



## LEGAL IMPLICATIONS OF THE ARTICLES OF ASSOCIATION IN FOUNDATION GOVERNANCE

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### ABSTRACT

Foundations play a significant role in supporting social missions, and understanding their legal obligations, as stated in the Articles of Association, is essential to ensuring their sustainability. This research examines the legal framework governing foundations in Indonesia, specifically focusing on Law Number 28 of 2004, which outlines the requirements for foundation establishment and operation. The study uses a qualitative, normative juridical approach to analyze the legal implications of mismanagement in foundation operations that deviate from the Articles of Association. The research highlights how non-compliance with these guidelines—especially the Articles of Association—along with the failure to submit financial reports and adhere to governance standards, can lead to serious legal and socio-economic consequences. The findings emphasize that mismanagement can damage a foundation's credibility, cause internal conflicts, and result in legal claims from stakeholders. The study also explores the importance of effective government oversight, particularly by the Ministry of Law, in ensuring foundations comply with legal regulations. To address violations, the research suggests several approaches, including internal resolutions, legal reporting, and stronger supervision. Its further advocates for increased legal awareness and training for foundation managers to prevent violations and safeguard the foundation's integrity.

## 1. Introduction

A foundation is a non-profit legal entity that plays a vital role in advancing the public interest, particularly in areas such as education, social welfare, and religious activities. Foundations are designed to drive positive change within communities, often by addressing pressing needs and promoting sustainable development. In the educational sector, foundations contribute significantly by establishing schools, providing scholarships, and offering training programs to improve the quality of human resources. These efforts are central to creating equitable opportunities for

individuals and fostering long-term societal progress.<sup>1</sup> Through various initiatives, foundations become strategic partners in achieving sustainable development goals, ultimately working toward a more prosperous and fair society.<sup>2</sup>

In Indonesia, the legal framework for foundations is governed by Law Number 16 of 2001, later amended by Law Number 28 of 2004. This legislation outlines the essential requirements for establishing a foundation, including the need for a notarial deed and registration with the Ministry of Law to obtain legal entity status. This ministry is also responsible for handling aspects related to foundations. The Ministry of Law was established based on Presidential Regulation of the Republic of Indonesia Number 142 of 2024 concerning the Coordinating Ministry for Law, Human Rights, Immigration, and Correctional Institutions. Such legal recognition is critical as it ensures that foundations are formally acknowledged and have the necessary authority to operate. Moreover, the law dictates that foundations must adhere to their approved articles of association, including submitting financial reports and annual statements to their board of trustees or the government. These regulations ensure that foundations operate transparently and responsibly while fulfilling their missions. The 2004 amendment to the law further clarified and reinforced the regulatory framework governing foundations, particularly in terms of governance and accountability. The law ensures that the division of authority between the board of trustees, management, and supervisors is clearly defined, preventing potential conflicts of interest. It also emphasizes compliance with objectives and activities as per the foundation's charter, thereby promoting responsible management and ethical operations. Additionally, the law holds foundation managers accountable for any legal violations, imposing both administrative and criminal sanctions for misconduct. These provisions enhance legal protection for foundations and encourage greater transparency and accountability, ensuring they remain effective and trustworthy organizations.<sup>3</sup>

However, failures in adhering to these regulations can have far-reaching consequences beyond legal repercussions. Misconducts in the management of a foundation not only result in legal consequences but also have significant social and economic impacts, particularly for parties associated with the foundation. These effects can include loss of trust from donors and beneficiaries, disruption of community programs, and potential harm to the foundation's reputation. The broader social impact could be a loss of support for important social causes, while the economic consequences could involve the misallocation of resources and the foundation's inability to fulfill its intended purpose.<sup>4</sup>

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<sup>1</sup> T. Musahiddinsyah, Sanusi Sanusi, and Teuku Ahmad Yani., *Pengelolaan Yayasan Menurut Asas Keterbukaan Dan Akuntabilitas (Studi Pada Yayasan Kemanusiaan di Aceh)*, *Jurnal IUS Kajian Hukum dan Keadilan*, Vol.8, no.1, 2020, page.129.

<sup>2</sup> Zulfi Diane Zaini and Putri Septia., *Pertanggungjawaban Pengurus Dalam Pengelolaan Badan Hukum Yayasan di Indonesia*, *Justice Voice*, Vol.1, no.1, 2022, page.38. See too, Delia Azizah Rachmapurnami., *Tinjauan Yuridis Penyesuaian Yayasan Yang Didirikan Sebelum Undang-Undang Nomor 16 Tahun 2001*, *Officium Notarium*, Vol.1, no.2, 2021, page.363.

