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Nonprofit Leadership Strategies for Maintaining Tax-Exempt Status

Joelander Wheeler
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Walden University

College of Management and Human Potential

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Joelander Wheeler

has been found to be complete and satisfactory in all respects,
and that any and all revisions required by
the review committee have been made.

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Walden University
2024

Abstract

Nonprofit Leadership Strategies for Maintaining Tax-Exempt Status

by

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MBA, American Intercontinental University, 2003

BS, DeVry University 2002

Research Project Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

February 2024

Abstract

Nonprofit organizations (NPOs) have benefited communities by providing goods and services not filled by government and private organizations. Noncompliance with operational requirements imposed on tax-exempt organizations can cause NPOs to lose their tax-exempt status and hinder their ability to provide much-needed services to underserved communities. Grounded in general systems theory, the purpose of this qualitative multiple-case was to explore strategies some NPO leaders use to ensure compliance with the state and federal regulations required to maintain tax-exempt status. The participants were leaders from three NPOs in Tennessee who implemented plans to ensure adherence to local, state, and federal laws to preserve their organizations' tax-exempt status. Data were collected through semistructured interviews and analyzed using Braun and Clarke's six-step process. Nine themes emerged from the analysis: (a) governance, (b) compliance, (c) accountability, (d) teamwork, (e) communication, (f) technology, (g) training, (h) invest in human capital, and (i) internal organizational strategies. A key recommendation is for NPO leaders to invest in education and training and initiate internal controls. The implications for positive social change include leaders having the potential to stimulate significant societal shifts while leaving an enduring influence within their served communities.

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Dedication

I dedicate my doctoral study to my family. Thank you for your unwavering support, motivation, and unconditional love. To my extended families and friends who have provided that extra push, motivation, and inspiration, my heartfelt thanks and appreciation go out to you as well. I want this accomplishment to provide motivation and inspiration to my nieces, nephews, and all the other young men and women with whom I have been blessed to cross paths. Remember, you can accomplish and achieve anything that you put your heart and mind into.

Acknowledgments

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Section 1: Foundation of the Study

Nonprofit organizations (NPOs) that provide goods and services to communities that are underserved by government and private organizations should adhere to operational requirements to maintain their tax-exempt status. Many NPOs risk losing their tax-exempt status due to noncompliance (Levy, 2020). Many leaders of NPOs lack the strategies to ensure their organizations remain compliant with state and federal regulations, resulting in the loss of their tax-exempt status. This qualitative multiple-case study sought to explore strategies some NPO leaders use to ensure compliance with the state and federal regulations required to maintain tax-exempt status.

Background of the Problem

Private and governmental organizations do not offer goods and services in some communities, compelling NPOs to step up and provide much-needed goods and services to these underserved communities (Haslam et al., 2019). Due to the lack of strategies by nonprofit leaders, from 2019 through 2020, the Internal Revenue Service (IRS) issued approximately 34,022 revocation notices to NPOs due to noncompliance (IRS, 2021).

Problem Statement

NPOs have benefited underserved communities by providing services not filled by government and private organizations (Haslam et al., 2019, p.1). However, due to noncompliance with the operational requirements imposed on tax-exempt organizations, some NPOs risk losing their tax-exempt status (Levy, 2020, p.45). Data revealed that from 2019 through 2020, the IRS submitted approximately 34,022 revocation notices to NPOs (IRS, 2021). The general business problem is that failing to comply with the

operational requirements imposed on tax-exempt organizations could result in the loss of tax-exempt status. The specific business problem is that some leaders of NPOs lack strategies to ensure compliance with state and federal regulations to maintain their tax-exempt status.

Purpose Statement

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. The target population for this study included three leaders from three NPOs in the Tennessee area who successfully implemented strategies ensuring compliance with state and federal regulations and maintaining tax-exempt status. The study results may impact a nonprofit organization's ability to continue providing goods and services to citizens of underserved communities. The implication for positive social change includes how the potential for NPO leaders' adoption of effective compliance strategies enhances their organization's ability to continue providing goods and services in communities that would otherwise go unserved.

Nature of the Study

Creswell and Creswell (2018) discussed quantitative, qualitative, and mixed as methods for conducting research. For this study, I aimed to explore the successful strategies implemented by NPO leaders to maintain tax-exempt status, and the qualitative methodology was most appropriate. As Korstjens and Moser (2017) posited, the questions seek to explore the behaviors, decisions, and how and why the strategies are successful. Researchers use qualitative methods to attain a more in-depth understanding

of phenomena from participants' perspectives within a particular context (Park & Park, 2016). Using qualitative methods allows for smaller sample sizes and enables researchers to study participants in the confines of their natural environments (K. Singh, 2015). The quantitative method uses statistics to gather and evaluate data to examine the differences or relationships between variables through hypotheses testing (Tominc et al., 2018). The sample size of 3 is justified through the qualitative methodology's ability to use smaller samples to enable a proper synthesis of information. (K. Singh, 2015). This study had no components that required using the quantitative method. For example, the quantitative method was not applicable because I did not use quantitative tools such as surveys and statistical analyses. The mixed-methods approach incorporates both quantitative and qualitative analyses and techniques of research and was not suitable for this study.

Qualitative researchers select from multiple design types and choose one based on the purpose of the study. Kruth (2015) discussed the case study, ethnographic, narrative, and phenomenological as options for qualitative research designs. I used the case study design in my research. Case studies allow researchers to investigate phenomena within their context (Ridder, 2017). In choosing between a single or multiple case study, Yin (2018) stated that multiple-case studies offer the means for developing a more substantial study than a single-case study. I chose the multiple-case study for this research to achieve a more robust and significant exploration of the strategies used by NPO leaders who have successfully implemented strategies to maintain their tax-exempt status.

I considered the phenomenological, ethnographical, and narrative designs, as Bass and Milosevic (2018) surmised. The ethnographical design's focus is on understanding

organizational cultures, and that was not the intention of the researcher in this study. Using a narrative design, as discussed by Bass and Milosevic (2018), requires obtaining and exploring participants' personal stories by investigating their experiences, which was not the aim of this study. The phenomenological design, as discussed by Saunders et al. (2016), requires the researcher to interpret the meanings of a participant's lived experiences and provide a descriptive phenomenon, which did not align with this study's purpose of exploring the successful strategies used by NPO leaders to maintain tax-exempt status.

Research Question

What strategies do NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status?

Interview Questions

1. What strategies does your organization use to ensure compliance with state and federal regulations to maintain tax-exempt status?
2. How does your organization assess the effectiveness of your strategies in meeting the state and federal standards to maintain tax-exempt status?
3. Did any of these regulations prove to be effective in making sure leadership remained compliant with the IRS?
4. What principal barriers did you face in implementing your strategies to meet and comply with state and federal standards?
5. How did you address the principal barriers to your organization's compliance with state and federal regulations?

6. What role do your employees play in the status of your organization's work culture in enforcing tax compliance?
7. What strategies worked best in motivating employees to work together to ensure compliance with state and federal standards to maintain tax-exempt status?
8. What other information would you add regarding your organization's strategies for remaining compliant with state and federal regulations?
9. What processes were involved when it came to maintaining compliance with tax authorities?
10. Were any regulations put into place for leadership to ensure tax compliance?

Conceptual Framework

Von Bertalanffy's (1972) general systems theory (GST) served as the basis for the conceptual foundation of this research. The concepts of GST were first introduced in 1937 and expanded upon in 1949 and later in 1972 (Von Bertalanffy, 1972). The theory's focus is on the whole of an organization's systems, which includes the culture, technology, and employees working together to meet the goals of the organization (Von Bertalanffy, 2008). St. Clair (2016) posited that leaders of NPOs benefit from a system that engages employees, improves organizational outcomes, and maintains regulatory requirements. GST provided insight into the leadership strategies developed and used by participating nonprofit leaders for meeting compliance with operational requirements to maintain tax-exempt status.

Operational Definitions

Accountability: Accountability refers to the responsibility of NPOs' obligations to the conveyance of mission, decision-making, program outcomes, effectiveness, credibility, and efficiency with funders and potential stakeholders (Slatten et al., 2016).

Compliance: Assures adherence to formalized agreements, rules, and regulations established by funders and regulatory bodies and ensures the maintenance of tax-exempt status and access to resources (Siddiki & Lupton, 2016).

Governance: Nonprofit boards of directors are responsible for ensuring the organizations' accurate conduction of business according to their mission, articles of incorporation, by-laws, and federal, state, and local laws (Olinske & Hellman, 2017).

Assumptions, Limitations, and Delimitations

Assumptions

According to Armstrong and Kepler (2018), assumptions are aspects of research where credible inferences are drawn, but the data is untestable. I assumed that my research participants were truthful in responding to research questions during face-to-face interviews. Theofanidis and Fountouki (2018) discussed the perception of uncertainty during an interview as another assumption that can add an element of uncertainty regarding the study's validity.

Limitations

Ross and Bibler-Zaidi (2019) identified limitations as potential weaknesses viewed by the researcher within a study over which the researcher has no control but could influence the study's outcome. Participant and researcher bias are factors that may

have negatively influenced the reliability of this qualitative study. Another limitation was the use of three leaders of NPOs, which could hinder the findings due to interviewees' participation, knowledge, and accuracy.

Delimitations

Delimitations refer to the boundaries or limitations that a researcher establishes. The researcher creates these boundaries and limitations to make the study's objectives achievable (Theofanidis & Fountouki, 2018). My participants were limited to nonprofit leaders with the knowledge of establishing strategies and experience in NPSs' governance, compliance, and accountability.

Significance of the Study

The findings in this study could provide insight into strategies that leaders of NPOs use to ensure their organizations remain compliant with state and federal regulations to maintain tax-exempt status. Strategies that help nonprofit leaders maintain tax-exempt status enable the NPOs to continue providing goods and services to underserved communities. NPSs are mandated by state and federal regulations, and the study could reveal successful strategies that lead to compliance with those regulations and to maintaining tax-exempt status. Applying these strategies can lead to the continual sustainability of the NPOs and the achievement of their mission.

Contribution to Business Practice

Leaders of NPOs are responsible for ensuring the proper strategies are in place to remain compliant with state and federal regulations to maintain tax-exempt status. Having access to successful strategies could provide leaders of NPOs with the knowledge

to develop and implement strategies to improve their governance and accountability practices. The results of this study may increase the leaders' awareness of effective governance practices and measures stipulated in state and federal regulations. According to Pope et al. (2018), the successful implementation of compliance strategies may enhance the organization's approach to accountability, which is the most crucial aspect that contributes to ensuring the maintenance of tax compliance. Accountability also ensures that the leadership and members make the necessary efforts to meet the organization's obligations properly.

Implications for Social Change

The implications for positive social change include the potential to provide local nonprofit leaders with the ability to function as a business entity and continue providing support and services to local communities that assist in improving the socioeconomic status of residents. The study on successful strategies implemented by nonprofit leadership may enhance the organization's ability to serve more community residents and reduce the costs of assuring regulatory compliance. The impact of social change may also be evident in the organizations' ability to help improve the living standards for the residents of the communities served.

A Review of the Professional and Academic Literature

A general problem with nonprofit businesses or operations involves failure or negligence to comply with IRS tax regulations. These tax regulations exist on both a state and federal level, containing provisions that maintain the tax-exemption status of nonprofit entities. The success or failures of compliance with federal or state-level tax

regulations in some cases also rely on the extent to which tax-exemption status for nonprofit entities can benefit others on a communal level (Kutsin, 2018). The benefits brought about by nonprofit entities are determinants of whether they can keep their tax-exemption status in the face of federal tax laws.

The failure or negligence of these nonprofit entities or organizations to comply with state and federally-sanctioned tax laws may cause these organizations that are considered free of tax obligations to lose their special tax-exempt status. The problem is that a percentage of NPOs or general nonprofit administrators, boards, and leaders lack the appropriate strategies, capabilities, and leadership competencies that would ensure full, unquestioned compliance with American tax regulations on both a state and federal level to maintain their tax-exempt status (Baker et al., 2019). This reflects failed leadership or inadequate governance from the perspective of a nonprofit entity handling decisions and responsibilities connected to tax-exemption statuses. There is also a scarcity of academic works or peer-reviewed material that focuses on the problem of noncompliance regarding tax regulations and nonprofit governance. Furthermore, there is a lack of academic studies investigating this problem using the GST as the key theoretical framework. Therefore, I have chosen this study to help contribute to the scholarly literature in this field.

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. My main objective of this section is to categorize, discuss, synthesize, and filter the existing academic literature that focuses on the current subject matter regarding

both state and federal tax compliance in conjunction with NPO leaders as well as what is being done to either remain compliant or neglectful of American tax regulations. I will discuss and analyze the literature from the lens and approach of my chosen theoretical framework. This research study utilized a series of search strategies and techniques to acquire the necessary resources.

I used several search strategies for this literature review, including databases such as EBSCOhost, Elsevier, JSTOR, Digital Quarterly, and Google Scholar. Most sources used for the literature review consist of academic or peer-reviewed articles, scholarly publications, academic books, and relevant law documents on tax compliance. I used the following keywords in the search for the relevant literature: *nonprofit tax compliance and the general systems theory, nonprofit leaders, nonprofit governance, nonprofit compliance, nonprofit accountability, nongovernmental organizations taxation, nonprofit tax compliance, nonprofit IRS, nonprofit tax-exemptions, American taxation exemption, state tax regulation compliance, federal tax regulation compliance, and nonprofit tax state and federal compliance*. Most references are from 2019 to 2023 to ensure the relevancy and recency of the research topic's scope. Sources older than 2019 focus on the historical works of my research topic and the GST, which I will further discuss in the next sections.

Conceptual Framework

The theory to guide this study was Von Bertalanffy's GST. The theory's primary emphasis and scope focus on an organization's entire governance systems, including the culture, technology, and employees that collaborate to meet the organization's goals (L.

Bertalanffy et al., 1968). Furthermore, the theory helped introduce the concepts of GST in 1937, stating that it would provide further insights into general leadership strategies (L. Bertalanffy et al., 1968). The theory implies that variables such as age, gender, education, area of work, experience, and overall knowledge are more than the sum of their parts and that there is always a complex system that works to ensure that these various dynamics work toward the fulfillment of either a goal or a type of system (Bertalanffy et al., 1968). The GST comprises three key components: (a) input, where information is stored; (b) throughput, otherwise known as the processing or synthesis of the relevant information; and (c) output. Input consists of the following: culture, circumstance, technology, employees, demographics, ages, and education (Bertalanffy et al., 1968). Throughput comprises leadership, decisions about leadership, implementation of tax policies, compliance, and noncompliance (Bertalanffy et al., 1968). Output happens when favorable or unfavorable tax-exempt outcomes occur because of leadership decisions (Bertalanffy et al., 1968). I considered the GST fitting because of its compatibility with the research topic study and the context of nonprofit governance.

