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Independent by Definition

What the governance number does not measure

A GOVERNANCE ANALYSIS | NOVEMBER 2026

Editorial note

Methodology. Statements of fact are drawn from the primary sources cited in brackets and listed under References. The two filings compared in Section I have been read directly, and every figure attributed to them has been verified against the document. Passages expressing judgment or inference are labeled as this publication's view and are not statements of fact. No individual director is named. The analysis is compositional throughout, and nothing here alleges misconduct by any person.

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Executive Summary

SourceAmerica is one of two central nonprofit agencies in the AbilityOne Program, which provided $4.7 billion in products and services to federal agencies in fiscal 2025, and it reports $3.8 billion of that moving through its own network. [8, 9] Its Form 990 for the year ended September 30, 2025 reports twenty voting members of the governing body and twenty independent voting members. It answers no to all seven questions on the return designed to surface transactions with interested persons, and Schedule L is not triggered. It answers yes to having a written conflict of interest policy, to requiring annual disclosure, and to monitoring and enforcing compliance. On the instrument the sector uses to assess governance, the board is flawless. [1]

The same organization operates under a Cooperative Agreement with the U.S. AbilityOne Commission that imposes eleven distinct board governance obligations, including a ceiling of forty percent on voting directors drawn from participating agencies, a floor of twenty-five percent on directors who are blind or disabled, a prohibition on agency executives holding the chair or vice-chair, a requirement to maintain records of every recusal and its reason, and a requirement to publish a summary of board conflict disclosures on its public website each year. Its March 26, 2026 disclosure to the Commission's General Counsel records that eight directors filed conflict statements and that six are chief executives or senior officers of agencies participating in the program the board governs. [2, 3]

On the public record SourceAmerica appears to satisfy every element of that regime that can be checked from outside. This paper alleges no breach and finds none. That is what makes the case useful. Here is an organization operating under the most detailed board governance requirements in the nonprofit sector, apparently meeting them, and the instrument donors and rating services actually read cannot see a single one of them. Both documents are accurate. They describe the same twenty people to two arms of the same federal government, and only one of them describes a conflict at all. [1, 2, 3]

> *In this publication's view the number is not a weak signal. It is close to no signal at all in the category of organization where governance matters most, and the reason is definitional rather than deceptive. The Commission that wrote those eleven obligations then published a draft five-year strategic plan, in June 2026, that does not mention board governance, conflict of interest or recusal once. Section VI takes that up. [8]*

I. Twenty of Twenty

The two documents, set side by side. Each column reports what that filing states or does not ask. [1, 2]

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	IRS Form 990 YE 30 Sep 2025	Board Disclosure Report to the Commission, 26 Mar 2026
Voting directors	20	19 (roster at 1 Feb 2026)
Independent voting directors	20	not a reported concept
Directors affiliated with participating agencies	not asked	6 so classified; 6 more hold national association seats
Ceiling on such affiliation	none	40% of voting directors
Floor on such affiliation	none	20% of voting directors
Recusal from allocation decisions	not asked	required; disclosure called at every meeting
Conflict disclosures filed by directors	not asked	8
Interested-person transactions	none; Schedule L not triggered	not reported in these terms
Written conflict of interest policy	Yes	Yes, with annual certification
Compliance monitored and enforced	Yes	Yes, annual Ethics Office review

The Commission filing is the more informative document by a wide margin, and it exists only because the Cooperative Agreement requires it. No comparable disclosure is required of the overwhelming majority of nonprofit organizations, and none of it appears on the return that donors, watchdogs and rating services actually read. [1, 2]

II. What the Form Asks

Form 990, Part VI, line 1b asks for the number of voting members of the governing body who are independent. The instructions supply a four-part test. A member is independent only if all four conditions are met throughout the tax year: [4]