<sup>3</sup> Nadya Fitri Utami., *Akibat Hukum Pembatalan Akta Perubahan Yayasan Setelah Dikeluarkannya Surat Keputusan Pencabutan Karena Cacat Prosedur (Studi Penetapan Pengadilan Negeri Jakarta Timur Nomor 303/PDT. P/2020/PN. JKT. TIM)*, *Indonesian Notary*, Vol.4, no.3, 2022, page.142.

<sup>4</sup> Hamidah Sidabalok, Dewi Sartika, Renita Dewi, and Rifqah Anisa Heni Nasution., *Konstruksi Model Sosialisasi Hukum Berbasis Kearifan Lokal Kepada Yayasan Penyelenggara Pendidikan Dalam*

For donors, such misconducts can lead to a loss of trust in the foundation because the funds they donated are not used according to the intended purpose. This not only harms donors morally but also affect their commitment to supporting philanthropic activities in the future. On the other hand, beneficiaries are the most directly impacted parties. When foundation funds are misused, social programs designed to improve their well-being, education, or health may be disrupted or even halted entirely. This situation can exacerbate social inequalities and hinder community empowerment efforts, which are at the core of the foundation's objectives.<sup>5</sup> The economic impact is also felt by the wider society, especially if the problematic foundation plays a significant role in supporting specific sectors such as education, health, or economic empowerment. The failure of a foundation to fulfill its functions can create a domino effect, such as an increased burden on the government to replace the foundation's role or a decline in local economic activities that were previously supported by the foundation's programs.<sup>6</sup> Essentially, misconducts in foundation management not only harm specific individuals and groups but also create long-term impacts that hinder broader social and economic development.

Mismanagement and misconduct in foundations can lead to severe consequences, particularly for donors, beneficiaries, and the broader society. For donors, such issues can result in a loss of trust, as their contributions may not be used for the intended purposes. This erosion of trust not only damages the moral standing of the foundation but also diminishes future donor commitment to philanthropic causes. Beneficiaries, who rely on the foundation's support for their well-being, education, and health, are the most directly affected. When funds are misallocated, social programs aimed at improving their quality of life may be disrupted or even stopped entirely, exacerbating social inequalities and hindering community empowerment.<sup>7</sup> Furthermore, the economic impact of such misconduct extends beyond individual groups, especially if the foundation plays a vital role in sectors like education, health, or economic empowerment. The failure of a foundation to fulfill its mission can lead to a domino effect, such as an increased burden on the government to step in or a decline in local economic activities previously supported by the foundation's initiatives.<sup>8</sup>

Essentially, misconduct in foundation management not only affects specific individuals or groups but also poses long-term challenges to broader social and economic development. It is therefore imperative that foundations maintain high

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Penyesuaian Anggaran Dasar, *Yurispruden: Jurnal Fakultas Hukum Universitas Islam Malang*, Vol.6, no.1, 2023, page.32.

<sup>5</sup> Irma Fatmawati., *Hukum Yayasan Pendidikan (Prinsip Transparansi Pengelolaan Kegiatan Usaha Yayasan Menurut Undang-Undang Nomor 16 Tahun 2001 Jo Undang-Undang Nomor 28 Tahun 2004)*, Yogyakarta, Deepublish, 2020, page.132.

<sup>6</sup> Deny Susanto., Penyuluhan Tentang Yayasan dan Aspek Hukumnya, *Journal of Human and Education (JAHE)*, Vol.3, no.4, 2023, page.511.

<sup>7</sup> Taufik H. Simatupang., Kesadaran Badan Hukum Yayasan Pendidikan Di Indonesia (Persepsi dan Kesadaran Hukum Masyarakat) Awareness of Legal Entity of Education Foundation in Indonesia (Perception and Society Legal Awareness), *Jurnal Penelitian Hukum De Jure*, Vol.16, no.3, 2017, page.277.