Justification For the GST

I chose the GST as the main theoretical framework because of its ability to help carefully analyze leadership strategies being developed and employed by participating nonprofit governance boards to properly meet compliance with operational requirements to maintain their tax-exempt status. The format developed by Von Bertalanffy (2008) regarding the input, throughput, and output status is also compatible with this research study's main problem statement and objectives. Input or information would be best

represented by the culture, technology, employees, demographics, ages, education, and types of leaders in an NPO.

The second phase, throughput, would consist of decisions made by NPOs' leadership and how they can implement policies compliant or noncompliant with both state and federal tax regulations. Examples include deliberation from staff or leadership boards, implementation of policies, and other forms of synthesizing information given to an organizational body during the input stages (Bertalanffy et al., 1968). After most of the processing or synthesis takes place within the throughput stages, it would then be ready to transition into concrete action.

This concrete or definitive action, known as output in the GST format, would consist of the consequences or outcomes because of either productive or problematic leadership decisions vis-a-vis tax-compliance or actions taken to comply better or cooperate with federal and state tax laws to keep nonprofit tax-exemption statuses. It is through this specific format of input, throughput, or synthesis, and finally, output that aligns with the goals and objectives of this study. Finally, the ideas developed and presented by Von Bertalanffy (2008) also take into account not only input, throughput, and output but also the internal and external factors or elements that affect both information and consequences of organizational actions afterward, as seen in Figure 2's visual below.

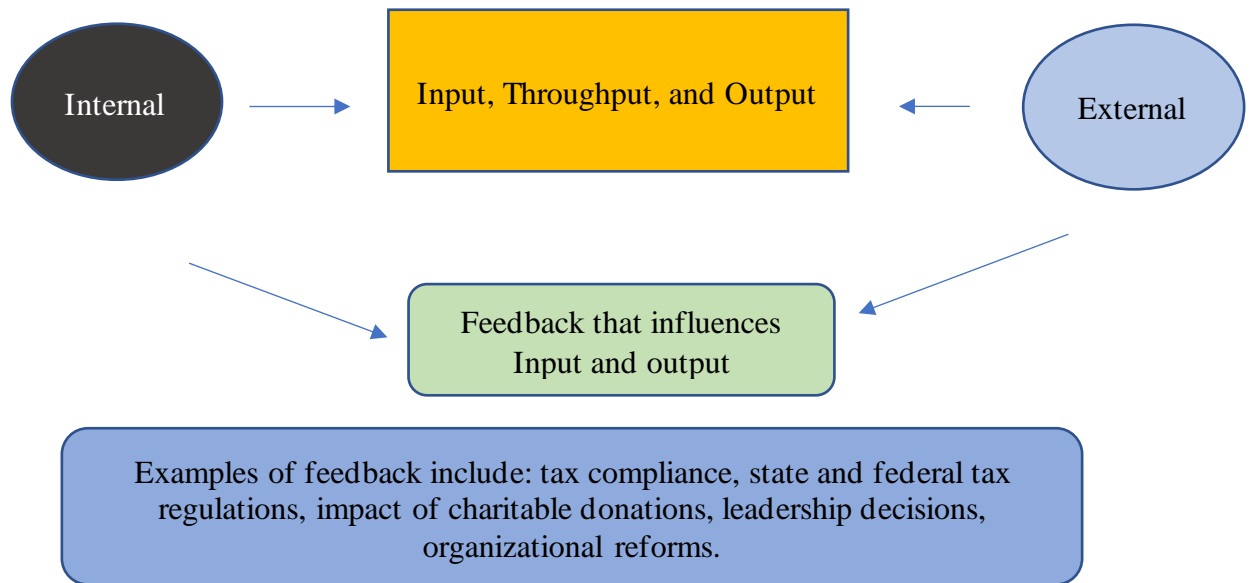
Similar Conceptual Frameworks

There is a scarcity of academically peer-reviewed studies focusing on the GST framework from the context of NPOs and tax-exemption status maintenance. The topic of tax-exemption and nonprofit entities is already a field that is considered limited in the number of studies available. The same can be applied to studies that focus on both nonprofit entities and tax-exemption, which focus on the usage of GST as a theoretical framework. However, some examples of academic works and previous studies have utilized the GST in some form, using the context of researching and studying the maintenance of tax-exemption statuses by NPOs and their respective leaders or have brought it up in the context of tax compliance studies.

Alternatively, there are also academic studies that, while not using the GST specifically, utilized similar systems-based theories as the core theoretical framework, with examples including Bogdanov's (2015) open systems theory (OST). Therefore, I would assume that despite the scarcity of academic or literary works that use the GST as a theoretical basis for similar studies related to the dynamics of NPOs and tax exemption, there still exist remnants or successors of the GST being used as a conceptual framework for NPO and tax-exemption status studies.

Figure 1

General Systems Theory, Internal and External Factors as Feedback



Note. The figure above illustrates the input, throughput, and output design of the GST and how both internal and external consequences impact the feedback that can influence input, throughput, and output (Bertalanffy et al., 1968).

Open Systems Theory

One example in this field of academic literature is the OST. Jung and Vakharia (2019), while analyzing the OST for cultural organizations, noted that the interconnected and open nature of the GST laid the groundwork and foundation for other theories, such as OST, which are used in the context of cultural organizations and tax-exemption laws. Hence, although Jung and Vakharia (2019) did not utilize GST itself specifically, they raised the significance of the GST because it laid out the frameworks in which OST is used for academic studies that focus on the dynamics of NPOs and tax exemption.

Another example comes in the form of Prentice (2016), who analyzed nonprofit financial health from the lens of an open systems perspective. Prentice (2016) found that including a more open systems approach to studying nonprofit health sectors would allow for better analysis of several environmental factors like community or economic factors. I view the works of Prentice as insightful because the validation or reinforcement of an open systems approach partially supports my decision to utilize the GST.

OST-focused theories share some similarities to that of GST. Compared to Jung and Vakharia (2019), Prentice (2016) did not apply OST in the context of NPOs and tax exemption. However, he used OST to focus on the potential benefits and factors brought about by nonprofit health. Therefore, the GST still possesses some roots in the frameworks of academic studies that focus on nonprofit entities and financial leadership. This is because it laid the groundwork for later variants, such as the OST. OST shares some of the qualities presented in GST, but I used GST as the core theoretical framework for the sake of my research study and the intended objectives.

Researchers have used the history of systems-related theories in different studies relating to nonprofit governance. The works of Prentice (2016) and Jung and Vakharia (2019) are like those of Valentinov et al. (2015), who used a successor theory as the main framework for their study on tax exemption and nonprofit status. Valentinov et al. noted that Bogdanov helped develop a more "open systems" theory variant of the GST ideas and concepts introduced by Bertalanffy, which emphasized the relationships between complexity and sustainability from a nonprofit perspective. I chose the existing

theoretical framework due to the lack of academic sources or works that use GST in the context of nonprofit leadership in similar studies.

The complexity, sustainability, and impacts of nonprofit governance contribute to using OSTs in the relevant theoretical fields. Gallagher (2020) also studied the field of NPOs and tax exemption from the lens of the OST. In a study focusing on the sustainability of arts and culture-focused nonprofits, arts-based nonprofits were shown to be capable of producing economic benefits by forming urban revitalization projects, which could create a more positive economic impact (Gallagher, 2020). Gallagher argued that these were all demonstrations of traits connected to an open systems approach, where both internal and external conditions can influence the direction taken by an NPO. Both Gallagher and Valentinov et al. (2015) emphasized complexity, sustainability, and the impacts of both internal and external contributing factors towards the benefits that nonprofit entities can bring from both a communal and economic concept. Gallagher, just like Valentinov et al., considered the effects of tax-exemption entities like NPOs and how the change they can create can assist with the sustainability of their tax-exemption statuses. The impact of tax-exemption policies on NPOs and their effects make it instrumental to utilize the OST, but my main objective was to conduct a study using the GST.

Social Systems Theory

MacDougall (2020) utilized the social systems theory to help study social work leadership within the nonprofit hospital community. The study indicated that the relevance of social factors in the health field, especially nonprofits, had attracted more

policymakers and researchers within the social care field. Whereas Gallagher (2020) took an approach that was more focused on the influences of complexity, sustainability, and internal and external impacts, MacDougall's (2020) study aimed more toward analyzing the nonprofit health sector from a more social standpoint. MacDougall focused on the relationships between workers, volunteers, and leaders. MacDougall's study cannot be considered the same as the ideas outlined by Bertalanffy et al. (1968) in the GST. However, it reveals that despite some notable differences, there is still a key idea surrounding social elements and relationships that play a role in decision-making and leadership. This idea contributes to how different bodies and organizations maintain their tax exemption statuses. This is another example of how ideas from a systems-based theory share commonalities with my chosen theoretical framework of the GST.

Alternative Conceptual Frameworks

There are also examples of other academic works that have introduced similar alternatives to the GST theoretical framework. For example, Orozco (2019) highlighted that the systems theory of compliance assisted with conceptualizing the different actors, relations, bodies, and other institutions that significantly impacted the norms in compliance practices. The author presented the systems theory of compliance because he believed a generalized theory of compliance law was necessary for organizations to further invest in compliance. This compliance was within the fields of behavioral ethics, general governance, regulatory arbitrage, and general administrative law (Orozco, 2019). Orozco argued that regulators, firms, executives, and interorganizational structures relating to compliance law were determined by both economic and institutional forces,

depending on the context. Alm et al. (2019) developed a theoretical framework focusing more on individual tax compliance and less on organizational. He focused on two types of tax compliance: one based on no prior audits and the other based on preexisting audits. Even though Orozco and Alm et al. did not utilize an approach focused on a type of systems theory, it exhibits the role compliance plays on both an organizational and administrative level. Despite a compliance-based theoretical framework's compatibility with this study, I believe the study was to take an approach more aligned to a systems-based theory such as the GST due to the nature of internal and external forces in the study.

Conceptual Change

Theories of conceptual change have been used in one particular study that I viewed as essential to discuss. Golensky and Hager (2020) employed the theories of change for their research on strategic leadership in the nonprofit sector. They defined change as something crucial to the survival and sustainability of the nonprofit sector, and that change was far from cosmetic (Golensky & Hager, 2020). This means that the type of change defined and described in the works of Golensky and Hager went beyond surface-level alterations. They were more focused on the definition of management and the conceptualization of a leadership's overall governance. The main strengths of the theories of change were their focus on leadership and its overall impact on governance.

The theories of change focused greatly on supply and demand affecting the general responses of a corporate or noncorporate entity. Golensky and Hager (2020) implied that organizational response and transformation were determined by the supply

and demand of the marketplace or the circumstantial elements, which would garner or facilitate response at an institutional level. I considered a systems-based approach to the theoretical framework, such as the GST, more appropriate and fitting. This is due to the shared elements of internal and external knowledge and the roles played in conjunction with input, output, and throughput (Bertalanffy et al., 1968). From this aspect, internal and external knowledge act as the inputs that precede throughput or the synthesis of knowledge that takes place so that a desirable change or outcome, whether through consequence or organizational reforms, takes place.

Even though theories of change have their benefits, the GST, in my view, is more favorable to use in this study. Golensky and Hager (2020) focused on the external elements in which change was most facilitated to help create institutional-level reforms. The GST involves breaking up elements that comprise the sum of its parts and determining that there is more to them. The general systems approach does not take only the input of external or internal information into account but also how they are synthesized so that leadership reform on an organizational level happens (Bertalanffy et al., 1968). The main advantage of the GST over general change theories is that it strongly emphasizes leadership synthesis, which I view as instrumental for my study.

I chose the GST over the theories of change because supply and demand contexts did not fit with the nonprofit nature of the study. Golensky and Hager (2020) noted that whereas the incentive for change on both an organizational or leadership level was necessary for nonprofit entities to maintain their tax exemption status, their approach at a surface level focuses on the need for change as a response to supply and demand.

However, IRS regulations provide that for nonprofits to attain proper exemption status, they need to prove that their organization ran with the intention of promoting the general welfare and common good of the community. Some examples would focus especially on the nonprofit health field or organizations aimed at improving people's lives on a communal level (Herring et al., 2018; Johnson et al., 2019). Therefore, a systems-based approach theory such as Bertalanffy's GST can be more suitable because the input is both the IRS regulations for exemption as well as a nonprofit entity's intended goal of communal betterment, which is placed into a throughput so that the nature of tax exemption is guaranteed. This is supported by both Prentice (2016) and Jung and Vakharia (2019). Both studies focused on a systems-based approach as opposed to one that was more focused on external factors of change, such as "supply and demand," as highlighted by Golensky and Hager (2020). Conceptual change frameworks have their share of advantages that would have made them beneficial to use in terms of synthesizing leadership decisions, but I favored GST because of its more structural focus.

Goal-Framing

Goal-framing is another conceptual framework I did not choose in favor of GST. Like the ideas raised by Golensky and Hager (2020), Castiglioni et al. (2019) studied the effects of charitable contributions and tax compliance. Castiglioni et al.'s study utilized an experiment from the lens of a theory known as the goal-framing theory. Castiglioni et al. used a goal-framing study with a mixed-factorial design ($N = 435$) to test the different intentions between the intentions of tax compliance and the desire to make charitable donations. Castiglioni et al. conducted the study, perceiving taxpaying and making

charitable donations as ways of contributing to the greater good and general communal benefit. The communal benefit is one of the ways nonprofit bodies can maintain their tax-exemption status. This is due to the qualities and requirements of federal tax law, which requires nonprofit entities to show or prove that their organizations exist to provide benefits for the common good. Castiglioni et al.'s study focused on a more individual level but still provided some theoretical insights into the approaches used.

Goal framing was used in one instance to justify the motives and incentives that awaited nonprofits in complying with tax regulations. Castiglioni et al. (2019) found that taxpayers utilized a gain goal frame to maintain a sense of normativity of continuing to pay taxes, while a supporting hedonic goal frame was one of the few ways to measure a person's intention in making a charitable donation. Castiglioni et al. concluded that intrinsic examples of motivation did not play a key role in facilitating further tax payments and philanthropic donations. The author also noted that extrinsic or external motivating factors were crucial in facilitating either type of contribution. Overall, the basic form of goal framing is heavily focused on extrinsic motivation and contradicts the more intrinsic nature of the GST.