> *One, the member was not compensated as an officer or other employee of the organization or of a related organization. Two, the member did not receive total compensation or other payments exceeding $10,000 from the organization or related organizations as an independent contractor, other than reasonable expense reimbursement and reasonable compensation for board service. Three, neither the member nor a family member was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) required to be reported on Schedule L. Four, neither the member nor a family member was involved in a transaction with a related organization of a type and amount required to be reported on Schedule L.*

Every condition is keyed to the individual, or to the individual's family. The third reaches further than that on its face, because the transaction it describes may be indirect and may run through affiliation with another organization. What it still requires is a transaction with the filer, of a kind Schedule L would reach. None of the four asks whether the organization the director leads benefits from the decisions the director votes on. [4]

Schedule L extends the reach somewhat, and the extension should be stated fairly before its limits are described. Part III captures grants or assistance benefiting interested persons. Part IV captures business transactions between the filer and an interested person, which includes an entity in which an interested person holds a defined ownership or control position. A grantmaker whose board includes executives of its own grantees is therefore at least partly visible on the form, and a filer that buys services from a company a director owns is visible. The schedule is not empty of organizational reach. [4]

The operative term in Part IV is the thirty-five percent controlled entity, and it is an ownership test. A chief executive does not own the nonprofit he or she runs. Nobody does. A director who serves as chief executive of an organization that receives money as a consequence of the filer's decisions therefore triggers nothing,

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because the definitional bridge between the person and the organization is built out of ownership, and nonprofits have no owners. The instructions reach the same place by a second route, excluding a section 501(c)(3) organization from being an interested person for Parts II through IV at all. The conclusion is not that the schedule narrowly misses this case. It is that two independent features of its design put the case outside it. [4]

The form also asks whether governance policies exist. Line 12a asks whether there is a written conflict of interest policy, 12b whether annual disclosure is required, and 12c whether compliance is monitored and enforced. SourceAmerica answers yes to all three, and to the whistleblower and document retention questions, and confirms the return was provided to the full board before filing. [1]

> *Those are questions about the existence of a policy, not about its content. The form does not ask what the policy defines as a conflict. An organization whose policy reaches only personal benefit and an organization whose policy reaches organizational benefit answer line 12a identically.*

III. What the Contract Asks

The AbilityOne Commission does not rely on the Form 990. Its Cooperative Agreement with SourceAmerica, signed December 20, 2024 and expiring December 20, 2027, sets out business ethics obligations at Section VII and board governance obligations at Section VIII. Read together they are the most detailed board governance regime this publication has encountered in the nonprofit sector. [3]

Cooperative Agreement, Sections VII and VIII	On Form 990?
Annual disclosure and certification of directors' personal interests affected by CNA and Program business, transactions and board decisions	Not asked
Publish a summary of disclosures on the public website by July 1, or within 30 days of any change in board membership	Not asked
Publish board member names and biographies annually on the public website	Not asked
Maintain records indicating each recusal and the reason for it	Not asked
No current CNA employees on the board except the CEO, non-voting ex officio	Not asked
No more than 40% of voting directors from current AbilityOne Program NPAs	Not asked
Not less than 25% of the board people who are blind or disabled	Not asked
Chair and vice-chair not filled by AbilityOne Program NPA executives	Not asked
No CNA executive on the board of an NPA or of an association representing NPAs	Not asked
No association executives or directors on the CNA board, other than one NCSE executive team member; NNAs expressly permitted	Not asked
Maintain an audit committee overseeing an independent auditing firm	Existence asked; composition not
Annual ethics and conflicts of interest training for all CNA staff	Not asked

Two of those provisions deserve emphasis. The composition ceiling is drawn narrowly: no greater than forty percent of voting directors may come from current AbilityOne Program NPAs. The Agreement separately bars executives and board members of associations representing participating agencies from the CNA board, permitting only one member of the National Council of SourceAmerica Employers executive team, and then states expressly that this requirement does not preclude the founding National Nonprofit Agencies from sitting on the board. The NNA seats are therefore contemplated by the Agreement rather than counted against the ceiling. [3]