<sup>8</sup> Zuhriati Khalid and Rina Melati Sitompul., Akibat Hukum dan Alternatif bagi Yayasan yang Belum Melakukan Penyesuaian Pasca Keluarnya UU No. 28 Tahun 2004 tentang Yayasan, *Law Jurnal*, Vol.1, no.1, 2020, page.45.

standards of transparency and accountability to preserve their credibility as trusted institutions. When foundations operate with integrity, they can continue making a positive impact on society and achieving their core objectives.<sup>9</sup>

In this context, this research aims to explore the legal implications of foundation management in Indonesia when operations do not align with the foundation's articles of association. By examining the legal consequences of such discrepancies, this study seeks to provide insights into how these misalignments affect the foundation's sustainability, governance, and impact on the community. Ultimately, the research will contribute to understanding how legal frameworks can support better management practices and ensure that foundations fulfill their public interest missions effectively.

## **2. Research Methods**

The research method used in this study is qualitative with a normative juridical approach. The normative juridical approach in this research aims to examine and analyze in-depth the legal aspects and policies related to the mismanagement of foundations that do not comply with the Articles of Association. The data sources used in this research are secondary, including various relevant legal documents and regulations, as well as academic literature discussing the management of foundations in Indonesia. This study also examines how the application of laws, such as Law Number 28 of 2004 on Foundations, is implemented in the context of foundation protection and supervision in Indonesia. Through the normative juridical approach, this research aims to provide a deeper understanding of how mismanagement in foundation operations, not in line with the Articles of Association, can impact the legality, credibility, and sustainability of foundations, as well as to identify necessary corrective actions to safeguard the interests of the foundation and related parties.

## **3. Results and Discussion**

### **3.1. Articles of Association as Guidelines for Good Governance in Foundation Operations**

Good governance in foundation operations emphasize transparency, accountability, and integrity in decision-making processes. Good governance ensures that the foundation operates in a way that meets its stated objectives while maintaining ethical standards and legal compliance. The foundation's management must uphold principles such as responsibility, fairness, and transparency, which are crucial in building trust among stakeholders, including donors, beneficiaries, and the general public. Legal compliance is a key component of good governance, ensuring that the foundation's operations align with applicable laws and regulations, such as those outlined in the Articles of Association and national legislation. Adhering to legal frameworks not only safeguards the foundation from legal risks but also enhances its credibility, ensuring its long-term sustainability and effectiveness in serving its community.

In the context of foundation operations, non-compliance with the Articles of Association often leads to detrimental effects on governance and organizational

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<sup>9</sup> Robi Krisna., Tinjauan Hukum Pendirian Yayasan Sebagai Badan Hukum Ditinjau Dari Undang-Undang Nomor 28 Tahun 2004, *Sosek: Jurnal Sosial dan Ekonomi*, Vol.2, no.1, 2021, page.45.

stability. The misuse of funds, failure to adhere to reporting requirements, and lack of clarity in authority and responsibility among management are clear indicators of governance issues. Such violations disrupt the foundation's ability to fulfill its mission and erode public trust. A foundation that does not operate in accordance with its legal framework risks damaging relationships with donors, beneficiaries, and other stakeholders, which can hinder its capacity to continue its programs. By ensuring that all actions and decisions align with the Articles of Association, foundations can promote good governance practices, mitigate conflicts, and strengthen their operational integrity, thus preserving their public trust and achieving their long-term goals effectively.<sup>10</sup>

Moreover, the phenomenon of foundation management not adhering to the Articles of Association often becomes a problem that hinders the sustainability and credibility of the foundation in the eyes of the public. Misuse of funds is one of the most common violations, where funds that should be used for activities aligned with the foundation's objectives are diverted for personal interests or irrelevant activities. This not only violates the principle of legality but also undermines the trust of donors and beneficiaries. Additionally, internal conflicts often arise due to an unclear division of authority and responsibilities among the management, which ultimately disrupts the stability of the organization.<sup>11</sup> This conflict can be exacerbated by violations of accountability and transparency principles, such as poorly prepared financial reports or failure to report them to the board of trustees and other relevant parties. Non-compliance with these principles creates the impression that the foundation is not being managed professionally, thereby diminishing public trust. These phenomena highlight the importance of foundations adhering to their Articles of Association as the main guideline for organizational management.