An alternative study framed goals of compliance under the notion of normativity. Boland et al. (2018) outlined some factors that contributed to what they considered a motivation for compliance. Their study focused on mandatory compliance procedures and an examination of policy adaptations a year after the IRS announced a new set of guidelines that forced nonprofit entities to comply with stronger disclosure policies (Boland et al., 2018). The study's findings indicated that disclose-and-explain regulatory

regimes helped provide better incentives vis-a-vis policy adoption versus mandatory disclosure checks (Boland et al., 2018). This would imply that nonprofit entities on an organizational level were more likely to comply with looser policies. This approach, alongside intrinsic or extrinsic motivation, is insufficient to make up the overall bulk of my chosen theoretical framework, even though the approach utilizes a theoretical analysis based on mandatory compliance. This aligns with how Bertalanffy's GST makes it so that different elements are more than just the sum of their parts and that differing factors and circumstances always play an instrumental role (Bertalanffy et al., 1968). Boland et al. and Castiglioni et al. (2019) focused on the theories of incentive and mandatory requirements to evaluate the extent of nonprofit entities' compliance and how likely they were to abide by those same regulations. I chose not to go with either variant of goal framing because of my study's context and its focus on the internal mechanisms of nonprofit governance.

Intrinsic and Extrinsic Motivation

I have carefully noted that intrinsic and extrinsic motivation continue to play a role in the ideas outlined in the GST. I believe the study utilized in this example was better suited for quantitative models such as those with a mixed-factorial design. Because this study is qualitative, the goal was less towards "measurement" and more towards determining the types of circumstances, information, and other knowledge regarding input as to how nonprofit entities were maintaining their obligations towards the betterment of the community so that most of their tax exemption statuses remained intact.

This also further justifies the nature of the study as qualitative rather than quantitative, which I will further outline in Chapter 3.

Supply and demand are elements that take the most from extrinsic motivation. In contrast to both Boland et al. (2018) and Castiglioni et al. (2019), Golensky and Hager (2020) focused mainly on the dynamics of "supply and demand" from potential markets or donors. There are similarities between these different theoretical approaches. Castiglioni et al. and Boland et al. primarily emphasized the specific incentives and intentions of charitable donors and the everyday taxpayer. For Boland et al., the extrinsic motivations or incentives, in the form of mandatory IRS regulations and federal law, determined the course of action that nonprofit entities would take in keeping regulation and compliance with tax elements. For Castiglioni et al., an area focused on extrinsic motivation that drove taxpayers or charitable donors to contribute due to the perceived similarities between contributing to federal or state taxes and donating money to nonprofit entities for good causes. This means that the studies mentioned in this case primarily focused not just on organizational makeup or behavior but rather on using a theoretical or conceptual framework that focused completely on the more intrinsic and extrinsic elements versus that of the overall organizational dynamics of nonprofit entities.

While elements, such as intrinsic or extrinsic, can work on an individual level, they are incompatible with the organizational level that this study takes. Golensky and Hager (2020) and their synthesis of theories of change focusing on how an organization reacts to circumstances do not consider the more internal elements or inner workings of an organization. As per the GST (Bertalanffy et al., 1968), different elements are

considered more than just the sum of their entire parts, and there is always a complex network or system of leadership and decision-making that goes through a syncretical throughput so that output, whether they are consequential outcomes or desired results, are the main endgame. The author acknowledges the utility of Golensky and Hager's approach to the different theories of change or the focus on intrinsic or extrinsic intent by Castiglioni et al. (2019). Despite the benefits of the various theories, I still consider the GST the optimal theoretical framework for this study.

Nonprofit Dynamics

There are also examples in the academic literature that focus on the dynamics of nonprofit entities in general. Mitchell and Calabrese (2020) utilized nonprofit theory and instrumental philanthropy in their analysis to help identify an incongruity between the informational requirements of instrumental philanthropy and the forms and different theoretical frameworks of the nonprofit concept. The analysis suggested that philanthropy's instrumental viability was dependent on informational costs. The authors considered several public policy options as means of helping support different philanthropic institutional pillars (Mitchell & Calabrese, 2020). The approach by Mitchell and Calabrese (2020) focused on the dynamics of nonprofit theory itself and how philanthropy as a concept could be used to drive the actions of individuals forward in terms of nonprofit leadership decisions. Similarly, Colombo and Hall (2019) approached the charitable aspects of tax exemption for NPOs using the donative theory of charitable exemption, synonymous with the idea that philanthropic efforts are characterized by driving forces or entities that can gather public support. Public support in this area can be

considered a driving force or motivation that may further increase the credibility of nonprofit entities and would, therefore, further justify their nonprofit tax-exempt status.

Some examples of theoretical models have focused on a nonprofit entity's more idealistic components. In addition to the theoretical approach by Colombo and Hall (2019), Mitchell and Calabrese (2020) observed the activities of the nonprofit sector from a purely idealistic standpoint, focusing more on the theoretical motivations and incentives that make up a nonprofit body's *modus operandi* at face value. The authors used a more practical systems-based approach like the GST instead due to its ability to analyze and evaluate organizational functions and judge them as aspects that were more than just the sum of their parts (Bertalanffy et al., 1968). Mitchell and Calabrese, as well as Colombo and Hall, focused more on the idea of philanthropical ideas or the approach that the public would be drawn to supporting these charitable aspects. These philanthropical and idealistic elements may explain why a nongovernmental organization operates as it does. Still, I did not consider it necessary as my theoretical framework because its ideals cannot explain or justify why nonprofit governance makes favorable or unfavorable decisions regarding tax compliance.

Other authors used other theoretical approaches with NPOs, such as the resource-advantage theory approach. Topaloglu et al. (2018) highlighted an increase in competition within the nonprofit sector due to a variety of reasons, such as (a) an increase in the number of NPOs and (b) entry from for-profit entities in fields that were traditionally nonprofit. Using the resource-advantage theory, Topaloglu et al. determined that many entities that traditionally came from for-profit sectors immigrated to nonprofit

areas most likely to enjoy tax-exemption benefits. Topaloglu et al. and Suykens et al. (2019) also examined the incentives of NPOs from a resource-based theoretical approach, namely that of the contingency theory. Suykens et al. conducted a resource dependency theory with implementations from the contingency theory to analyze and discuss how NPOs were utilizing commercial techniques due to resource uncertainty using a comparative study of six sociocultural nonprofit entities based in Belgium. From the lens of the resource dependency theory, Suykens et al. found that organization differences were mostly defined by the following: (a) organizational origins, (b) professional capacity, and (c) the nature of the tasks at hand. Resource advantage theory is advantageous for studies that focus on motivations behind receiving tax-exemption benefits. However, my study needed theoretical groundwork that focused on the inner workings of nonprofit governance from multiple sides.

Resource-Based Frameworks

Some examples of nonprofit governance studies have used theoretical frameworks focusing on resources. Topaloglu et al.'s (2018) study was a resource-based approach with an incentive to access tax-exemption benefits. However, Suykens et al.'s (2019) study focused on nonprofits utilizing different techniques and shaping their leadership decisions based on resource availability or uncertainty. This theoretical approach does not provide much insight vis-a-vis specific leadership and organizational makeup that may explain why or why not nonprofit entities can successfully maintain their nonprofit status. Still, it can explain why some corporate entities or bodies take the nonprofit route.

Several studies focused on the survival elements of resource-based conceptual frameworks, which consist of theoretical frameworks focusing on survival. AbouAssi and Bies (2017) examined some of the ideas by Topaloglu et al. and Suykens et al. from the perspective of enhancing survival prospects, legitimacy, and resources. While it does not take a more resource-based theoretical approach like Topaloglu et al. and Suykens et al., this specification of theoretical examination focuses primarily on institutional theory, which is defined by organizational goals that multiple demands on an institutional and individual level face (AbouAssi & Bies, 2017). Unlike the systems-based theory outlined in the previous sections, such as the GST, the institutional theory's ideas assume that individuals and organizations are constantly approval-seeking and are looking for ways in which they can conform to norms to achieve social expectations to guarantee organizational success (AbouAssi & Bies, 2017). Unlike the systems-based theories, this is considered a much more hyper-focused but incentive-based framework, with the incentive being simple approval or conformity to ensure success. However, this theoretical approach does not outline or explain more of the circumstantial aspects of organizational behavior or leadership decisions. It also differs from Topaloglu et al. and Suykens et al.'s with their more resource-based theoretical approaches. Seeking conformity to secure perceived organizational success may not always align with my intended purpose in this study, which includes outlining the different ways that leadership in nonprofit entities may or may not comply with state and federal tax regulations. Conformity and norms go hand in hand with a desire to secure resource-based security and share some ties with the outlined resource-based theories.

Resource-based theories can also further facilitate how nonprofit entities can increase the amount of collaboration with other NPOs and their sense of social responsibility. For example, Zeimers et al. (2019) used a resource-based theory and an in-depth case study research design to examine how collaborations are formed through sports federations for socially responsible programs. Zeimers et al. noted that the need to share resources among organizations due to a lack or scarcity of needed materials or supplies drove collaborations. This resource-based theory approach does not assist me with creating inferences or implications as to how this affects nonprofit leadership regarding tax exemption or tax compliance. However, it helps understand resources' pivotal role in conjunction with nonprofit theory. As NPOs enjoy a tax-exemption status if they remain compliant with the policies outlined to them by the relevant tax authorities, resources also play a crucial role, especially in delivering the terms laid out by the IRS to ensure the maintenance of tax-exemption status. I place importance on examining the study from the perspective of a resource-based theoretical approach despite my overall objectives in using the GST.

Another theoretical framework in the resource perspective focuses on incentives like nonprofit entities achieving tax-exemption statuses. Unlike Colombo and Hall (2019) or Mitchell and Calabrese (2020), a resource-based approach focuses extensively on incentives that may not necessarily be about fostering results for the greater good and, more so, for organizations to access non-tax exemption benefits. The theoretical approach by Topaloglu et al. (2018) indicated more similarities with those of Golensky and Hager (2020), who utilized a more incentive-based approach. The resource-advantage theory

approach focuses more on financial resources concerning tax exemption or decisions regarding tax law. I deemed a resource-based approach unsuitable for this study's purposes and objectives due to its lack of focus on an organizational standpoint. The resource-advantage theory requires a research study to focus on resource-based incentives and would not be as compatible with my study's primary objectives. However, a research approach to a theoretical framework cannot be fully discredited. There is still added value that examining the research from a resource-based theoretical lens may have depending on the study design or methodology for other types of researchers.

My objective for this study was to examine the phenomenon of tax compliance and nonprofit entities from a structural and organizational leadership perspective. Using an approach that relied mostly on philanthropic ideas as the key driving force of nonprofit sustainability from an internal and external standpoint did not suit the overall objectives of the current research study. Using a theoretical approach, which also focused mostly on mandatory compliance, would not have been suitable as well, despite the overall nature of the study focusing on nonprofit entities and tax compliance due to the broader organizational emphasis of the research topic. To conclude, most of the theories that were outlined in this section aligned well with previous academic works and peer-reviewed material that focused on tax exemption and nonprofit entities but did not fit what I had in mind for my study.

Summary

There is still a relative scarcity or lack of academic works and texts that utilize Bertalanffy's GST, as I did in this study. However, this is made up of studies in the tax

exemption and NPO fields that still utilize open systems-based studies as the key theoretical or conceptual framework. Some examples that I brought up in this section included the OST and other systems-based frameworks that may have preceded or succeeded the works of Bertalanffy et al. (1968).

Furthermore, the conceptual framework section also addressed other theoretical fields, such as those focusing on charitable donations, the concept of philanthropy, or the incentives of either taxpayer or charitable donors to frame nonprofit activity or leadership in conjunction with the maintenance of tax-exemption statuses and general incentives. I did not take this approach due to the organizational and institutional emphasis placed on the current research study, mainly focusing on nonprofit bodies' leadership and organizational dynamics and how they can maintain their tax exemption status. I decided that a more systems-based approach like the GST would be more appropriate due to the organizational, input, and output-focused approach taken with the theory. This is despite the potential compatibility of the other theoretical concepts and frameworks that I compared and discussed.

The next section will focus on the narrative literature review of different works covering the dynamics of nonprofit entities and tax exemption. I will divide it into three key areas. The first section will focus on the factors in NPO leadership or any type of organizational decision-making that have led to the failure of tax compliance and the role played by state and federal laws. The other section will address and highlight elements resulting from productive and effective nonprofit governance. The last section will

primarily focus on how NPOs or other nonprofit entities utilize their tax-exemption status to help better benefit their community.

Nonprofit Tax Compliance

This section will focus on the analysis, discussion, synthesis, comparison, and processing of the literature that I chose for this study. Most of the sources utilized for this section include academic or peer-reviewed journals, scholarly works, and academic books by notable publishers. As previously stated, I will divide the literature review into three different areas: (a) factors of nonprofit leadership that lead to tax compliance failure as well as government intervention, (b) successful factors that lead to compliance with American tax law on the part of productive nonprofit governance leadership, and (c) how nonprofit or nongovernmental entities use their nonprofit statuses to provide overarching benefits for the local communities so that their tax-exemptions statuses are maintained. The researcher will analyze and identify similar patterns in the literature. This will aim to categorize what is currently known or researched by scholars in this field and identify where information gaps most likely remain.

Successes and Failures in Tax Compliance for Nonprofits

For multitudes of reasons, there are ways that NPOs or entities can fail to meet the requirements needed to maintain compliance with the IRS to maintain tax-exemption status. As previously mentioned, IRS Regulations provide that for nonprofit entities or companies to maintain their entitled tax exemption status, they need to prove that their organization is run and managed with the intent and purpose of promoting the general welfare and common good of the community. Examples may include nonprofit hospitals

(Herring et al., 2018; Johnson et al., 2019) or religious organizations (Tosun, 2020).

There are different reasons why nonprofit entities may fail to meet their obligations vis-a-vis compliance with the IRS to maintain their tax exemption status, which may include issues with leadership or mismanagement from a financial perspective. This section will focus on examining different factors that risk or endanger the tax exemption statuses of nonprofit entities.

IRS Policy and Governance Oversight

Nonprofit and for-profit entities are expected to fall in line and comply with the regulations set forth by the IRS to maintain tax-exemption status. However, factors such as governance oversight or financial mismanagement versus compliance with IRS policy may create complications that would interfere with fulfilling these obligations. In some cases, legislative or extrinsic elements in part of either federal or state laws may create or result in loopholes or "cracks" in which noncompliant behavior from nonprofit governance may occur. NPOs must also consider the elements, such as their profit and how much of it arguably goes to the community or their stated mission purpose as part of their IRS obligations.

Closures, especially from nonprofit schools, are notable indicators that failure or noncompliance with IRS regulations has occurred concerning their tax-exemption statuses and the obligations given to them by federal and state law. For example, Baker et al. (2019) discussed several key areas in the following order: (a) the background of nonprofit school closures and their causes, (b) the failures and fiduciaries of board members, (c) the inadequacy of nonprofit oversight, (d) mandatory federal disclosures,

and (e) the IRS Form 990. Baker et al. attributed the closure of nonprofit schools to what was perceived to be financial irresponsibility or generally poor forms of decision-making. Factors such as the inability to compete with larger and wealthier for-profit colleges, geographical circumstances, and lack of economic activity that proportionally scales with nonprofit colleges within the area also contributed to the closing of these institutions. These factors are arguably problematic because if NPOs cannot properly commit to the priorities and objectives entrusted to them by the IRS to maintain their tax-exemption statuses, then it would be considered a failure on their part to remain committed to what they started with nonprofit schooling.