Measured against that text, the roster current at February 1, 2026 reads as follows. [2, 3]

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Roster at 1 February 2026	Directors	Share of 19
Affiliated with a participating agency	6	31.6%
Founding national nonprofit agency seats (expressly permitted)	6	31.6%
Member at large	7	36.8%
Measured against the ceiling: agency affiliated	**6**	**31.6%**
Cooperative Agreement ceiling		**40.0%**
Chair and vice-chair held by agency executives	0	compliant
Association seats beyond the permitted NCSE seat	0	compliant
Directors who are blind or disabled	not disclosed	floor is 25%

Six of nineteen voting directors are classified by the organization as affiliated with a participating agency, which is 31.6 percent, inside the forty percent ceiling. The chair is an attorney in private practice and the vice chair a managing director of a consultancy, so neither officer position is held by an agency executive. One seat is held by a member of the NCSE executive team, as the Agreement permits. Six seats are held by representatives of the founding national nonprofit agencies, which the Agreement expressly allows. On every element of the composition clause that can be verified from the public record, the organization appears compliant. [2, 3]

One requirement cannot be verified either way. The Agreement provides that the board shall not be composed of less than twenty-five percent people who are blind or disabled, and shall actively seek their participation. Neither the Form 990 nor the Board Disclosure Report records that figure, and this publication takes no view on whether it is met. It is noted because it is a binding composition requirement whose satisfaction no external reader can establish from either document. [1, 2, 3]

The disclosure regime is equally specific. Directors must annually disclose and certify personal interests that may be affected by CNA and Program business, transactions and board decisions. A summary must be published on the organization's public website by July 1 each year, or within thirty days of any change in board membership. Board member names and biographies must be published annually. And the CNA must maintain records indicating each recusal and the reason for it. The organization's own report adds that disclosure is called by the chair at the opening of every board and committee meeting, and that its Business Integrity and Ethics Office reviews annually whether board-member agencies received favorable treatment in recommendations to the Commission, Procurement List additions, financial assistance or sponsorships. These are substantive controls and this publication records them as such. [2, 3]

> *Set beside the four-part independence test, the contrast is the whole argument. The Commission asked eleven questions about who sits on this board and what they must do when their interests are engaged. The Form 990 asks whether anyone was paid. Every director on that roster passes the second test, and the first test is the one that describes the organization.*

IV. The Allocation Gap

The mechanism is worth stating precisely, because it explains why two accurate documents reach opposite conclusions.

The Form 990 disclosure regime is built around the filer's own books. It asks what the filer paid, to whom, and under what relationship. Schedule L works the same way: a transaction becomes reportable when value moves between the filer and an interested person or an entity that person owns or controls.

SourceAmerica does not buy from the participating agencies and does not sell to them. It recommends them to the Commission for authorization, provides data on their qualifications, and historically allocated work among them. The contracts are held by the agencies with federal customers. The money runs from the government to the agency. Nothing crosses the intermediary's books in the direction that would make it reportable, and so

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nothing is reported. [5, 6]

> *This is the gap, and it is not peculiar to one program. It opens wherever a board allocates access rather than money: central nonprofit agencies, accreditors, referral networks, provider networks, certifying bodies, membership organizations that control entry to a market. In every such case the sector's independence metric returns a high number by construction, and the higher the stakes of the allocation the less the number means.*

Federal oversight identified the underlying condition nineteen years ago, though not in the terms often attributed to it. The Government Accountability Office, reporting in 2007, made no finding about board composition. It found that the Commission's own regulations created a conflict of interest through lack of organizational independence, because the central nonprofit agencies must monitor the compliance of participating agencies on the Commission's behalf while simultaneously representing those same agencies in their dealings with the Commission. GAO added that a fee charged on agency sales to the government gives the intermediaries "little incentive to identify instances of noncompliance," particularly at high-volume agencies, and that the regulations specify no action the Commission may take if the intermediaries fail to perform. [5]

> *GAO was describing organizational independence. Form 990 line 1b measures personal independence. The two use the same word for different things, and the sector has spent two decades reading the second as though it answered the first.*

What Compliance Does Not Reach

There is a further consequence, and it bears on how much comfort compliance should provide. The Cooperative Agreement governs the boardroom. GAO located the conflict somewhere else.