The legal consequences arising from the mismanagement of a foundation, particularly due to the misuse of funds, are clearly regulated in Law Number 28 of 2004, which amends Law Number 16 of 2001 on Foundations. This law provides specific provisions and sanctions for violations related to the improper use of funds, ensuring that foundations are held accountable for managing resources in alignment with their established objectives and legal requirements.<sup>12</sup> One of the consequences is legal action from parties who feel aggrieved, such as donors, partners, or beneficiaries. These parties may file lawsuits if they believe the foundation has mismanaged funds or violated its obligations, leading to potential legal and financial repercussions for the foundation. This underscores the importance of adhering to legal regulations and maintaining transparency to avoid

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<sup>10</sup> Y. Sogar Simamora., Karakteristik, pengelolaan dan pemeriksaan badan hukum yayasan di Indonesia, *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional*, Vol.1, no.2, 2012, page.177.

<sup>11</sup> Tiara Alfarissa, Muhammad Fauzan, Keren Shallom Jeremia, Nicholas Christiansen, Lisa Angelie Putrie, Zahra Calista Herjendro, and M. Mulyadi., Urgensi Penguatan Pengawasan Eksternal Yayasan Sebagai Bentuk Preventif Atas Penyalahgunaan Dana Yayasan (Studi Kasus Yayasan Aksi Cepat Tanggap), *Madani: Jurnal Ilmiah Multidisiplin*, Vol.1, no.5, 2023, page.23.

<sup>12</sup> Frisca Adelia Stevani, Riovaldi Paruntungan Silalahi, Nirindah Daniella Sembiring, and Dwi Desi Yayi Tarina., Yayasan Sebagai Entitas Hukum Dalam Konteks Perdagangan Yayasan Aksi Cepat Tanggap dan Dampaknya Terhadap Mitra Bisnis di Indonesia, *Media Hukum Indonesia (MHI)*, Vol.2, no.4, 2024, page.201.

such conflicts and protect the foundation's reputation.<sup>13</sup>

According to Article 47, a foundation is responsible for losses resulting from the actions of its management that exceed the authority outlined in the Articles of Association. This provision emphasizes that the foundation must ensure its management operates within the scope of the powers granted by its governing documents, and it can be held liable for any harm caused by overstepping these boundaries.<sup>14</sup> In addition to legal action, deviations from the foundation's budget can lead to the dissolution of the foundation, as regulated in Articles 62 to 65. Dissolution may occur if the foundation is found to engage in activities that conflict with its Articles of Association, founding objectives, or violate legal provisions. After dissolution, the foundation's assets must be distributed in accordance with the Articles of Association or for specific social purposes.

Furthermore, Article 71 also outlines administrative sanctions, such as written warnings, activity restrictions, or the revocation of operational permits, which may be imposed by the authorities if the foundation fails to fulfill its obligations, such as preparing annual reports in an accountable and transparent manner.<sup>15</sup> These legal consequences emphasize the importance of foundations adhering to their Articles of Association and maintaining good governance in order to protect their integrity and ensure the sustainability of their operations in providing benefits to the community. Compliance with these regulations helps prevent legal risks, maintain public trust, and support the foundation's long-term mission and goals.

### **3.2. Legal Consequences of Non-Compliance with Articles of Association in Foundation Management**

The legal implications of managing a foundation in a manner inconsistent with its Articles of Association can result in various legal consequences that may threaten the sustainability of the foundation. Non-compliance with the Articles of Association can lead to violations of legal provisions outlined in Law Number 28 of 2004 concerning Foundations. Specifically, Article 52 of this law grants the Ministry of Law the authority to issue a warning or impose administrative sanctions on a foundation that fails to comply with its obligations. If the foundation's annual report is found to be incorrect or its activities are not in line with the Articles of Association, the Ministry may issue a reprimand. This reprimand typically takes the form of a written warning, which requires the foundation to correct or update the identified violations within a specified timeframe.

If the foundation fails to address these violations, the Ministry of Law has the authority to take more severe actions. According to Article 69 of Law Number 28 of 2004, one such action could be the freezing of the foundation's legal entity status. Freezing a foundation's legal status is a significant measure, usually taken

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<sup>13</sup> Muhammad Rizqullah Dany Putranto, Nabila Aulia Rizki, and Naufandiary Bachtiar Ramzy., Kebijakan Hukum Pendirian Yayasan Oleh Warga Negara Asing di Indonesia, *Jurnal Ilmu Hukum, Humaniora Dan Politik*, Vol.4, no.3, 2024, page.209.

<sup>14</sup> Sally Novita Nia., Penggunaan Jasa Pihak Ketiga dalam Perlindungan Dana Yayasan di Indonesia, *Al Qalam: Jurnal Ilmiah Keagamaan dan Kemasyarakatan*, Vol.18, no.1, 2024, page.674.