A lack of commitment and priorities to the tax obligations placed upon nonprofits by the IRS leaves room for mistakes by leadership and administration. Baker et al. (2019) brought to attention the number of errors in IRS files when filing Form 990. This would imply unfamiliarity or general incompetence from nonprofit leadership or those responsible for financial management. Johnson et al. (2019) observed that short-term acute care hospitals had allocated \$46 billion per year on average, or roughly around \$20 million per hospital, which focused on community benefit activities. This would help further reinforce the benefits of tax exemption that the IRS has rendered entitled to nonprofit entities. Johnson et al. also noted that general exposure to a state-level community benefit law of any type was associated with an \$8.42 per \$1000 of overall operating expense for greater community benefit spending. The findings also indicated that total spending amounts and patterns varied based on the type of community benefit law and hospital urbanicity. The implications presented here are that despite the

intentions of nonprofit entities or their perceived good faith in upholding compliance with the IRS, state or federal law on an economic and financial level still plays a role in the survivability of nonprofit entities such as schools.

There are various aspects that I took note of, such as the economic situation, climate, geographical circumstances, and advantages or disadvantages that nonprofit educational institutions face versus those that are corporate or for-profit in nature. Svensson and Moorman (2018) concluded that it was instrumental for institutions to recognize better and acknowledge the role of creating sufficient discretion and control of funds for any registered U.S. nonprofit currently engaged in cross-border support for overseas Social Fund for Development (SFD) efforts. The main implication of these findings is a stronger need for enforcement by the IRS and other state or federal bodies. Whereas Svensson and Moorman focused on an enforcement perspective regarding tax exemption and noncompliance, Baker et al. (2019) focused more on what were circumstantial elements that contributed to how successfully or how poorly a nonprofit entity does in remaining complacent or cooperative with IRS regulations.

There are also other areas of interest to remember, like existing legislation or current tariff exemptions, some of which depend on which city or U.S. state an NPO is based. For example, legislative context aspects like private healthcare facility or service legislations, tariff exemptions, and external and international reference pricing were commonly discussed in academic literature that focused on tax exemptions and nonprofit entities (Lee et al., 2020). Lee et al. (2020) also highlighted that literature addressed legislative context aspects like a private healthcare facility or service legislation, tariff

exemptions, and external and international reference pricing. The literature review of Lee et al. indicated two types of taxes outlined: direct tax and indirect tax. Direct taxes, for example, are levied by the local state based on individual and organizational income, whereas indirect taxes are imposed on the prices of either goods or services (Lee et al., 2020). Regarding tax exemptions, its benefits for pharmaceutical products could provide an impact characterized by equity for poorer populations (Lee et al., 2020). In this instance, it would mean the ability for a nonprofit entity to carry out its responsibilities towards the American tax regime so that its tax-exemption statuses are maintained.

Some examples of academic literature have argued about the shortcomings of loose tax-exemption regulations. A disadvantage regarding tax-exemption systems for pharmaceutical products is that they may reduce profits for national governments (Lee et al., 2020). Zare et al. (2021) supported the complicated and multidimensional facet of this loss of profit. According to the authors, nonprofit hospitals spent roughly around 5.9% of overall expenses on community benefits; 1.3% was allocated towards charity care and received 4.3% of overall expenses in tax exemptions. The researchers concluded that the amount of community benefits and charity care provided by nonprofits varied across different nonprofit hospitals. (Zare et al., 2021). This also supports the statements made by Lee et al. (2020) in that it also holds the potential to affect the healthcare industry to some extent. The statements made by Zare et al. reinforced the points raised by Baker et al. (2019), where the successes and failures of a nonprofit entity can be potentially determined by the extent to which an institution can survive in each competitive environment against other for-profit bodies or the circumstantial aspects of a community

that an NPO is situated in. From my perspective, competition may affect how nonprofit entities behave regarding compliance with tax regulations, such as whether they would prioritize their survival or compliance with the tax authorities.

Competition between nonprofit entities may facilitate certain decisions made by organizational governance. Topaloglu et al. (2018) stated that an increase in the number of nonprofit entities or a lack of support from the state can contribute to nonprofit entities or factions competing with one another for various reasons. One of these also involves the potential approach towards a resource-based rivalry, as outlined by authors such as AbouAssi and Bies (2017) and Suykens et al. (2019). While discussing the likelihood of nonprofit bodies or organizations failing or succeeding with their obligations to the IRS so that their nonprofit statuses are maintained, there is the need to keep in mind the chances of survivability and sustainability among the operations of an NGO.

A lack of knowledge, competency, and working relationships between board members and the responsible financial figures may contribute to errors in tax processing. Baker et al. (2019) outlined the number of errors that were found organizationally or financially responsible individuals who had the duty to fill out the needed IRS forms. A perceived sense of flawed professional relationships or intrapersonal connections among staff or board members may cause half these errors. Much more could be done in part of intrapersonal relationships among board members, staff, and general nonprofit governance. The next subsection will focus on the dynamics between leaders with governance and the techniques they employ to create an effective relationship dynamic to lead and manage properly to meet obligations owed to the IRS vis-a-vis tax exemption.

Intrapersonal Aspects of Nonprofit Governance

Nonprofit leaders and boards must meet the obligations owed to the IRS for its nonprofit position so that their tax exemption statuses are mostly maintained. This comes with the responsibility of those in charge of nonprofit governance to maintain and ensure that relationships and decision-making among the nongovernmental organization staff and leadership remain sound and productive. It also includes the type of staff who are hired into nonprofit sectors, the nature of their employment (whether as volunteers or as employees), and the nature of the decisions that come with these responsibilities. Several aspects of gender are covered by the pool of literature regarding the intrapersonal elements in nonprofit decision-making and maintenance of general competencies.

One example brought up by the literature is how gender dynamics can affect leadership. The findings of Dula et al. (2020) indicated positive relationships and associations exist between female board leadership and the board performance's clearly defined measures and means of enacting their duties. Dula et al. (2020) concluded that a strategy to better a board's gender could serve many nonprofits. Dula et al. emphasized that their research assisted with advancing the field through empirical testing that overall board performance was multidimensional and contingent on the environments of labor and market, the capacity of organizations, and the dynamics of gender. Even though the movement for women's equality in the workplace has not yet concluded, a better insight into how paradigm shifts in the gender dynamics of nonprofit leadership can impact performance can reinforce arguments for diversity (Dula et al., 2020). This source is

valuable to the literature review and the research study because it provides researchers and learners with a gendered approach to board leadership.

Shortcomings regarding balances of power within nonprofit governance can contribute to a wide array of errors. Molk and Sokol (2021) focused on the dynamics of checks and balances between different board leaders in a nonprofit entity. Molk and Sokol found that NPOs do not share these same regulatory checks and balances compared to their for-profit counterparts. To a degree, this contradicts some of the elements that Topaloglu et al. (2018) raised. Topaloglu et al. provided that formerly for-profit entities had moved into the nonprofit sector for what were perceived to be resource or incentive-based advantages against nonprofit entities. Molk and Sokol's main idea was that any idea of administrative balances or checks between board leadership may need further revisions and improvements. The literature suggests evidence pointing to flawed leadership and board dynamics.

Responsibility and competence are vital to the inner workings of nonprofit entities. Pope et al. (2018) conducted a study focusing on the pyramid of nonprofit responsibility. Using a meta-study and a qualitative methodology, Pope et al. developed a pyramid of conceptual data that would help better outline the existing pyramid for current nonprofit entities. Pope et al. aimed to use this pyramid-style conceptual data to outline the organizational scheme of nonprofit entities and better understand the distribution of responsibility among organizational viewpoints. According to Pope et al., the article charted the institutionalization of a slate for formal structures that expressed organizational actor-hood (i.e., mission statements, vision statements, and strategic plans)

and that profess and define organizational social responsibilities (i.e., core values, ethics codes, and responsibility communications). The pyramid also revealed that model innovative practices were considered among the most prioritized and current regarding current nonprofit trends. These included qualities that focused on elements such as discretionary, individualistic, or innovative acts of social responsibility in addition to what was considered to be cutting-edge or highly social programs that would cover all sectors within leadership (Pope et al., 2018). Another aspect of the nonprofit leadership pyramid that Pope et al. focused on was the dynamics behind lawfulness, which covered a branch that would be accountable for adhering to laws and regulations, including preventing tax fraud and managing political lobbying. Political lobbying also plays an instrumental role in nonprofit management. A. Singh et al. (2018) noted that the IRS possesses the potential to carry out regulations and limitations as too much lobbying nonprofit sector-based organizations would be allowed to campaign in. These are external checks and balances that governmental or IRS regulations perform to ensure that the nonprofit body is fulfilling the obligations that it has been trusted to.

Intrinsic and extrinsic regulation plays a key role in what incentivizes nonprofit entities. A. Singh et al. (2018) conducted their study from the context of both intrinsic and extrinsic regulation, either from external bodies such as the IRS or internal elements such as the board of governance within a given NGO. The growth of the nonprofit sector over the past two decades helped pave the way and opened new opportunities to various avenues for entrepreneurs desiring to create both need-driven and passionate corporations, specifically within the health services industry (A. Singh et al., 2018). This

is related to the ideas that Topaloglu et al. outlined, in which predominantly corporate entities have, for a variety of reasons, whether it would be the benefit of tax exemption or leeway for tariffs, moved to the nonprofit sector, facilitating further competition since. A. Singh et al. (2018) wrote this article because the overall potential of this sector had not yet been maximized or utilized by physicians, specifically due to the nature of both nonprofit incorporations. In contrast to Pope et al. (2018) and their more administrative focus, A. Singh et al. considered the differing incentives and motivations that drive newcomers to the nonprofit sector, whether through tax exemption leeway or as an alternate avenue to compete with potential rivals. Regardless, the rules remain mostly the same for nonprofit entities under IRS watch, as many of them remain obliged by American federal and state tax law to maintain compliance.

One area that needs attention regarding nonprofit governance is whether they pay their workers. Lu et al. (2019) noted that expenditures and employee compensation continue to play an instrumental role in tax compliance and general nonprofit governance dynamics. The authors found that overall expenditures on employee compensation and fundraising had a nonlinear and U-shaped relationship with the probability of nonprofit dissolution. Lu et al. also noted that commercial nonprofits were less likely to break up than their noncommercial counterparts. This can be tied back to the arguments outlined by Baker et al. (2019) vis-a-vis the default advantage that for-profit entities hold against their nonprofit counterparts, especially depending on the competitive market or environment, where they are expected to foster further benefits for the community as a means of helping keep their specialized tax exemption statuses. The extent to which

workers are either being paid in nonprofit entities or acting as volunteers may determine how non-corporate governance deals with taxes.

The type of nonprofit entity and how it goes about its corporate governance determines its overall effectiveness. Molk and Sokol (2021) aimed to use their article to contribute to academic literature by focusing on corporate governance. The methodology of this article was a narrative review that addressed and compared existing academic literature focusing on corporate and nonprofit governance. The authors pinpointed three key aspects of nonprofit governance that helped facilitate unnecessary hazards and risks to nonprofit entities and create potentially problematic societal effects. Molk and Sokol argued that many errors in governance that normally would have been addressed in for-profit entities remain untouched in the context of nonprofits. The question of whether this resulted from a lack of internal enforcement or reform within internal nonprofit leadership or a need for strong external enforcement from the IRS remains to be answered. However, authors such as Reckhow et al. (2019) argued that nonprofits need to be held more accountable for their shortcomings. This type of accountability can be connected back to the study by Pope et al. (2018). Pope et al. conceptualized accountability as one of the most crucial pillars in maintaining tax compliance and ensuring that organizational boards or staff members were properly trying to fulfill organizational obligations. The literature implies the need to elevate nonprofit entities to the same accountability level as their corporate counterparts.

As previously stated, accountability is another instrumental aspect that must be discussed while outlining how nonprofit governance is operated. Reckhow et al. (2019)

indicated that public sector tax incentives could help further incentivize new plans or developments from nonprofit sectors. These tax incentives possess a resource-based approach, like how for-profit entities enter the nonprofit competition market to reap the advantages of tax exemption, depending on the nonprofit sector new enterprises or groups are entering. Reckhow et al. (2019) concluded that better investment in governmental entities would help hold nonprofits more accountable for their expanded role in government provisions and services. A new type of regulation under a governing or state-sponsored body may diminish nonprofit entities' roles and status as actors separate from the national regime or corporate dimensions.

Effects of Tax Exemption Towards Communities

On the topic of incentives, one of the key driving forces for the IRS in granting NPOs tax exemption status is how they could benefit communities in need. It is a condition laid out by the IRS to ensure that the relevant institutions, leadership boards, and governance divisions that are accountable are maintaining compliance and the responsibilities they are bound to by federal and state law. To assist with how effective the IRS perceives nonprofit entities to have been in keeping track of their tax-related obligations, the impact of nonprofit bodies on local communities is one way of evaluation.

There are different ways and methods in which the community benefits from nonprofit entities. According to Herring et al. (2018), total community benefits averaged around 7.6% of expenses in addition to the incremental nonprofit community benefits, which averaged 5.7% of the expenses, and incremental charity alone averaged 1.7% of

the expenses. Herring et al. (2018) also noted that incremental community benefit exceeded the tax exemption for only 62% of nonprofits. This would imply that based on the sample that Herring et al. analyzed, there are still chunks of nonprofit entities or organizations that are not properly using their tax exemption statuses to benefit the community.

Aspects such as state and federal tax law play an instrumental role in determining the extent to which tax exemption statuses that NPOs maintain contribute to the overall well-being and improvement of smaller local communities. Exposure to a state-level community benefit law of any type was associated with an \$8.42 per \$1000 of overall operating expense for greater community benefit spending, according to Johnson et al. (2019). The findings also indicated that total spending amounts and patterns varied based on the type of community benefit law and hospital urbanicity. (Johnson et al., 2019). Reinforcing this, Simmons (2018) concluded that policymakers and healthcare leaders contested whether nonprofit hospitals' provision of community benefits was worth their tax-exemption statuses. The article also indicated that stronger federal action was needed to hold nonprofit hospitals accountable and ensure that these entities benefit most of the community (Simmons, 2018). Reckhow et al. (2019), as well as Pope et al. (2018), would agree with the points raised by Simmons (2018) vis-a-vis the need for further accountability within NPOs to make sure that the money was being properly allocated to the communities that nonprofit entities promised the IRS that they would help contribute towards.