Section VIII regulates who may sit on the board, in what proportion, holding which offices, and what they must disclose. It does not alter the two features GAO named. The governing regulation still requires each central nonprofit agency to represent its participating agencies in their dealings with the Commission and, in the same provision, to evaluate their qualifications and capabilities and report to the Commission on them. And the fee is still calculated as a percentage of those agencies' sales to the government, remitted by the agencies as a condition of remaining in good standing, with the ceiling set by the Commission and the Commission's own policy requiring a reserve floor against it. [6, 9]

> *So an organization can satisfy every board governance obligation in the strongest contract in the sector, and this publication's reading of the record is that SourceAmerica does, while the conflict the Government Accountability Office identified in 2007 remains exactly where it was. The composition rules are real and worth having. They regulate the symptom. Monitoring the parties you also represent, while being paid a share of what they sell, is the condition itself, and it survives full compliance untouched.*

> *This is why the paper does not treat compliance as an answer, and why a reader should not either. A clean Form 990 tells you nothing. A clean contractual disclosure tells you the board is composed as the contract requires. Neither tells you whether the arrangement generating the revenue is one a disinterested party would design, and that is a separate question that no disclosure regime currently asks.*

V. Independence Without Oversight

The metric fails in the opposite direction as well.

Nonprofit Information Networking Association, publishing as the Nonprofit Quarterly, reports seven voting members of its governing body and seven independent voting members. It has a written conflict of interest policy. In the year ended December 31, 2024 it raised personnel cost by $602,160, or 29.4 percent, to 94 cents of every dollar of revenue, in a year its operating deficit reached $1,358,918 and after a prior-year return showing a deficit of $1,064,929 was already on file. Net assets fell from $3,181,729 at the end of 2022 to $1,138,482 at the end of 2024. [7]

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Independence in the Form 990 sense is necessary. A board of paid insiders is not governing. But a board can be entirely independent by that test and still approve a 29 percent increase in personnel cost during a million-dollar deficit. The number tells a reader that a particular failure mode is absent. It tells them nothing about whether the board is doing its work.

VI. What the Regulator Left Out

In June 2026 the Commission published its draft strategic plan for fiscal years 2026 through 2030 for public comment. It runs to nine pages, sets three strategic objectives, and specifies twelve performance measures. Its second strategic objective is headed “Drive value, efficiency, and accountability across the AbilityOne Program,” and the outcome goal beneath it is headed in part “enhance transparency, efficiency, and accountability at all levels of the AbilityOne Program,” committing the Commission to publish annually on compliance outcomes, contract performance quality and administrative cost per AbilityOne Program job. [8]

The words governance, board, conflict of interest and recusal do not appear in the document. The only use of the word independent describes the Commission itself. Eighteen months after signing an agreement containing eleven board governance obligations, the regulator that wrote them set a five-year performance framework that does not measure any of them. [3, 8]

In this publication's view that is the more consequential silence. A private funder reading Form 990 line 1b has an excuse: the form told them the board was independent. The Commission has no such excuse. It knows precisely what it required, it receives an annual disclosure report demonstrating compliance, and it has chosen to measure administrative cost per job rather than whether the governance conditions it imposed are holding. If the regulator with the strongest board governance requirements in the sector does not carry them into its own performance framework, no one should expect a tax form to do the work instead.

VII. Why the Definition Has Not Changed

The independence test was written to answer a specific and legitimate question: whether the people overseeing executive pay and financial management are themselves being paid. For that question it is well designed. The difficulty is that it has been pressed into service as a general governance indicator by rating services, institutional funders and donors, for which it was never built.

