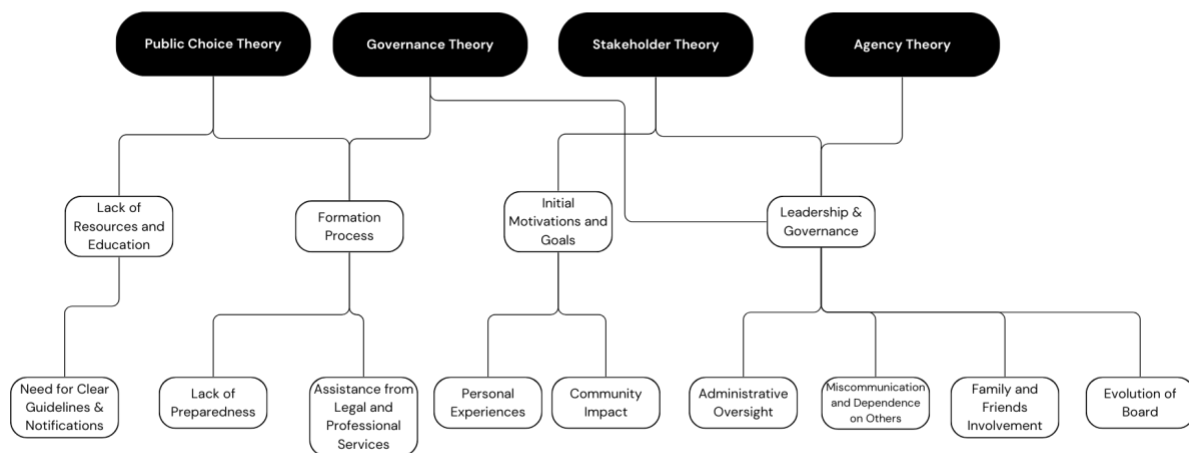
Figure 5 Theoretical Framework Alignment

In conclusion, the experiences of these nonprofit founders illustrate the critical need for comprehensive support systems, clear guidelines, and professional advice in the nonprofit sector. Addressing these needs can significantly enhance the capacity of nonprofit organizations to fulfill their missions effectively and sustainably. The insights from these interviews provide valuable lessons for current and aspiring nonprofit leaders, policymakers, and support organizations, emphasizing the importance of a well-informed and strategically supported nonprofit. While agency theory, stakeholder theory, governance theory, and public choice theory help explain some of the themes identified in these interviews, much work remains to be done to develop practical solutions to the challenges faced by small nonprofit leaders.

Analyzing Agency Theory, Governance Theory, Public Choice Theory, and Stakeholder Theory with nonprofit compliance reveals the complex interests of governance mechanisms and stakeholders. Agency Theory highlights the need for governance structures to address moral threats and mission misalignment within the principal-agent relationship. Governance Theory emphasizes accountable

leadership structures aligned with the organization's mission. Public Choice Theory explores how stakeholders' self-interest can affect compliance initiatives when incentives are correctly designed. Stakeholder Theory advocates for engaging all stakeholders transparently and ethically to ensure compliance with regulatory and ethical standards. These frameworks illustrate the complexity of nonprofit compliance and underscore the necessity of ethical governance practices to maintain public confidence and advance nonprofit missions.

APPENDIX A: SURVEY

Questions

1. Name of Organization
2. Zip Code
3. Year Incorporated
4. Year Revoked
5. E-Mail

Demographics

6. Annual Gross Revenue Latest Tax Year
    a. Less than $50,000
    b. $51K-$200K
    c. $201K-$500K
    d. $501K-$1M
    e. $1,000,001M+
7. Which of the following categories best describes your nonprofit? Select one.
    a. Animals
    b. Arts, Culture, Humanities
    c. Community Development
    d. Education
    e. Environment
    f. Health
    g. Human and Civil Rights
    h. Human Services
    i. International
    j. Research and Public Policy
    k. Religion
8. How old is the organization?
    a. Less than a year
    b. 1-5 Year
    c. 6+ Years
9. How many board members?
10. How many active board members?

APPENDIX B: SEMI-STRUCTURED INTERVIEW QUESTIONS

Thank you for agreeing to participate in this interview, which should take no longer than two hours. You have the option to keep the camera off throughout the duration of the interview.
Do you have any questions before we begin?

Semi-Structured Interview Questions

10. What is your role within your organization? Examples:
    a. Founder / Executive Director
    b. CEO or other C-Suite Role
    c. President, Vice President, Treasurer
    d. Board of Member
    e. Middle Management
    f. Entry Level
11. Let's start from the beginning. I am interested in your story as a leader and founder of a nonprofit organization that lost its 501c3 status. Can you walk me through your journey, from the morning you awoke with an idea to start the organization until the time the organization was revoked?
12. Thinking about that moment you decided to start, who did you share this vision with and how did they support you? Can you share details of those early conversations of sharing your vision and what kind of commitment you asked for?
    a. ie. Join as a board member, connect you to someone.
13. When you made the decision, how did you file for 501c3 status?
    a. If you used a consulting business, what was your experience?
14. Throughout the process of starting the legal paperwork, how prepared did you feel to start a nonprofit?
15. Thinking about the board of directors that helped in founding the organization, please share the following:
    a. Were the board of directors effective communicators and leaders in the community who helped you with different aspects of the process?
    b. Were the board of directors fully aligned with your organization's values?
    c. Have your complete confidence and respect?
16. During those 3 years after founding, what factors contributed to the revocation?
17. Were you aware of the filing of tax form 990?
    a. Did the consulting service educate you about the process?
18. Reflecting on your experience of starting a nonprofit organization, what could have been done differently by your founding members?
19. Reflecting on your experience of starting a nonprofit organization, what could have been done differently by those who helped you with the legal aspects (ie. formation or tax forms)?