Conclusion

Even though a wide and versatile range of academic literature was covered in this section, there remains a significant gap in literature and information that focuses specifically on nonprofit leadership and tax exemption from a GST perspective. Most of the sources I utilized for the chapter had their theoretical frameworks focused on nonprofit theories, accountability, resources, and incentives. There is a need for further research to help expand the academic reservoir of peer-reviewed sources focusing on tax compliance and nonprofit governance. The next section will focus on the research and data collection methodologies.

Transition

The objective of Section 1 was to introduce the research topic and address how the GST aligns with a study on strategies used to maintain tax-exempt status. To accomplish this, I presented the study with the business problem, purpose statement, research methodology, nature of the study, research questions, and conceptual framework. I concluded with the operational definitions, assumptions, limitations, delimitations, significance of the study, and a review of the professional and academic literature. In Section 2, I will restate the purpose statement, explain my role as the researcher, and discuss the participants. I will conclude with a discussion on the study's design and research methodology, population and sampling, importance of ethical research, data collection, techniques of data organization, analysis of data, and validity and reliability of the study. Section 3 will include an introduction on the purpose of the study, research questions, and a presentation of the findings, followed by an application

to professional practice, implication for social change, recommendation for action and further research, reflections, and conclusion.

Section 2: The Project

The sustainability of NPOs depends on leaders with the skills, resources, and strategies to ensure that the organization operates effectively. The purpose of my research study was to fill the gap related to the strategies that leaders of NPOs can use to remain compliant with state and federal regulations to ensure that they maintain their tax-exempt status. In this section, I will discuss my research method, research design, population and sampling, ethical research, data collection instruments and collection techniques, data organization, and analysis, followed by reliability and validity. I will conclude the section with a transition and summary.

Purpose Statement

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. The target population for this study included three leaders from three NPOs in the Tennessee area who have successfully implemented strategies ensuring compliance with state and federal regulations to maintain tax-exempt status. The implication for positive social change includes the potential for NPO leaders' adoption of effective compliance strategies to enable their organizations to continue providing goods and services in communities that would otherwise go unserved. The study's results may positively impact some nonprofit organization's ability to continue providing goods and services to citizens of underserved communities.

Role of the Researcher

In qualitative research, Clark and Veale (2018) described the researcher's role as the primary instrument in data collection and analysis. According to Yin (2018), the researcher is responsible for collecting, presenting, and analyzing data fairly. As the researcher, I am responsible for providing substantive questions, being an attentive listener, being adaptive to situations, having a thorough understanding of the issues under study, and being ethical in the research process. I also have the responsibility to be transparent and free from any biases regarding the participants relating to the study. As per Karagiozis (2018), there is a need to be aware of cultural differences between the participants and me to avoid a culturally biased perspective. My responsibility also includes respect towards each participant and the adherent rights of everyone. I am required to adhere to the dictates of the Institutional Review Board and the protocols of the Belmont Report. The Belmont Report (1979) established the basic ethical principles researchers are responsible for adhering to regarding protecting human subjects during research. The principles cover respect, beneficence, and justice toward the human subjects and is a protocol used in qualitative research to protect participants.

Participants

As the researcher, I was responsible for selecting eligible participants. According to C. Cassell (2018), researchers should select participants before initiating the data collection process for the doctoral study. My role as a researcher was to outline detailed criteria for participant eligibility (Manroop et al., 2013). Yin (2018) also asserted that researchers have the responsibility to ensure that participants possess the knowledge and

skills needed to address the phenomena being studied, as per this study are the strategies that nonprofit leaders use to remain compliant with regulatory requirements. The participants were leaders of NPOs who are experienced with and have first-hand knowledge of the organization's strategic planning processes. The participant demographic included the executive director along with members of the board of directors. In addition, the selected participants were those within the organization with the ability and experience based on their day-to-day work experiences to provide strategies to meet and maintain federal and state regulations effectively. I narrowed the focus on the participants to smaller and medium-sized NPOs.

Research Method and Design

Research Method

I chose the qualitative method for this study because of what I considered are compatible aspects that align with the purpose of the study. Creswell and Creswell (2018) discussed quantitative, qualitative, and mixed as methods for conducting research. For this study, I aimed to explore the successful strategies implemented by NPO leaders to maintain tax-exempt status, and the qualitative methodology was the most appropriate. A qualitative approach is focused and built on people's specific experiences and opinions (Creswell, J.W & Creswell, J.D., 2018). The context-heavy nature of my study makes it the most suitable for a qualitative methodology because it involves exploring the strategies used by NPO leaders to ensure tax compliance. The context of this study's topics makes it easier for me to explore specific behaviors and how I plan to outline my study's sample.

The qualitative methodology is the most suitable for studies that involve investigating specific behaviors and contexts. According to Korstjens and Moser (2017), the questions aim to explore the behaviors, decisions, and how and why strategies are successful. Researchers use qualitative methods to understand phenomena more deeply from participants' perspectives within a particular context (Park & Park, 2016). In this study, my objectives were to understand better how NPO authorities and administration operate in the face of state and federal tax compliance. Nonprofits are uniquely prone to audits, mainly because the IRS wants to ensure the entities are not being run for personal gain. Nonprofits may find their finances susceptible to more intense scrutiny because of common issues they face, including late filing penalties, audits, and failure to comply (Bansal et al., 2018).

Using a qualitative method also allows for a smaller sample size than the more voluminous ones found in quantitative studies (K. Singh, 2015). Using the qualitative methodology allows for smaller sample sizes and enables researchers to study participants in the confines of their natural environments (K. Singh, 2015). The smaller sample size is suitable for my study because it focuses more on NPO leaders' opinions, experiences, and contextual feedback. The quantitative method employs statistics to gather and evaluate data to examine the differences or relationships between variables through hypotheses testing (Tominc et al., 2018). This research has no components that require using the quantitative method, as the experiences of NPO leaders are the central focus of the study. I did not use quantitative tools such as surveys and statistical analyses, making the quantitative method inapplicable. The mixed-methods approach could have

been compatible with this study, but it incorporates both quantitative and qualitative analyses and research techniques, making it unsuitable. The methodology for this research also remains qualitative because of the nature of my chosen research design, the case study design.

Research Design

Qualitative researchers select from multiple design types and choose one based on the purpose of the study. For this study, I have decided to go with the case study design for my research study. Kruth (2015) discussed the case study, ethnographic, narrative, and phenomenological as options for qualitative research designs. Case studies allow researchers to investigate phenomena within their context (Ridder, 2017). The case study approach is suitable for my study because of the phenomenon that involves investigating NPO leaders and tax compliance.

There are two different types of case studies: single and multiple. In choosing between a single or multiple-case study, Yin (2018) stated that multiple-case studies offer the means for developing a more substantial study compared to the single-case study. I chose the multiple-case study for this research to acquire a more effective and significant exploration of the strategies that NPO leaders who have successfully implemented strategies to maintain their tax-exempt status use. A multiple-case study also provides a means to investigate the different dimensions of tax compliance within an NPO context, such as budget management, communication between administration, and communications with federal and state tax authorities. The nature of my study, which

focuses on the leadership of NPOs regarding tax compliance, makes the multiple-case study design crucial.

There are other study designs that I initially considered for the study. I considered phenomenological, ethnographical, and narrative designs, as surmised by Bass and Milosevic (2018). The ethnographical design's focus is on understanding organizational cultures, which was not this study's intention. Using a narrative design required the possession and exploration of participants' personal stories by investigating their experiences, which could not apply to this study (Bass & Milosevic, 2018). Phenomenological design requires the researcher to interpret the meanings of a participant's lived experiences and provide a descriptive phenomenon (Saunders et al., 2016), which did not align with this study's purpose of exploring the successful strategies that NPO leaders use to maintain tax-exempt status. The next section will outline the population and sampling techniques I used for this study.

Population and Sampling

The target population and sample for my study consisted of three NPO leaders. The three NPO leaders run their own Tennessee-based organizations that have successfully implemented strategies that ensured organizational tax compliance at federal and state levels. The role of the NPO leaders as the target population and the sample aligns with the objectives of the main research question.

I acquired the sample's small population through purposeful sampling. Purposive sampling is where researchers recruit prospective participants who they believe would be the most suitable for a study (Etikan, 2016). I chose the purposive sampling method

because of the small sample size I needed and because my study required me to acquire information from NPO leaders with successful tax compliance rates. I used a small sample size of three people for this study because the multiple-case study design focuses less on the relationship between different variables like that of quantitative research and more on the exploration experiences, dynamics, opinions, and strategies used by the NPO leaders (K. Singh, 2015; Yin, 2018). The next section addresses my procedures regarding ethics in my research.

Ethical Research

It is the researcher's responsibility to protect the participants' liberty and values and prevent them from exploitation. I took several steps to fulfill this obligation. I aimed to recruit three participants through purposive sampling. After agreeing to proceed with my study, I required them to sign an informed consent form. Informed consent involved the participants consenting to my study and being aware of how I used their information from the interviews. The informed consent also helped the participants to know what the study was about and its overall objectives. I employed several measures to minimize the risk to participants during the study. These measures included minimizing the risk of exposing the participants to harm and respecting their anonymity, confidentiality, and privacy (Fouka & Mantzorou, 2011). I will safely store the data for 5 years after which I will destroy them.

Data Collection Instruments

The semistructured interview was my main data collection instrumentation in this study. Face-to-face interviews are compatible with the qualitative methodology because

of their emphasis on the experiences, opinions, and viewpoints of prospective participants (Yin, 2018). Because this is a qualitative study, I did not consider variables as I would do in quantitative studies. I used Braun and Clarke's (2006) six-step analysis during the data analysis phase, which helped assess the validity of the data instrumentation techniques and fact-checking procedures. I performed member-checking with participants following their interviews to ensure validity and reliability. Member checking is a process that involves the interviewer handling the recorded information back to the interviews to confirm whether they are true. The interviewee confirms with the interviewer the accuracy of synthesized or transcribed information (Candela, 2019).

Data Collection Technique

I used semistructured interviews as the data collection technique for this study (Bansal et al., 2018). In semistructured interviews, participants can express their personal experiences on a particular topic and expound on their responses (Arsel, 2017). The advantages of this data collection technique include its compatibility with this study's objectives, which were to ascertain the strategies used by NPO leaders and tax compliance on a state and federal level. The semistructured interview technique is also compatible with the context and scenario-based studies of qualitative methodology and helps create a positive environment where the researcher can develop rapport with the participants during the interview process (Arsel, 2017). The technique suited the study's small-scale sample of three NPO leaders. I performed member checking following the interviews between the three participants and me to ensure the credibility and reliability of the synthesized information (Candela, 2019).

Data Organization Technique

Data organization following the qualitative semistructured interviews focused on the arrangement of codes (Braun & Clarke, 2006). Codes came in the form of keywords, phrases, common quotes, terms, and commonalities I ascertained through the interview transcripts that followed the member-checking process (Candela, 2019). I used the interview transcripts to organize and track the raw data for codes, which I later converted to themes. In the next section, I will expound on the coding and theming process, focusing on Braun and Clarke's (2006) six-step analysis.

Data Analysis (Qualitative Only)

The following section focuses on the data analysis procedures I used for this study. I settled on Braun and Clarke's (2006) six-step analysis for the study's data analysis because of its compatibility with the qualitative multiple-case study design and the data instrumentation I used. Braun and Clarke's (2006) six-step Analysis comes in the following steps. The first step involved familiarization with the data, where I relistened to transcripts of the interviews and reviewed the key information gathered. The second phase involved the generation of codes based on reoccurring keywords or phrases, which I categorized into different types of codes. Another phase entails thematic creation, where I developed themes from a series of similar codes. In the next two steps, I reviewed, categorized, and named the themes I created in the third step. The last step involved producing a report containing all the themes I had analyzed from the interviews (Braun & Clarke, 2006). I connected the key themes from the data analysis and coding with those found within the academic literature while simultaneously ascertaining patterns found in

existing literary works. NVivo software assisted me in analyzing the data using the six-step analysis. This study also involved data triangulation. Data triangulation is when the researcher uses resources like additional information, time, space, and different people (Lauri, 2011). This helps the researcher attain a saturated amount of data that they can use to assist with their analysis during the data synthesis phase.

Reliability and Validity

Reliability

The following section focuses on the data analysis procedures that will be used for the proposed study. Braun and Clarke's (2006) Six Step Analysis was chosen for the proposed study's data analysis because of its compatibility with the qualitative multiple-case study design and because of the data instrumentation being used. Braun and Clarke's (2006) Six Step Analysis come in the following steps. The first step involves familiarization with the data where I relisten to transcripts of the interviews and review the key information gathered. The second phase involves generation of codes, which are based off reoccurring keywords or phrases, which are eventually categorized into different types of codes. The third phase entails for thematic creation, which is made up from a series of different codes. Afterwards, the themes which have been created will be reviewed, categorized, and name. Finally, I will move on to producing a report containing all the themes that were analyzed from the interviews (Braun & Clarke, 2006). I will connect the key themes found from the data analysis and coding with those found within the academic literature while simultaneously ascertaining patterns found from existing

literary works. Software like NVivo will be used to assist me during the qualitative analysis phase using the Six Step analysis.

Validity

I undertook several steps to ensure the maintenance of my study's validity. Member checking was one of them, as it ensured I understood everything the participants meant to tell me (Candela, 2019). Another method that I used to ensure credibility was data triangulation. Data triangulation occurs when the researcher uses resources such as additional information sources, time, space, and different people to promote a comprehensive understanding of phenomena (Lauri, 2011). I used data triangulation to highlight potential holes or weaknesses within the study.

Transferability may have been limited in this study. This is because of the qualitative multiple-case design approach of my research. My study was contextually driven and focused on a specific scenario alongside a small sample of NPO leaders (n=3). However, I believe the study maintained some transferability to future research. Researchers who may seek to refine my study may be capable of expanding and contributing to this current field of academic literature. Confirmability for this research is based on the fact that my results emerged from the raw qualitative data and were not just aspects affected by my preconceived notions (Haven & Van Grootel, 2019). I achieved this through member checking and triangulation of data procedures.

Transition and Summary

The goal of this qualitative multiple-case design study was to ascertain the strategies used by NPO leaders in maintaining tax compliance on a state and federal

level. My role and responsibility as a researcher was to respect the rights of my participants as well as protect them from potential risks. The sample was limited in scope, focusing on three NPO leaders to align with the data collection procedures and the chosen methodology. A qualitative methodology allowed for greater compatibility with semistructured interviews, which are built on participants' experiences and contextual opinions. I used various techniques during the data collection and analysis phases to ensure the reliability and validity of my study. The next section will focus on how my study has the potential to apply to professional practice.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. NPOs have benefited underserved communities by providing services not filled by government and private organizations (Haslam et al., 2019; Ressler et al., 2021). However, due to noncompliance with the operational requirements imposed on tax-exempt organizations, some NPOs risk losing their tax-exempt status (Levy, 2020; Papa, 2021). I identified a gap as some leaders of NPOs lacked strategies to ensure compliance. I drew the data from the target population of three leaders from three NPOs in Tennessee who have successfully implemented strategies ensuring compliance with state and federal regulations to maintain tax-exempt status. To address the study purpose, the researcher identified one research question:

RQ1. What strategies do NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status?

