Council on Foundations

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Statement on Behalf of the Council on Foundations
House Committee on Ways and Means Hearing on
"Foreign Influence in American Nonprofits: Unmasking Threats from Beijing and Beyond"

February 24, 2026

Chairman Smith, Ranking Member Neal, and Members of the Committee:

Thank you for the opportunity to submit written comments for the record for the Committee's hearing on February 10, 2026, "Foreign Influence in American Nonprofits: Unmasking Threats from Beijing and Beyond."

The Council on Foundations is a nonprofit membership association that guides philanthropies as they advance the greater good. Building on our over 75-year history, the Council supports more than 1,000 member organizations in the United States and around the world to build trust in philanthropy, expand pathways to giving, engage broader perspectives, and co-create solutions that will lead to a better future for all.

Council members are located in all 50 states, reflecting a wide range of perspectives on and approaches to addressing the many challenges facing our communities. Each year, Council members give billions of dollars in funding to charitable organizations across the country. Through this support, foundations fuel innovation, respond to natural disasters, provide vital services, contribute to economic development, and forge public-private partnerships that leverage the strengths of both government and the private sector.

The philanthropic ecosystem is able to address these needs because of the varied ways in which individuals and foundations can give: through foundations, donor-advised funds, intermediaries, and directly to nonprofit service providers in impacted communities. At the same time, the philanthropic sector values fair oversight. When one bad actor engages in illegal and inappropriate activity, the integrity of the entire sector suffers. For organizations that require public trust to advance their missions and further the greater good, this can be debilitating.

If the Committee is considering making changes to Form 990, the Council can be a partner. In addition, we welcome this opportunity to share more about philanthropy, clarify some misconceptions, and voice appreciation for the Committee's support around several key points:

- Charitable organizations play an essential role in civic discourse.
- Donor privacy is a constitutionally protected right.
- Donor-advised funds are an important giving tool.
- Fiscal sponsorships allow for flexible, responsive philanthropy.
- Post-graduation scholarships are an essential workforce development tool.

Charitable organizations play an essential role in civic discourse.
Nonprofits are committed to strengthening our democracy, in part by expanding civic engagement, improving voter education, and bringing people together to foster healthy civic discourse. Far from being a political activity, this work ensures all Americans—regardless of their political affiliation or beliefs—have the knowledge and resources they need to exercise their right to vote. Advocacy, public policy, and nonpartisan civic engagement are legitimate activities for nonprofits, as long as they further their charitable purpose and do not veer into prohibited political activity.

Prohibited political activity and electioneering
Section 501(c)(3) charitable organizations—including both private foundations and public charities—are prohibited from engaging in political campaign intervention. They cannot contribute funds or make written or verbal statements in favor of or opposition to campaigns for elected office. Charitable organizations are also prohibited from engaging in voter registration efforts with evidence of bias in favor of one candidate over another. This crucial protection keeps nonprofits nonpartisan. It prevents them from being drawn into divisive political campaigns; ensures they cannot be influenced by donors or political candidates to take sides during elections; and helps maintain the trust of their communities even in times of political polarization. All donors to section 501(c)(3) organizations, not just those from foreign countries, must abide by this law.

Section 501(c)(3) organizations, including private foundations, can legally make grants to section 501(c)(4) organizations to accomplish exclusively charitable purposes—but only if those grants are not used for prohibited political activities such as political campaign intervention. Appropriate enforcement of this distinction is important, both for maintaining broad sector integrity and for rooting out bad actors, American or otherwise.

We are committed to working with the Committee to maintain this important protection and provide additional clarity on this critical topic.

Donor privacy is a constitutionally protected right.
Section 501(c)(3) charitable organizations
The disclosure of nonprofit donor information, both publicly and to the IRS, was raised during the hearing. Currently, section 501(c)(3) public charities must disclose the name and address of substantial contributors (over $5,000 in a tax year) to the IRS on their Form 990 Schedule B. When the Form 990 is made public, this information is redacted. These reporting requirements serve the long-standing partnership between philanthropy and the public: they foster trust and transparency, and they give the federal government and relevant oversight bodies the information they need to root out bad actors.

However, mandatory public disclosure of this information could chill giving and endanger nonprofits, their donors, and the communities they serve. In a polarized environment, donors might be nervous to support certain causes or organizations. For others, modesty is a key component of their philanthropy. In the 2021 Supreme Court case Americans for Prosperity Foundation v. Bonta, the Supreme Court maintained that this privacy is a First Amendment right, protecting freedom of association for both nonprofits and their donors.

Section 501(c)(4) social welfare organizations

During the hearing, some members of the Committee raised the lack of transparency of donations made to section 501(c)(4) organizations. Like section 501(c)(3) organizations, section 501(c)(4) organizations are required to file a Form 990 Schedule B—but unlike 501(c)(3)s, 501(c)(4)s are no longer required to disclose the names or addresses of their donors due to regulations issued by the Department of the Treasury and the IRS in 2020. In addition, for the past decade, annual appropriations bills have included a rider preventing Treasury and the IRS from issuing further regulations regarding section 501(c)(4) organizations.