<sup>15</sup> Khoirul Wakhid and Rohmawati Kusumaningtias., Penerapan Dimensi Akuntabilitas pada Yayasan Murni Pendidikan Sosial" Sunan Drajat" Lamongan, *Muttaqien; Indonesian Journal of Multidisciplinary Islamic Studies*, Vol.4, no.2, 2023, page.129.

when violations are deemed serious or when they are detrimental to the public interest. If a foundation's legal status is frozen, it loses its legal authority to operate until the identified violations are resolved in accordance with legal requirements. This action not only impacts the foundation but also affects its beneficiaries, donors, and the broader community that relies on the foundation for social, educational, or charitable activities.

By fully complying with the provisions outlined in their Articles of Association and the regulations set forth in Law Number 28 of 2004, foundations can prevent violations that may lead to reprimands, administrative sanctions, or even the freezing of their legal entity status, thereby safeguarding their reputation, legal standing, and ability to continue operations for the benefit of the community. Law Number 28 of 2004 concerning Foundations outlines the personal responsibility of foundation administrators in cases of negligence or violations that result in losses to the foundation or its related parties, such as donors or beneficiaries. Specifically, Article 5, paragraph (2) of this law holds foundation administrators personally liable for any damages caused by their negligence or legal violations in managing the foundation. If the foundation fails to meet the obligations specified in its Articles of Association or applicable regulations, affected parties—such as donors or beneficiaries—have the right to file a lawsuit seeking compensation.

Additionally, Article 38 of this law further reinforces the rights of the injured parties to pursue personal legal action against the foundation's administrators. This provision helps protect donors and beneficiaries from potential irregularities in the foundation's management. By holding administrators personally responsible, the law emphasizes the importance of accountability and transparency in the foundation's operations. Every action taken by the administrators must align with legal and ethical standards, ensuring that the foundation's activities are carried out responsibly. If the foundation's management is found to be negligent or in violation of the law, administrators can be held legally accountable, which may include compensating the affected parties. This provision not only protects the interests of donors and beneficiaries but also strengthens the foundation's governance, preserving its credibility and ensuring the sustainability of its operations.

If there are elements of a criminal act, such as embezzlement of foundation funds or fraud, the administrators or involved parties may be subject to sanctions under the Criminal Code or other related laws. Article 68 of Law Number 28 of 2004 concerning Foundations reinforces the authority to take legal action against the misuse of foundation assets, especially when such actions lead to criminal charges. These criminal acts include unlawful behaviors, such as embezzling funds that should be allocated for the foundation's social or educational purposes, or engaging in fraudulent financial reporting by the foundation's administrators.

According to the provisions of the Criminal Code or other relevant laws, these actions can result in criminal penalties, including fines and imprisonment. Not only do these offenses harm the foundation, but they also damage the reputation of the administrators in the eyes of the public and the foundation's partners. Addressing such cases through legal processes ensures that the perpetrators face appropriate sanctions, which act as a deterrent to prevent future misuse of foundation assets. Article 68 of Law Number 28 of 2004 provides a strong legal framework to protect foundation assets from misuse and embezzlement,

safeguarding the interests of all related parties.

The legal implications of misconduct in the management of a foundation can significantly affect its sustainability.<sup>16</sup> Mismanagement, whether related to strategic decisions or financial practices, can have serious consequences for the foundation. First, such irregularities can damage the foundation's credibility with the public, donors, and partners. A loss of public trust can reduce both financial and social support, which are vital for the foundation's operations. If the foundation loses its primary source of funding from donors, it may struggle to maintain its activities and programs, ultimately impacting its ability to provide social benefits.

Second, mismanagement can lead to internal conflicts among administrators and supervisors, disrupting organizational stability and reducing the efficiency of decision-making and program implementation. Third, if the irregularities involve legal violations, such as embezzlement or the misuse of foundation assets for personal gain, the foundation risks losing its legal entity status. The revocation of this status could lead to the dissolution of the foundation, causing harm to beneficiaries, employees, and other stakeholders who rely on its activities.<sup>17</sup>

Moreover, third-party fund mismanagement significantly influences the foundation's reputation.<sup>18</sup> Mismanagement can also have a far-reaching negative impact on third parties, including donors, beneficiaries, and partners. For donors, misconduct in fund management can undermine their trust in the foundation's transparency and accountability. If donors discover misuse of funds, they may cease their financial support, which could jeopardize the foundation's sustainability. This mistrust can damage the foundation's reputation within the donor community, making future fundraising efforts more difficult. For beneficiaries, misconduct can directly affect the benefits they receive. The misuse of funds may reduce or even halt vital assistance programs or services, limiting access to the help they need most. This can also lower the quality or quantity of programs, ultimately harming those who depend on the foundation's support.<sup>19</sup>