This chapter entails the results and findings of the study. I have compartmentalized the chapter into various subsections. The following section addresses the study setting and the trustworthiness of the data. Next is descriptive data for each study participant, followed by a description of the thematic analysis approach according to Braun and Clarke (2006). The description of the study's findings comes after the thematic analysis.

Presentation of the Findings (Qualitative Only)

The study focused on NPOs in the Tennessee area. The leaders of these organizations portrayed experience with and have first-hand knowledge of the strategic planning processes of the organization. The selected organizations have been compliant with regulatory requirements. These organizations operated within section 501(c)(3) of Title 26 of the U.S. Code. The NPOs also run under a clear mission and purpose in the business's daily operations, which align with the tax-exempt provisions required by the IRS.

Demographics

The participants were executive directors of the NPOs, which reflected the eligibility criteria. The participants within the organization had the ability and experience based on their day-to-day work experiences to effectively provide strategies to meet and maintain federal and state regulations. The focus of the study participants later narrowed down to smaller and medium-sized NPOs. The researcher used purposive sampling to select three leaders of the NPOs to participate in the semistructured in-depth interviews. Table 1 shows participants' responses from the interviews.

Table 1*Participants' Responses Data From Interviews*

	Hierarchy	Initial Codes
Participant 1	CEO	10
Participant 2	CEO	11
Participant 3	CEO	9

Note: Descriptive data from semistructured interviews

Data Collection

The researcher collected the data from executive leaders of NPOs within Tennessee. The data collection, which took place between June 2023 and July 2023, involved audio recording as the three NPO leaders participated in semistructured interviews. The semistructured interviews helped gather in-depth information based on the participants' lived experiences regarding the strategies these leaders utilize in maintaining tax-exempt status for the NPOs they work with. The interviews lasted between 45 and 60 minutes, with an average of 30 minutes. After recording the interviews, I saved the files in a folder on the laptop with an encryption password to foster the confidentiality and privacy of the participants. There were no variations presented in the study as purposive sampling and semistructured interviews were suitable with the study's small-scale sample, which consisted of three NPO leaders. I analyzed the interview responses using qualitative thematic analysis.

Data Analysis

The researcher applied thematic analysis by Braun and Clarke (2006). The analysis involves six steps: (a) data familiarization, (b) generating initial codes, (c) searching for themes, (d) reviewing the themes, (e) defining and naming themes, and (f) write-up/reporting findings. Table 2 shows the six steps of thematic analysis by Braun and Clarke.

Table 2

The Six Steps of the Inductive, Thematic Analysis

Step	Description of Step
1	Data Familiarization
2	Generating initial code
3	Searching for themes
4	Reviewing the themes
5	Defining/naming the themes
6	Write-up/ report findings

Note. Adapted from Braun and Clarke (2006).

The first step was data familiarization (Braun & Clarke, 2006). I familiarized myself with the data for this study by reading the interview transcripts at least two times. By reading and re-reading the data, I gained a comprehensive understanding of the strategies used by leaders in NPOs to maintain tax-exempt status. This process aids in identifying patterns, ideas, and concepts that may form the basis of subsequent themes (Braun & Clarke, 2006). Upon familiarization of the interview transcripts, there was a need for a systematic approach to extract relevant information. The second step was generating initial codes that captured the data's key ideas, concepts, or patterns. These codes are typically short labels or tags assigned to specific sections of the data that are relevant to the research objectives. As an example of the inductive, initial coding process, the response from Participant 1 shows how I did coding: “Yeah. So, one I just shared with you is the auditing process. I mean, through the financial audit is one thing. That helps. But then I think too, there is another audit”. The excerpt shows Participant 1’s takes on strategies NPO leaders use to maintain tax-exempt status. From the excerpt, the code I created was internal organizational strategy, as auditing in itself is the internal strategy that Participant 1’s organization applied. From the same excerpt, there was also the code of accountability, as the auditing process in itself is a strategy used by the leaders to ensure compliance and aid NPOs in maintaining the tax-exempt status required by the IRS. This coding process allowed for the systematic organization and analysis of the qualitative data, facilitating the identification of key themes and patterns within the dataset.

The third step involved searching for themes, where the researcher reviewed the initial codes to identify related ones (Braun & Clarke, 2006). In this case, the researcher identified related codes and assigned meaning to the data (Braun & Clarke, 2006). The fourth step was reviewing the themes. After identifying the initial themes, the researcher reviewed them to ensure they were coherent and meaningful to the study. The fifth phase was the definition of themes by giving them names to make clear the significance of each topic in answering the research question (Braun & Clarke, 2006). The researcher defined and named each theme based on its content and relevance to the subject in relation to the study question. The sixth step involves producing a comprehensive report presenting the thematic analysis findings. From the thematic analysis, I extracted 10 themes from the transcripts for the research question.

Evidence of Trustworthiness

In qualitative research, trustworthiness refers to the extent to which the data collected, analysis conducted, and interpretations made are reliable, valid, and representative of the participants' perspectives and experiences. According to Stahl and King (2020), trustworthiness refers to credibility, dependability, confirmability, and transferability. In this section, I describe the extent to which I attained the above elements. Establishing trustworthiness involves employing various strategies to enhance the research process's credibility, transferability, dependability, and confirmability.

Credibility

The study's credibility increases when the researcher uses a suitable data collection and analysis approach. According to Tracy (2019), credibility is the

researcher's capacity to attest to the methodology's and analysis's accuracy in interpreting and representing the data. One of the strategies the researcher utilized to build credibility for the current study was an audit trail. The researcher included consistency checks when creating the semistructured interview guide and theorizing about achieving the study's objective. Triangulation, which involves using multiple data sources, methods, or researchers to corroborate findings, adds further credibility to this research (Stahl & King, 2020). As a further attempt to establish credibility, the researcher conducted member checking. The researcher emailed the interview transcripts to the participants to confirm whether they reflected their statements. I applied this validation technique to verify the integrity and resonance of their experiences. By returning their transcripts, the participants validated that the transcripts captured their experiences accurately.

Transferability

Transferability refers to the extent to which the findings can be applicable or relevant to other contexts or settings. Stahl and King (2020) stated that transferability refers to the degree to which a study is useable in different situations, conditions, or places. The researcher enhanced transferability by providing rich and detailed descriptions of the research context, participants, and data collection procedures. In this case, to ensure transferability, the researcher included a description of the experiences and context of the participants to aid others in determining the sample to which this study may apply. There was also the need to highlight the data collection process and participant sampling in detail to help the audience understand whether they could use the study's findings in other contexts. I provided a thick description of the research

methodology, including the specific measures taken to ensure the validity and reliability of the data.

Dependability

Dependability pertains to the continuity and long-term stability of the study methodology and outcomes. Kyngäs et al. (2020) described dependability as an aspect of the trustworthiness of data, which measures the consistency of the study's findings. According to Tracy (2019), dependability is the extent to which additional researchers can use the same methodology and produce results comparable to those of the original project. I ensured dependability by keeping a transparent audit record of my choices and actions during data collection and analysis. As a result, other researchers can replicate the study since I made everything transparent.

Confirmability

Confirmability focuses on the objectivity and neutrality of the research process and findings. According to Haven and Van Grootel (2019), confirmability researchers can achieve confirmability by proving that results emerged from the raw qualitative data and were not just aspects affected by the researcher's preconceived notions. The researcher strived to maintain confirmability in this study by acknowledging and addressing their biases and preconceptions. There was also the use of reflexivity and journaling, which ensured that the researcher acknowledged and minimized their influence on the data collection and analysis. According to Dörfler and Stierand (2020), bracketing is the process of acknowledging and putting aside potential sources of preconception, bias, and assumptions. For this study, I used bracketing to eliminate bias.

Study Results

The researcher used a qualitative multiple-case study to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. In this section, the researcher presents the findings of the data collected and the themes using quotes from participants. Table 3 shows the themes the researcher identified as per the research question.

Table 3

Themes Addressing Research Questions

Research question	Theme(s) used to address the research question
RQ1. What strategies do NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status?	Theme 1: Governance Theme 2: Compliance Theme 3: Accountability Theme 4: Teamwork Theme 5: Communication Theme 6: Technology Theme 7: Training Theme 8: Invest in Human Capital Theme 9: Internal organizational strategies

RQ1: What strategies do NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status? The study's research question addressed the strategies that NPO leaders use. The researcher found that the nine themes provided an answer and insight regarding NPO leaders' strategies to maintain tax-exempt status.

Theme 1: Governance

Governance in NPOs steers strategic leadership and promotes effective decision-making by the organization's leaders. Governance plays a pivotal role in NPOs' effective functioning and sustainability. Nonprofits are entities dedicated to serving the public good, and they operate within an environment that demands careful oversight, accountability, and ethical decision-making. In this context, governance refers to the structures, processes, and practices that guide and regulate the activities of NPOs, ensuring their mission fulfillment, responsible management, and compliance with legal and ethical standards.

The board of directors holds a critical position within the governance structure of NPOs. As the primary governing body, the board is pivotal in guiding the organization, ensuring its mission alignment, and overseeing its operations. The board's effectiveness directly impacts the organization's strategic direction and overall success in fulfilling its mission. Participant 2 attested to the aforementioned by indicating:

We have a board assessment of organizational effectiveness, which is simply a policy that states these things have to be met on an annual basis. The board looks

at what we've actually done and determines if we are green or, red or yellow in those particular things based on that checklist.

A board of directors is a crucial governance component for the NPO to maintain its tax-exempt status. All three participants identified with the theme that the board was essential to governance and oversight. Participant 1 stated, “We have a board..., governance board”. The board is the governing body in charge of monitoring, determining the organization's course, and guaranteeing adherence to all applicable rules and laws. In NPOs, matters of governance are accorded to the board. Participant 3 stated, “And our governance team is made up of active board members, former board members...”

The board's functionality enables the board members to act within their powers. The board ensures that the NPO implements strong internal controls, engages in transparency, communicates, and adopts governance policies and procedures. In support, Participant 2 indicated that “The board looks at what we've actually done and determines if we are green or red or yellow in those particular things based off of that checklist.” Participant 2 further noted, “You have your board or your path to run things.” As a strategy, the board can provide valuable guidance and oversight, which is crucial for maintaining tax-exempt status.

The board has an obligation to the company through its fiduciary duty. Upholding the fiduciary duty ensures that the board members have a legal obligation to uphold the interests of the NPO. Participant 2 echoed, “But at the end of the day, in terms of governance and fiduciary responsibility, board members are pretty much yes men...” As

a board, the NPO requires them to promote the organization's success and, in this case, to maintain and ensure compliance with the tax-exempt status. Participant 3 said, “And those individuals, again, as a part of their fiduciary duties as a board of directors, especially when they sit in that chair and co-chair committee roles, know.”

The board must foster compliance with regulations to comply with federal and state laws. Governance in organizations takes different forms, and the board's composition is of utmost importance. Board members are chosen based on their expertise, experience, and commitment to the organization's mission and values. Ideally, the board should reflect diverse backgrounds, skills, and perspectives to provide well-rounded decision-making and strategic oversight—the board's ability to make informed and equitable decisions. Participant 3 acknowledged that:

Outside of those two people, our bylaws, which are reviewed annually, and any updates to reflect the current needs of the organization that will be discussed with our governance team. And our governance team is made up of active board members, former board members, and then community members.

According to Participant 2, “So I knew from a governmental level, the level of bureaucracy that is required to maintain order.” However, Participant 2 noted that it became a barrier.

“I don't like the bureaucratic word, but the level of bureaucracy required to maintain order so that we have clear understanding of what's taking place was very important to me, so I brought that level of bureaucracy here. A lot of people didn't like that.”

Using bureaucracy, the organization stirs rules and commands, which becomes effective as the organization complies with the regulations in place. Conversely, rules and bylaws are important because they cater to organizational needs by promoting compliance. Participant 3 revealed, “So outside of those two people, our bylaws, which are reviewed annually, and any updates to reflect the current needs of the organization that will be discussed with our governance team.” This theme was about governance that provides a framework and oversight that effectively advances the organization's interests by ensuring that the NPO maintains tax-exempt status.

Theme 2: Compliance

Compliance holds significant importance within the governance framework of NPOs. It refers to the organization's adherence to legal and regulatory requirements, ethical standards, and best practices. Compliance ensures that the organization operates within the boundaries of relevant authorities, maintains its integrity, and upholds public trust. In nonprofit governance, compliance is crucial in safeguarding the organization's reputation, maintaining transparency, and facilitating effective oversight.

All three participants identified the theme. Regulatory bodies grant NPOs tax-exempt status due to their commitment to serving public or charitable purposes. To preserve this status, nonprofits must adhere to various compliance requirements, including legal, financial, and reporting obligations. The role of compliance for NPOs lies with the board. The analysis shows that by complying with laws and regulations, nonprofits demonstrate their commitment to operating within the prescribed legal boundaries, reinforcing their tax-exempt status. Legal compliance forms the foundation

of an NPO's operations. It involves adhering to federal, state, and local laws that govern areas such as tax-exempt status, fundraising, employment practices, financial reporting, and governance. Leaders of NPOs must understand and comply with the legal obligations specific to their jurisdiction and sector. Failure to comply may result in penalties, loss of tax-exempt status, or damage to the organization's reputation. Therefore, staying informed about legal obligations and ensuring compliance is essential for the organization's sustainability and legitimacy. According to participant 2:

That starts with us making sure that every department, starting with the administrative department, has clear policies and procedures as to how to actually execute the work that we do at the organization.

Participant 1 stated that “this same committee puts together checkpoints to make sure that we have accomplished certain things and that we are doing certain things according to the law at the state, local, and the federal level.” In Tennessee, NPOs are governed by articles of incorporation and bylaws, whereas the IRS requires such organizations to fill out IRS Form 990 for annual reporting and filing. Tax obligation fosters compliance as Participant 2 emphasized, “We are a 501C3 organization and we are, according to the IRS, in total compliance. Everything that we're required to do, we do have to file a 990 like every other organization”. Participant 2 added, “If we don't file taxes, then we're ineligible to receive funding from X, Y, and Z. J.”

The NPO leadership must ensure compliance at both state and federal levels. Financial compliance is also essential for NPOs. Participant 3 stated “So all the annual steps such as the 990, the audits, the keeping the charter up to date are maintained by our

chief operations officer and by our manager of program operations.” Participant 1 also stated, “It's our governance committee that's really driving that component of it. And again, we just completed our financial audit, and we're in great shape with IRS”. From the analysis, compliance as a code came from the statutory obligations, with the participants identifying requirements such as taking licenses. Participant 3 also indicated, “... as making sure that we have the right licensure [inaudible] and different things like that.” Participant 3 revealed that, “And in terms of the 501C3 status and the federal compliance, it allows for us to easily translate that information to the government.”