Donor-advised funds are an important giving tool.

During the hearing, some members of the Committee raised concerns about the use of donor-advised funds (DAFs). DAFs are charitable funds housed at sponsoring organizations such as community foundations. They are a popular giving tool that helps organizations and individuals support the causes, charities, and communities they care most about today and long-term. Once donations are made to DAFs, they legally belong to the sponsoring organization, but donors maintain the ability to advise the sponsoring organization on grants made from the DAF to a charity. There are myriad reasons a donor might give through a DAF instead of directly, including:

- Community foundations and some other DAF sponsors maintain deep expertise in the local nonprofit landscape and can help donors develop a giving strategy.
- DAFs grow: a donation made today might be worth much more next year or several years from now, allowing donors to amplify their impact without needing to engage in complicated investment practices themselves.
- DAFs allow donors of all financial means to establish a charitable legacy and give across generations. Many people do not have the funds or time to establish and manage a private foundation—but giving through a DAF is simple and includes many of the same benefits.
- Using a DAF might make sense financially for a donor who wants to distribute funds over the course of several years or to several different organizations.
- Giving through a DAF allows donors to control the level of contact they have with the recipient nonprofit, both through anonymity (if they choose it) and because they are not directly communicating with the nonprofit. For some donors, this allows them to maintain modesty; others simply enjoy privacy.

Integrity is critical to maintaining public trust, and DAF sponsoring organizations maintain detailed records should legal issues arise. But DAF donors have a right to privacy, as do all donors to all

charitable organizations. As Americans for Public Trust Executive Director Caitlin Sutherland noted during the hearing, "when we discuss donor-advised funds … we must do it narrowly to maintain the privacy protections of donors who are rightfully using these charitable vehicles."

Fiscal sponsorship allows for flexible, responsive philanthropy.
Some Committee members raised concerns about the use of fiscal sponsorship during the hearing. Fiscal sponsorship is a practice that allows smaller, less established charitable projects to use a more established charitable organization as an intermediary. The charitable project enters into a written agreement with a fiscal sponsor, which then:

- Accepts donations that fund the project's purposes
- Gives the sponsored organization access to those contributions (under the sponsor's oversight)
- Provides guidance and support for the project

The sponsored project must further the fiscal sponsor's charitable purpose. Charitable contributions, whether from individuals, private foundations, or other grantmakers, are donated to the fiscal sponsor. The fiscal sponsor owns the project's funding and must have complete discretion and control over those funds. This funding must be used for charitable purposes. The fiscally sponsored project is prohibited from using these funds for prohibited purposes, including electioneering. The fiscal sponsor must report the income and expenditures related to the fiscal sponsorship in its Form 990. In some cases, organizations report them the same way they would any other grant; many organizations choose to more precisely detail the fiscal sponsorship, but this is not a requirement.

Fiscal sponsorship is often used for short-term projects, such as a group of doctors raising money to fund a tent clinic in an area recently destroyed by a natural disaster. Because it has a relatively low start-up cost, and because it relies on an existing charitable organization for administrative support, fiscal sponsorship is an important tool that allows nonprofits to be flexible and responsive. The Council would welcome the opportunity to work with the Committee on policy changes that would increase transparency and accountability around fiscal sponsorship without damaging its flexibility.

Post-graduation scholarships are an essential workforce development tool.
We are grateful for the leadership of Representatives Darin LaHood and Terri Sewell, who have championed the Workforce Development Through Post-Graduation Scholarship Act through several Congresses, and were glad to hear Rep. LaHood discuss the bill during the hearing. This legislation would allow foundations to support rural and other underserved areas in rebuilding their economies and drawing back critical labor. Community foundations and other grantmakers award post-graduation scholarships to individuals with needed skillsets like nurses and social workers. In exchange, the recipients live and work in that area, helping spur economic development in regions that have been left behind. Post-graduation scholarships would help channel private dollars toward solving a public problem.

Conclusion

Foundations and their nonprofit partners are nimble and responsive, providing urgent support in the aftermath of disasters natural and manmade while filling in day-to-day needs that government cannot or should not meet. This vibrant and independent philanthropic sector, championing a multitude of causes and working to address a multitude of issues, is a core American tradition.

We commend the Committee's efforts to strengthen and protect American politics from foreign influence. At the same time, we urge Congress to consult with our sector when considering additional laws or guidelines that might impact our work. We welcome the opportunity to partner with the Committee on policies that would help increase transparency and accountability without curtailing donors' First Amendment rights or creating undue administrative burden for understaffed nonprofits and their foundation partners.

Thank you again for this opportunity to submit testimony for the record. We look forward to working with you to ensure the philanthropic and charitable sector can continue to meet the needs of our communities today and into the future.