### **3.3. Legal Measures to Resolve Violations in Foundation Management**

Legal measures to address violations in foundation management involve several steps that can be taken to resolve various forms of misconduct, including administrative, financial, or operational violations.<sup>20</sup> These steps align with the provisions stipulated in Law Number 28 of 2004 concerning Foundations. The measures outlined in the law aim to maintain healthy foundation management and prevent irregularities through preventive actions that must be strictly

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<sup>16</sup> Mohammad Yudithama Al Kautsar., Salary, Wage, and Honorarium in the Foundation Viewed from the Law of the Foundation and the Auditor's View, *Spektra: Jurnal Ilmu-Ilmu Sosial*, Vol.5, no.2, 2023, page.66.

<sup>17</sup> Soni Gunawan Somali., Pengelolaan Yayasan Menurut Undang-Undang No. 28 Tahun 2004 Tentang Yayasan, *Sosiohumanitas*, Vol.20, no.1, 2018, page.164.

<sup>18</sup> Nira Hustiana and Muhammad Ardi Pradana., Pemberian Gaji Kepada Pengurus Yayasan Berdasarkan Undang-Undang Yayasan, *Jurnal Ius Constituendum*, Vol.2, no.2, 2017, page.239.

<sup>19</sup> Winuratri Gita Prawardhani and Adi Sulistiyono., Analisis Yuridis Badan Hukum Yayasan Dalam Pengelolaan Taman Mini Indonesia Indah, *Privat Law*, Vol,2, no.5, 2014, page.42.

<sup>20</sup> Hani Nuanza Uemenina., Akibat Hukum Akta Perubahan Yayasan Yang Mengandung Cacat Hukum, *Recital Review*, Vol.4, no.1, 2022, page.167.



implemented.

The first step is ensuring that all foundation operations are carried out in accordance with the articles of association and applicable regulations. The articles of association serve as the primary guide in determining the foundation's objectives, management structure, allocation of funds, and decision-making mechanisms. This ensures that all actions taken by the foundation's management align with its mission and objectives. Additionally, implementing periodic training for foundation management is crucial. Article 52 of Law Number 28 of 2004 mandates this training to improve management's understanding of good governance principles, financial accountability, and transparency in foundation operations. This training helps management understand their legal obligations and strengthens their commitment to maintaining integrity in performing their duties.<sup>21</sup>

Internal methods to resolve violations involve deliberation and mediation mechanisms among administrators. For minor violations, internal deliberations or mediation can be held among administrators to address and resolve issues directly and harmoniously, without involving external parties. This approach aims to find fair and effective solutions and improve relationships among administrators. It allows minor violations to be handled quickly and efficiently, preventing the need for legal proceedings. In addition, revising the articles of association is another important internal step. Article 17 of Law Number 28 of 2004 gives foundation administrators and founders the authority to amend the articles of association when necessary.<sup>22</sup> These revisions could include adjustments to the foundation's objectives, changes to the management structure, or restructuring decision-making mechanisms. Approving these revisions through deliberations involving both management and founders ensures that the changes align with legal principles and establish a stronger foundation for the future. These internal methods not only help resolve minor violations but also strengthen overall governance, ensuring the foundation's credibility and sustainability.

For more serious violations, Law Number 28 of 2004 outlines various actions that the foundation and affected parties can take.<sup>23</sup> One key step is reporting serious violations to the Ministry of Law for evaluation of the foundation's legal status. Reporting ensures that the foundation operates within the bounds of the law, and the Ministry has the authority to impose administrative sanctions under Article 69 of the law.<sup>24</sup> Additionally, if the violation harms other parties, such as donors or beneficiaries, they have the right to file a lawsuit to seek compensation, as outlined in Article 38 of the law. Finally, if the violation involves criminal acts such as

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<sup>21</sup> Hamidah Sidabalok, Dewi Sartika, Renita Dewi, and Rifqah Anisa Heni Nasution., *Konstruksi Model Sosialisasi Hukum Berbasis Kearifan Lokal Kepada Yayasan Penyelenggara Pendidikan Dalam Penyesuaian Anggaran Dasar*, *Yurispruden: Jurnal Fakultas Hukum Universitas Islam Malang*, Vol.6, no.1. 2023, page.23.