NPOs adhere to state and federal compliance through internal controls, policies, and procedures that promote compliance with legal and ethical requirements. Regular monitoring and audits help assess the organization's compliance status and identify improvement areas. Participant 2 noted, “Making sure that we actually have policies and procedures in terms of how long we keep our records and in terms of state-level compliance for finance or anything, anything that's related to money.”

Theme 3: Accountability

NPOs promote accountability for the actions of the leaders. The culture in for-profit organizations may prioritize individual and collective accountability. Staying accountable by NPO leaders is linked to the organization's purpose. As a leader, advancing the organization's mission through decision-making practices is in the NPO's best interest. Accountability of the leaders eliminates the ethical dilemma, which the board and the leaders can avoid through good decision-making. The integrity of the leaders in NPOs enhances informed decisions while adhering to ethical codes, thereby

fostering accountability and the board's effectiveness. Stakeholders in NPOs include the general public, the media, regulatory bodies, volunteers, employees, and boards. They are also answerable to all the stakeholders on the "downwards" or "upwards" as every individual is just as important a stakeholder. Nonprofit leaders navigate a complex network of stakeholders, including donors, volunteers, community members, and beneficiaries of their services.

All three participants identified this theme. Nonprofits should adopt clear lines of responsibility and decision-making, clearly defining roles and responsibilities within the organization's bylaws and policies. NPOs show their accountability to regulatory agencies through strategies that promote transparency. Participant 2 talked about "An audit." Participant 1 said,

"We completed our audit... So, one I just shared with you is the auditing process. I mean, through the financial audit is one thing. That helps. But then I think too, there is another audit. It's an organization audit that is; again, this same committee puts together checkpoints".

Nonprofit organizations should establish clear and comprehensive internal controls, including proper documentation and record-keeping processes, to demonstrate compliance with tax laws. Participant 3 outlined, "You give \$50,000, I have to give you access to did we spend that \$50 correctly?" Having the board or third-party auditing firm act as oversight promotes accountability. The Board in NPOs acts as an oversight. Participant 1 stated, "So again, I go back to, it's somewhat of a watchdog group that's taken those things on for us..., the Board". Participant 3 noted, "So again, that is

comprised of board members, so audit taxes, investments, banking that again, are given those guidelines to then hold us responsible.” Participant 3 added, “We need money to operate, and someone has to hold us accountable,” Participant 2 indicated:

Making sure that we actually have policies and procedures in terms of how long we keep our records and in terms of state level compliance for finance or anything, anything that's related to money. Making sure that we have clear understanding of what records need to be kept, what records need to be disseminated out to other third parties, and then having a third-party accounting firm hold us accountable, as well as keep track of what we're doing as a checks and balances.

Accountability and compliance intertwine. For Participant 2,

“Everything that we're required to do, we do have to file a 990 like every other organization in the year, as well as due to the level of income that our organization brings in, we're required to actually have a third party outside auditing firm audit our finances, and we do that every year in total compliance.”

Having a third-party auditing firm opens the NPO to transparency and accountability.

Having checks and balances through outside third parties promotes accountability as

Bertalanffy et al.'s (1968) GST identified the importance of seeking the opinion of other individuals, which is included in decision-making (Bertalanffy et al., 1968). In this case,

Participant 3 echoed, “So it starts with checks and balances and checklists on our end to ensure that our audit runs smoothly, to ensure that we have the documentation that's needed for our 990”.

Theme 4: Teamwork

Teamwork is increasingly crucial in profit-oriented and NPOs, leading to higher quality, speed, and economic efficiency. Nonprofit leaders require capable, intelligent, and communicative individuals who understand the problem and are willing to collaborate in a team. For teamwork to exist, coordination, mutual adaptation, and cooperation are crucial for problem-solving, promoting communication, cooperation, and a sense of belonging, which motivates participation in various activities.

All three participants identified teamwork as a strategy that enables NPOs to maintain tax-exempt status. Teamwork within the NPO fosters collaboration among staff members. Participant 1 stated, “Anytime something new comes out, that is brought up to our staff team in our staff meetings.” Teamwork enables NPOs to establish and maintain a shared sense of purpose among team members. By aligning individual goals with the organization's mission, teamwork fosters a collective commitment. Participant 2 stated, “My staff members, without me ordering them to do this, went and took the link to the Better Business Bureau.” Participant 2 added:

You can't do everything yourself as a leader. As much as I want to because I think I can build better than other people, that's not the role. As a leader, your job is to lead, so you need to have a 10,000 mile in the sky, overview of things. You need to find people who, A, you have trust and confidence in to be able to execute your vision.

Participant 3 stated, “And again, I think those meetings where we may have updates, I think those meetings that may be about problem-solving, critical thinking, and decision

making is a team effort.” Leaders must create an environment that encourages collaboration, fosters trust and empowers team members to contribute their unique skills and perspectives.

Participant 2 noted,

“Have a team of people. As a leader, your main role should be able to find people to put around you who can execute your vision. You can't do everything yourself as a leader. As much as I want to because I think I can build better than other people, that's not the role. As a leader, your job is to lead, so you need to have a 10,000 mile in the sky, overview of things. You need to find people who, A, you have trust and confidence in to be able to execute your vision.”

Therefore, by promoting collaboration, effective communication, and shared goals, NPOs can enhance their operational efficiency and demonstrate their commitment.

For nonprofit leaders, achieving goals per the organization’s mission is important. NPO leaders must select competent, alert, communicative individuals who understand the problem, organize efforts around a common goal, and work together as teams. Teamwork extends beyond the board, including employees, volunteers, and other stakeholders within the organization. Nonprofits often rely on teams of individuals who collectively strive to deliver programs, mobilize resources, and engage with communities. Effective teamwork among staff encourages flying collaboration, promotes efficiency, ensures high-quality services, and increases internal cohesion. Collaboration between staff and volunteers can lead to new perspectives, increased capacity, and expanded knowledge to support the organization’s mission.

Theme 5: Communication

Communication in an NPO is external or internal. External communication taps into the ability of nonprofit leaders to engage with the stakeholders. Building relationships relies on effective communication, which later reflects an effective decision-making process built on transparency and accountability. Therefore, it is through effective communication that these leaders engage other stakeholders. Internal communication pertains to communicating with the team at the organization. Internal communication promotes teamwork and collaboration, which is critical for advancing the organization's mission.

All three participants identified the theme. Successful teamwork is reflected through effective communication channels that facilitate the sharing information, ideas, and feedback among team members. Transparent and open communication within NPOs ensures all stakeholders align with the organization's goals and objectives. For Participant 3, "I lead with the terms of let's communicate, let's talk." By promoting a culture of transparency, nonprofits can build trust and enhance communication. Participant 1 stated, "Well, I think it's very clear on how we communicate their role through our employee handbook." Effective communication fosters relationships between NPOs and governments. Participant 2 acknowledges that "Got wait for a reply type of setup. By having direct relationships with the people in government that we connect with via email, it's instant communication." Also, as an organization, communicating effectively opens the world to the mission and vision. Participant 2 said, "And then you have to have clear

communication to them, so they understand what your vision is.” As per Participant 3, “communication is really important.”

Theme 6: Technology

Technology is important in the everyday operation of the organization as it promotes efficacy. In terms of communication, technology provides nonprofits with a wide range of tools and platforms to facilitate internal and external communication. Email, instant messaging, and joint meetings enable effective and timely communication between team members, regardless of their physical location. Technology fosters teamwork, communication and knowledge sharing, especially in organizations with staff and volunteers dispersed far or geographically. In addition, technology enables nonprofits to engage with external stakeholders through websites, social media platforms, and online communities, facilitating information dissemination, providing transparency, and connecting stakeholders.

All the 3 participants identified the theme. Participant 1 noted, “Technology is critical in any business.” The integration of technology enables nonprofits to enhance operational efficiency, transparency, and compliance with regulatory requirements. For Participant 2, “It allows for us to easily translate that information to the government so that we can have a seamless transfer of information without having the traditional lag of, I'm faxing something to you, mailing something to you.” Technology integration within NPOs enhances operational efficiency by automating manual processes, reducing administrative burdens, and optimizing resource allocation. Participant 3 demonstrated such, stating, “So we have a purchase order system, we have a credit card system; we

have board meetings with minutes and agendas. We have a calendar where we say, this is the week of the review for the health department”. Participant 2 noted, “What technology does is allow for instant access to legacy data, as well as allow for my people to have the speed to be able to do the things that they need to do.”

Leaders must understand the potential benefits and risks associated with technology adoption and provide strategic guidance to ensure the effective integration of digital tools. Participant 3 said,

“And so we, again, use SharePoint, and we also use OneDrive, and we have different folders in which we keep that information filed. We have a really nice work cloud base. So, a lot of it is just making sure you hit save and making sure that those files are supported and secured are just some practices. So, I would say 70% human, 30% technology.”

Therefore, technology promotes efficiency.

Theme 7: Training

Training in NPOs consists of developing technical skills. NPOs work in various sectors, from health and education to environmental protection and social services.

Training programs in NPOs aim to equip staff and volunteers with the knowledge and skills necessary to perform their roles effectively. For NPO leaders, having a training program promotes development opportunities. By building technological capabilities, nonprofits increase their operational efficiency and the quality of their organizational services.

All three participants identified the theme. By providing training programs and professional development opportunities, nonprofits can empower their employees to utilize technology to its full potential. By implementing comprehensive training programs, organizations can enhance staff competencies, foster a culture of compliance, and ensure efficient operations. For Participant 1, “So training, orientation from the very beginning, but constant training of our staff is a key strategy to help us to maintain and to ensure compliance with the state and federal.” Training emerges as an effective strategy that equips NPO leaders with the necessary knowledge and skills to navigate complex regulations and enhance operational efficiency. Participant 2 said, “We train them on everything they need to know in terms of governance and finance and fundraising.” Therefore, through targeted training programs, nonprofits ensure their employees understand legal requirements, financial management practices, ethical guidelines, and other key aspects of nonprofit governance. In acknowledgment, Participant 3 stated, “We do a lot of training so that not only our senior leadership, but our support team and our frontline team are aware that we are a functioning business.” Therefore, there is a need to tailor training programs to the unique needs and challenges of NPOs.

Theme 8: Invest in Human Capital

Human capital recruitment and selection. Nonprofits must adopt strong hiring practices, identifying individuals with skills, values, and interests that align with the organization’s mission and culture. Nonprofits maximize their chances of attracting individuals with the skills and commitment necessary to contribute effectively to the organization's objectives by investing in employees. Nonprofits can offer training

programs, professional development opportunities, and knowledge of their staff and volunteers. These investments can include technical training, leadership development programs, workshops on emerging trends in the nonprofit sector, and exposure to best practices that effectively support the organization's mission.

All three participants supported the theme. Organizations can enhance operational efficiency by strategically allocating resources towards the development of human capital and prudent financial investments. Investing in human capital involves strategic efforts to acquire and develop talent. According to Participant 1, "So when one rolls out, you've got to fill it in with another qualified individual who understands policies and procedures, tax-exempt status, somebody who understands that arena should only be sitting on that committee." Therefore, investing in hiring the right personnel and experts will ensure compliance through competency by staff and leaders within an NPO. Participant 2 said, "We need board members who are more akin to being a board member of a major corporation like Microsoft. Treat this as if you're investing hundreds of million dollars in here and that you're going to receive a profit." Investing in educated, knowledgeable personnel will ensure that employees comply with regulations, thus maintaining tax-exempt status.

Theme 9: Internal Organizational Strategies

Internal organizational strategy is the resource management by the NPO. Nonprofits must effectively manage their financial, human, and technological resources to achieve their goals. Financial resource management involves budgeting, financial forecasting, and diversifying revenue streams to ensure financial sustainability. Human

resource management encompasses talent acquisition, development, and retention and creating a supportive work culture that fosters employee engagement and productivity. Technological resource management involves leveraging technology to enhance organizational efficiency, data management, communication, and program delivery. Therefore, internal organizational strategies are necessary to foster effective governance structure by the NPO leaders and decision-making in support of the success of the organization's mission.

All three participants identified the theme. The concept of internal strategies is those strategies unique to each organization's individual needs to maintain a tax-exempt status. It entails establishing robust internal processes that enable effective governance. As for Participant 1, "And again, we just completed our financial audit, and we're in great shape with IRS and we're in great shape with our books in the sense of nothing found. We've done very well for 30 years here." By formulating a comprehensive code of ethics, nonprofits can establish clear guidelines for ethical conduct and demonstrate their commitment to responsible practices. Participant 3 noted, "those work ethic and those skills."

It is through internal control mechanisms, such as separation of duties and regular internal audits, that can help identify and rectify any discrepancies or instances of noncompliance. For Participant 2,

But for the most part, making sure our records are good to go, make sure

QuickBooks is clean, making sure that the auditors get access to everything that

they need to audit, addressing any questions that they have and then filing our taxes appropriately.

Centering on Participant 3 decision, “Again, on your finance team, you have an auditor, you have a tax person, you have an investment person.” NPOs provide clear and accessible information about their mission, programs, financial activities, and regulatory agencies. Based on the description of Participant 3,

Chief operating officer and our manager of program operations along with our administrative assistant are three key individuals that are very critical and instrumental to that as they are the ones that have created policies, procedures in order for us to stay ahead, in order for us to just know that these things are requirements because we want that tax-exempt status.

Table 4*Sample Documentation of Nodes*

Interview	P1	P2	P3	Nodes
Question				
How did you address the principal barriers to your organization's compliance with state and federal regulations?	Technology that's capable of protecting with safeguards and protection, security walls, to prevent any hacking or any divulging of any of our clients' and families' information.	If we didn't have the technology, it would just make life a little harder	I would say transparency and communication is really important along with training.	Technology, Transparency, communication and training

Summary

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-

exempt status. The themes the researcher identified were answers to the research question. The research question was: What strategies do NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status?

I developed nine primary themes from the coded data. The first theme indicated that governance by the board performed administrative duties by acting within their powers and oversight functions, which promoted compliance. The second theme of compliance was evident through filing form 990; filing taxes, conducting audits, and taking the right licensure fell under statutory, regulatory, and financial compliance. The third theme of accountability stipulated auditing and auditing process, defined roles within the organization's bylaws and policies, the board acting as a watchdog, and third-party outside firms for auditing. The fourth theme focused on teamwork as a collaborative effort when a team is visionary to the NPO's mission. The fifth theme was communication. Effective communication promotes transparency and opens relationships. The sixth theme was technology. Technology fosters efficiency and reduces administrative burden. The seventh theme was training. Training provides for the programs meant to promote the development of both leaders and employees. The eighth theme was investing in human capital. Investing in human capital is through hiring the right personnel who understand their role. The ninth theme was internal organizational strategy. This theme is unique to the individual needs of the organization. Organizational strategy enhances financial audits, internal control mechanisms, and appropriate filing of taxes. The next section is a discussion of the interpretation of the findings, conclusion,

and recommendations. It also includes applications to professional practice and implications for change.