APPENDIX C: INFORMED CONSENT

UNIVERSITY OF CENTRAL FLORIDA

Title of Project:	Nonprofit Compliance: Perceptions of Small Nonprofit Leaders to be Compliant
Principal Investigator (PI):	Andrea Ortega
Faculty Advisor:	Dr. Thomas Bryer

You are invited to take part in a research study. Whether you take part is up to you.

I, Andrea Ortega, am a doctoral student in the Department of Public Affairs at the University of Central Florida. Under the guidance of Dr. Thomas Bryer, Professor, I am researching the perceptions of small nonprofit leaders of small organizations whose IRS tax-exempt status was revoked. Data collected from this study will be used for my dissertation.

I would like to invite you to this study because you are eighteen years of age or older, a leader of a non-profit with an annual budget of $50,000 or less, and a leader of a non-profit that lost its tax-exempt status in 2020 due to failing to file a 990 annual tax form to the IRS. Participating in this study will contribute to extant knowledge on what factors contribute to small nonprofits losing their tax-exempt status.

I am requesting you to participate in an interview; once you have accepted to participate in the interview, a 10-question survey will be administered online before our scheduled time to ascertain demographics and insight into the non-profit board's governance, size, experience, and funding. The survey will take approximately 5 minutes. Then, you will meet with me, Andrea, for our interview, where I will ask you a series of questions that will take approximately 2 hours. All questions will be related to the nonprofit that you work for.

Your data from this study will be handled as confidentially as possible. Your video/audio recording will be transcribed by Otter.ai. Please note that the recording will be used by Otter.ai based on their privacy policy. Participants will be given the option to keep their cameras off throughout the duration of the interview. The audio recording and transcript of each recording will be automatically saved PI's OneDrive after each interview. Only members of the research team will have access to data. Identifiable data (interview recordings and survey responses) will be stored separately from deidentified data (transcripts of recordings with pseudonyms and survey responses with identifiers removed). All data will be stored on the PI's OneDrive for a minimum of 5 years after study closure per Florida law. Only the approved research team will

have access to the identifiable data. If the results of this study are published or presented, individual names and other personally identifiable information will not be used.

If you complete both the survey and interview, then you will receive a $50.00 gift card from Amazon. The gift card will be distributed to you via e-mail no more than 3 days after participating in the Zoom interview. Keep in mind that you can ONLY participate once. Leaders of the same organization are eligible to participate. You must complete the Zoom interview to receive the full amount. Each interview has a duration of 2 hours.

Study contact for questions about the study or to report a problem: If you have questions, concerns, or complaints, please contact the Principal Investigator via telephone at (407) 530-3358 or via email at an908087@ucf.edu. You can also contact the faculty advisor, Dr. Bryer, at Thomas.Bryer@ucf.edu.

IRB contact about your rights in this study or to report a complaint: If you have questions about your rights as a research participant, or have concerns about the conduct of this study, please contact Institutional Review Board (IRB), University of Central Florida, Office of Research, 12201 Research Parkway, Suite 501, Orlando, FL 32826-3246 or by telephone at (407) 823-2901, or email irb@ucf.edu.

If you would like to participate in this study, please email me a signed copy of this consent form at an908087@ucf.edu.

Indicate *Yes* or *No*:

I give consent to be in this study.

　　　___Yes___No

APPENDIX D: IRB APPROVAL LETTER

Institutional Review Board
FWA00000351
IRB00001138, IRB00012110
Office of Research
12201 Research Parkway
Orlando, FL 32826-3246

UNIVERSITY OF CENTRAL FLORIDA

EXEMPTION DETERMINATION

February 20, 2023

Dear Andrea Ortega:

On 2/20/2023, the IRB determined the following submission to be human subjects research that is exempt from regulation:

Type of Review:	Initial Study, Initial Study
Title:	Nonprofit Compliance: Perceptions of Small Nonprofit Leaders to be Compliant
Investigator:	Andrea Ortega
IRB ID:	STUDY00004966
Funding:	None
Grant ID:	None
Documents Reviewed:	• HRP-251- FORM - Faculty Advisor Scientific-Scholarly Review.pdf, Category: Faculty Research Approval; • CITI Certificate.pdf, Category: Other; • HRP-254-FORM Explanation of Research.pdf, Category: Consent Form; • HRP-255-FORM - Request for Exemption.docx, Category: IRB Protocol; • Questionnaire.docx, Category: Survey / Questionnaire; • Recruitment Materials.docx, Category: Recruitment Materials; • Semi-Structured Interview Questions.docx, Category: Interview / Focus Questions

This determination applies only to the activities described in the IRB submission and does not apply should any changes be made. If changes are made, and there are questions about whether these changes affect the exempt status of the human research, please submit a modification request to the IRB. Guidance on submitting Modifications and Administrative Check-in are detailed in the Investigator Manual (HRP-103), which can be found by navigating to the IRB Library within the IRB system.   When you have completed your research, please submit a Study Closure request so that IRB records will be accurate.

If you have any questions, please contact the UCF IRB at 407-823-2901 or irb@ucf.edu. Please include your project title and IRB number in all correspondence with this office.

Sincerely,

Jonathan Coker
Designated Reviewer

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