<sup>22</sup> Adzalia Grimaldi Indra., *Pembatalan Akta Keputusan Sirkuler Sebagai Pengganti Rapat Pembina Atas Pemberhentian Ketua Pengurus Yayasan Yang Cacat Hukum Berdasarkan Putusan Nomor 226/2020/PT. PDG*, *Indonesian Notary*, Vol.4, no.1, 2022, page.35.

<sup>23</sup> Muhammad Rizqullah Dany Putranto, Nabila Aulia Rizki, and Naufandiary Bachtiar Ramzy., *Kebijakan Hukum Pendirian Yayasan Oleh Warga Negara Asing di Indonesia*, *Jurnal Ilmu Hukum, Humaniora Dan Politik*, Vol.4, no.3, 2024, page.211.

<sup>24</sup> Edah Jubaedah., *Implementasi kebijakan transparansi keuangan di daerah.*, *Jurnal Ilmu Administrasi: Media Pengembangan Ilmu dan Praktek Administrasi*, Vol.8, no.3, 2011, page.4.

embezzlement or fraud, the foundation is required to report the matter to law enforcement, as stipulated in Article 68. This step ensures that criminal law is enforced, perpetrators face appropriate penalties, and the foundation's reputation and public trust are protected.<sup>25</sup>

Government oversight plays a critical role in ensuring good governance and protecting public interests. Articles 70 and 71 of Law Number 28 of 2004 grant the government the authority to provide guidance and supervision over foundation operations. This authority covers several aspects, including evaluating the legal status of foundations, ensuring compliance with the articles of association, and ensuring that operations align with the foundation's objectives. The government can guide foundations to correct violations and ensure continued operations with integrity and transparency.<sup>26</sup> If serious violations are found, the government has the authority to impose administrative sanctions, such as freezing the foundation's legal status, in accordance with Article 69. This supervision ensures the protection of the interests of the foundation, donors, and beneficiaries, and guarantees that the foundation continues to function properly for the benefit of the community. Strict government oversight helps ensure that foundations operate optimally within the boundaries of the law.<sup>27</sup>

#### **4. Conclusion**

The study concludes that adhering to the Articles of Association is crucial for maintaining good governance in foundation operations, ensuring transparency, accountability, and ethical decision-making. By following these legal frameworks, foundations safeguard their reputation, protect stakeholder interests, and enhance their sustainability in fulfilling their social missions. Non-compliance with these guidelines can lead to severe legal consequences, including administrative sanctions, the freezing of legal status, and potential dissolution. These violations jeopardize the foundation's operations, erode public trust, undermine donor confidence, and negatively impact the well-being of beneficiaries. To address violations, legal measures are in place to prevent misconduct and ensure compliance with regulations. Internal resolutions, such as deliberations and training, are effective for addressing minor issues, while more serious violations may require external actions, such as reporting to the Ministry of Law or law enforcement. Government oversight plays a critical role in ensuring compliance, safeguarding the foundation's integrity, protecting stakeholders' interests, and promoting long-term sustainability.

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<sup>25</sup> Eldo Fransixco Dumanauw., Kewajiban Dan Tanggung Jawab Organ Yayasan Menurut Undang-Undang Nomor 28 Tahun 2004 Tentang Yayasan, *Lex Et Societatis*, Vol.7, no.9, 2019, page.132. See too, Mohammad Fahdi and Amin Purnawan., Position of Foundation Assets from State Assistance, *Sultan Agung Notary Law Review*, Vol.2, no.3, 2020, page.184.

<sup>26</sup> Ratna Susanti and Muhammad Arif Hudaya., Upah Pengelola Badan Hukum Pendidikan; Studi Komparatif Undang-Undang Yayasan dan Undang-Undang Wakaf, *Al-Mashlahah Jurnal Hukum Islam dan Pranata Sosial*, Vol.4, 2022, page.385.

<sup>27</sup> Dita Bidri Riyandani and Pujiyono Pujiyono., Kedudukan Yayasan Pasca Berlakunya Undang-undang Nomor 28 Tahun 2004 Tentang Perubahan Atas Undang-undang Nomor 16 Tahun 2001 Tentang Yayasan, *Privat Law*, Vol.4, no.2, 2016, page.164698.

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