Introduction

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. The study sought answers since some NPOs risk losing their tax-exempt status due to noncompliance with the administrative rules placed on tax-exempt organizations. Three leaders from three NPOs in Tennessee who have successfully implemented plans to ensure adherence to local, state, and federal laws to preserve their organization's tax-exempt status made up the target population for this study. The researcher collected the data through semistructured interviews. I settled on qualitative methodology for this study because it allows researchers to study participants within the boundaries of their natural environments. A qualitative method also allows for smaller sample sizes.

The research question that guided the study was: What strategies do NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status? The researcher presented the answers to the research question under the following themes: Governance, compliance, accountability, teamwork, communication, technology, training, investment in human capital, and internal organizational strategies.

The findings of this study supplement the already existing studies through the themes. Little is known through the literature about strategies that NPO leaders use to ensure compliance with state and federal regulations to maintain the organization's tax-exempt status. The identified themes of this study are corroborated using studies in the

literature review highlighting the role played by the study participants. Therefore, a greater understanding of the practices and strategies employed by NPO leaders to ensure compliance with state and federal regulations to maintain their tax-exempt status.

All three participants supported the theme of governance as a way of ensuring nonprofit tax compliance. They acknowledged the importance of governance within NPOs as per IRS policy and governance oversight. The findings of this study confirm the study by Bertalanffy et al. (1968), who noted that under the GST, the leadership strategies to ensure compliance include deliberation from leadership boards, implementation of policies, and other forms of synthesizing information given to an organizational body during the input stages. All the participants acknowledged the role played by the board within the NPO since it acts as an oversight under a fiduciary duty. For instance, Participant 1 acknowledged having a governance board. The findings further confirm the study by Baker et al. (2019), which indicated NPO's failures and fiduciaries of board members, inadequacy of nonprofit oversight, mandatory federal disclosures, and the IRS Form 990. The findings further confirm Dula et al.'s (2020) assertion that effective board leadership and board performance depend on having well-defined metrics for doing their jobs.

NPOs are to comply with federal and statutory regulations. The findings of this study confirm the study by Valentinov et al. (2015), who investigated the impacts of tax-exempt organizations, such as NPOs, and how the change they may bring about can help with the sustainability of their tax-exempt statuses. This highlights the importance of NPOs understanding and adhering to the government's administrative rules and

regulations. Failure to do so can jeopardize their tax-exempt status and hinder their ability to achieve their mission. The findings of this study also confirm Bertalanffy et al.'s (1968) findings that NPO's throughput comprises leadership, decisions pertaining to leadership, implementation of tax policies, compliance, and noncompliance. This study's findings also support compliance through tax obligation as Participant 2 emphasized total compliance regarding filing 501C3 as per the IRS.

The findings affirm Orozco (2019), who highlighted that the systems theory of compliance assisted with conceptualizing the different actors, relations, bodies, and other institutions that had a significant impact on what were the norms in compliance practices. Under goal framing, complying with regulations on both state and federal levels was paramount for NPOs. The findings confirm goal framing as per Castiglioni et al. (2019), who acknowledged evaluating the extent of nonprofit entities' compliance and how likely they were to abide by those same regulations. Goal framing theory helped to justify the motives and incentives that awaited nonprofits in complying with tax regulations. Another source that the study agrees with is Boland et al. (2018), who noted that NPOs complied with the mandatory compliance procedures and an examination of policy adoptions a year after the IRS announced a new set of procedures that forced nonprofit entities to comply with stronger disclosure policies. The issue of compliance and noncompliance then appears as success or failure by NPOs, and as per the study's findings, compliance indicates success.

All three participants supported the theme of accountability. The findings of this study confirm Simmons (2018), as the authors held that stronger federal action was

needed to hold nonprofit hospitals accountable and ensure that these entities benefitted most of the community. As per Participant 3, NPOs need money to operate, and someone has to hold them accountable. In support of the findings, Pope et al. (2018) focused on the dynamics behind lawfulness, which covered a branch that would be accountable for the adherence to laws and regulations. Additionally, the findings support Reckhow et al. (2019), who argued that nonprofits must be held more accountable for their shortcomings. NPOs can demonstrate their commitment to ethical practices and responsible financial management by adhering to administrative rules and regulations. This strengthens their credibility with donors and stakeholders and helps them avoid potential legal and economic consequences. Therefore, NPOS must prioritize compliance and continuously assess their operations to ensure they align with the requirements set by the tax authorities.

All the participants also supported teamwork as a theme. At intrapersonal aspects of nonprofit governance comes the obligation of those in charge of nonprofit governance to ensure that interactions and decision-making between nongovernmental organization leadership and staff are sound and productive. According to Participant 2, it is important to have a team, and a leader's main role should be to find people to put around who can execute the organization's vision. The findings affirmed the study by Zeimers et al. (2019), who noted that the need to share resources among organizations due to a lack or scarcity of needed materials or supplies drives collaborations. The resource-based theory enhances the understanding of the pivotal role played by resources in conjunction with nonprofit theory.

Communication within the organization promotes accountability. As per the study's findings, transparent and open communication within NPOs ensures that all stakeholders are aligned with the organization's goals and objectives. This affirms the study by Pope et al. (2018), whose article charted the institutionalization of a slate for formal structures that expressed organizational actor-hood (i.e., mission statements, vision statements, and strategic plans) and that profess and define organizational social responsibilities (i.e., core values, ethics codes, and responsibility communications). These formal structures play a crucial role in ensuring that tax-exempt organizations maintain compliance with administrative rules and regulations. By clearly articulating their mission, vision, and strategic plans, organizations can establish a strong foundation for their operations and demonstrate their commitment to fulfilling their social responsibilities.

Application to Professional Practice

The applications of the findings of this qualitative multiple-case study on strategies that NPO leaders utilize to comply with state and federal regulations for maintaining tax-exempt status hold significant implications for the business sector. The study gave an insight into the strategies employed by NPO leaders and how they ensure that their organizations remain tax-compliant. These practices employed by the leaders form a platform that could be translated into valuable business practices to maintain tax-exempt status.

Importance of Complying with Regulatory Requirements

The researcher in this study emphasizes the significance of regulatory compliance for NPOs (NPOs). This relevance extends to businesses operating within a complex legal landscape. Both state and federal regulations impose specific requirements on organizations to qualify for and maintain tax-exempt status. According to Kutsin (2018), the degree to which tax-exemption status for nonprofit corporations can benefit others on a community level can determine whether compliance with federal or state tax requirements is successful or unsuccessful. It is upon the leaders of the organizations to ensure unquestioned compliance with American tax regulations on both a state and federal level to maintain their tax-exempt status (Baker et al., 2019). By examining the strategies employed by NPO leaders to ensure compliance, business leaders can gain valuable insights into the necessary steps to fulfill their regulatory obligations. This is achievable through adhering to regulatory compliance, as per Von Bertalanffy (2008). According to the study by Boland et al. (2018), IRS regulations made it mandatory for NPOs to comply with tax regulations to maintain their tax-exempt status as per federal law. Doing so helps mitigate the potential risks of penalties or loss of tax-exempt status.

Promoting Accountability by the Nonprofit Organization Leaders

The findings of this study indicate that leaders in NPOs acknowledge and accept their responsibility in navigating the regulatory environment. Reckhow et al. (2019) presented that nonprofits should be held more accountable for their shortcomings. Simmons (2018) also noted the importance of being accountable and ensuring that the NPO entities benefit most of the community, which is essential in promoting NPO tax-

exempt status. They demonstrate a proactive attitude in comprehending and adhering to state and federal regulations and understanding the potential repercussions of noncompliance, such as penalties or the loss of tax-exempt status. According to Murphy (2014), failure to comply, late filing and lack of audits attract penalties. Simmons also recognized the need for further accountability within NPOs as paramount. This mindset focused on accountability is crucial for organizations to establish a compliance-oriented culture and effectively implement strategies to meet regulatory obligations to enhance business growth.

Internal Controls

This study highlights the significance of strong internal controls and documentation practices within NPOs. Leaders acknowledge the value of implementing internal control systems to monitor and confirm compliance efforts. The leaders within the NPOs must determine the measures that would ensure that tax-exempt status is maintained. Baker et al. (2019) focused more on the circumstantial elements contributing to how successfully or poorly a nonprofit entity remains complacent or cooperates with IRS regulations. The researcher recognized the importance of maintaining comprehensive documentation to support compliance claims. Businesses can adopt these practices by establishing and maintaining internal control mechanisms that regularly assess compliance with relevant regulations. Thorough documentation can serve as evidence of compliance, safeguarding against potential challenges or audits by businesses.

Implications for Social Change

NPOs often lead the way in driving social change and addressing social issues. Adopting effective compliance strategies enables the organizations to continue providing goods and services in communities that would otherwise go unserved. NPO leaders can enhance their compliance efforts to reduce the risk of penalties or loss of tax-exempt status and ultimately enable them to sustain their ability to drive positive social change (Baker et al., 2019). By adhering to state and federal regulations, NPO leaders can demonstrate their commitment to transparency, accountability, and ethical practices, which helps them retain their tax-exempt status and builds trust among stakeholders and donors (Boland et al., 2018). Second, effective leadership is a positive social change. Constructive societal transformation demands clear dedication to openness, honesty, and the capacity to galvanize and move people towards a shared aim. Pope et al. (2018) identified conceptualized accountability as one of the most crucial pillars in ensuring tax compliance. Leaders of nonprofit organizations need essential skills and specific qualities that aid them in addressing intricate social challenges, including diverse participants, and generating innovative remedies. By demonstrating these characteristics successfully, leaders have the potential to stimulate significant societal shifts while leaving an enduring influence within their served communities.

Recommendations for Action

As for NPO leaders, it is important to pump resources into education and upgrading skills. Lifelong learning combined with persistently staying abreast of legislative changes is fundamental in ensuring adherence to rules. Leaders at

NPOs and businesses must channel funds towards education and training schemes for staff members to grasp all pertinent regulations adequately, therefore being armed aptly for effective compliance implementation. This might mean conducting regular coaching forums workshops besides the provision of materials to help keep employees current on legal mandates and apprised about emerging trends in regulatory conformance. NPOs should also encourage teamwork alongside communication outside the organization. These may include proactive efforts to foster interaction with legislators, industry unions, and other key stakeholders to remain updated on statutory amendments and seek counsel where necessary. Establishing mutual relationships with those charged with regulation can ease navigation through complicated requirements related to conformity while progressively keeping track of ongoing alterations within these guidelines. Active engagement could involve participation within sector-wide dialogues aside from sharing valuable insights that collectively beef up existing standards tied around compliant procedures.

NPO leaders should pay attention to compliance efforts, plan routine checks, and upgrade the efforts. There is also a necessity among bosses, whether running business entities or heading up nonprofit establishments, to have mechanisms leading two-way evaluation pressure put toward upgrading attempts aimed at solidarity. These may include conducting systematic assessments scrutinizing how strong internal controls are maintained, capturing data metrics linked directly to regulation, and receiving testimonials from both Staff. It may

also include investors giving feedback, enumerative aid identifying loops needing cover-up actions, rectifying mistakes cumulatively, and streamlining organizational operations by adapting fluid compliance rule modifications.

I will disseminate the results of this study by publishing it in reputable academic journals within the fields of nonprofit management, organizational leadership, or compliance to reach a scholarly audience. Another way is offering training programs through a collaborative effort with NPOs or regulatory bodies. I also aim to share the results with NPO leaders and compliance officers.

Recommendations for Further Research

The primary focus of this study was qualitative research with a limited number of NPOs using a multiple-case study approach. Future research could enhance these results by incorporating quantitative examinations involving larger participant sizes using quantitative methods. By initiating surveys or working on historical records, scholars can collect measurable data to delve into the prevalence, efficiency, and consequences of different regulatory adherence strategies deployed by NPO leadership. Such inquiries can offer wide-ranging insights through numeric scrutiny, presenting typical findings across the board. Also, conducting a relational study would enrich comprehension surrounding compliance techniques. A relational study may involve carrying out relative comparisons amidst varying sectors or categories within NPO operations. Forthcoming studies might look at commonalities & divergences in implementation styles amongst NPOs working across assorted fields such as

health services, academic institutions, or conservation activities for nature preservation. Using comparative analyses can also bring forth industry-specific concerns and distinctive approach efficacy under diverse circumstances. Third, through quantitative longitudinal analysis. Due to regulation modifications and changing requirements around conformity over time, longitudinal evaluations can provide integral knowledge for prolonged effectiveness. Researchers should conduct extended-duration audits, watching NPO teams closely while noting their conformance initiatives regularly and paying close attention to how strategy adjustment reacts when laws mutate. Long-term analysis can help visualize conformity tactic movement while pointing out areas generating trends and hitches that crop up progressively.

Reflections

This doctoral journey has been challenging, frustrating, enlightening, and very rewarding. I am thankful that through various tragic life events that occurred, I remained committed and persevered through much prayer, encouragement, guidance, and direction from an awesome support system. As I transitioned to the data collection phase, I gained a better insight and understanding of the steps that got me to the interview phase. The interview participants were willing to share their knowledge and experiences by responding to the open-ended questions. The responses indicated their knowledge in ensuring that their organizations remained compliant with the regulations imposed upon them. Each participant was provided the opportunity, via member checking, to expound upon their responses. Each member was confident in their responses did not seek any

changes. I am grateful for the willingness of the leadership of each organization to allow me to conduct the interviews, even amidst their busy schedules.

Conclusion

The purpose of this qualitative multiple-case study was to explore strategies some NPO leaders use to ensure compliance with state and federal regulations to maintain tax-exempt status. Some NPOs risk losing their tax-exempt status because they do not adhere to the operating criteria placed on tax-exempt organizations (Levy, 2020). Three leaders from NPOs in Tennessee who successfully implemented plans to ensure adherence to local, state, and federal laws to preserve their organization's tax-exempt status formed the target population. The study was based on a conceptual framework central to Von Bertalanffy's GST (Bertalanffy et al., 1968). Using a multiple case study, the research question provided a roadmap for the study, whereas semistructured interviews aided in data collection. The themes that emerged from the study were governance, compliance, accountability, teamwork, communication, technology, training, investment in human capital, and internal organizational strategies. This study is relevant as it promotes effective compliance strategies and effective leadership that NPOs could rely on to maintain their tax-exempt status. Therefore, NPO leaders should invest in education, training, and internal controls. Future researchers should use quantitative methodology, longitudinal studies, and comprehensive analysis to gain insight into the plight of NPO leaders and the strategies they employ to maintain tax-exempt status.

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