In this publication's view the reason it has not been revisited is structural rather than conspiratorial. Community representation on nonprofit boards is genuinely valuable; the mission expertise, operational knowledge and relational legitimacy that connected directors bring cannot be replicated by outsiders alone. The sector has never separated that value from the conflict the same connection creates when the board also allocates. And the organizations with most to lose from a stricter standard are the organizations with most influence over which standards the sector adopts. That is an endogeneity problem, not a scandal, and it makes reform unlikely without outside pressure rather than impossible.

The separation is available and costs nothing legislatively. Seat conflicted expertise in an advisory capacity without a fiduciary vote. Document recusal from allocation decisions rather than leaving it to be inferred. Write conflict policies that reach organizational benefit and not merely personal benefit. The AbilityOne Cooperative Agreement does all three by contract, which demonstrates both that it can be done and that, absent a contract compelling it, it generally is not.

VIII. Five Questions in Place of a Number

This publication does not rank organizations by a composite score and is not asking the Internal Revenue Service to redesign its form. The purpose here is narrower: to tell a reader what the number on the form does not contain, and to supply five questions that can be answered from documents already public.

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One. What share of voting directors are employed by, or govern, organizations that receive money, contracts, referrals, allocations, accreditation or network access as a consequence of this organization's decisions? This is answerable from the board roster and the directors' own employers, and it is the question line 1b does not ask.

Two. Is that share disclosed anywhere, to anyone? A regulator, a funder, a member network, the website. If the only place it can be assembled is by a reader with a spreadsheet, the organization has not disclosed it.

Three. Who chairs the Audit Committee and who chairs the Finance Committee? Committee chairmanships concentrate influence far more than seats do, and the answer is usually published.

Four. Does the conflict of interest policy reach organizational benefit, or only personal benefit? Line 12a records that a policy exists. Only the policy itself records what it covers, and organizations that will not supply it on request have answered the question.

Five. Where the organization is an intermediary, how is it paid, and by whom? A body funded by a percentage of what the organizations it oversees sell has an interest in their volume that no board composition rule reaches. That is not an allegation about anyone. It is a question about design, and it is answerable from the revenue lines.

> *A reader who asks those five of any nonprofit intermediary will learn more in an hour than the independence number has told them in twenty years. Where the answers are reassuring, they are reassuring on evidence. Where an organization cannot answer them, that is the finding.*

Third Sector Recon will publish, in full and without editing, any response that an organization discussed here wishes to make. Where this analysis is shown to be wrong, the correction will appear at the head of the document and remain there permanently.

Method, Sources and Limitations

Sources. The Form 990 of SourceAmerica for the year ended September 30, 2025 and the Form 990 of Nonprofit Information Networking Association for the year ended December 31, 2024, both read directly. SourceAmerica's Board Disclosure Report and Roster submitted to the U.S. AbilityOne Commission General Counsel on March 26, 2026. The Cooperative Agreement between the Commission and SourceAmerica of December 20, 2024, Sections VII and VIII, read directly. The Commission's Draft Strategic Plan FY 2026-2030. The Internal Revenue Service's published guidance on the meaning of independent voting members. GAO-07-236. Commission Policy 51.302.

Definitions. Independent voting member follows the four-part test in the Form 990 instructions to Part VI line 1b. Affiliation categories in Section III are SourceAmerica's own, taken from its roster. Shares are calculated on nineteen voting directors, the number on the February 1, 2026 roster, excluding the chief executive who serves ex officio.

Limitations. The Form 990 reports twenty voting directors at September 30, 2025 and the Commission roster nineteen at February 1, 2026; the difference reflects turnover between the two dates and no significance is attached to it. Compliance findings in Section III are limited to what the public record shows. Affiliation categories are SourceAmerica's own; this publication has not independently verified each director's employment, and the twenty-five percent requirement for directors who are blind or disabled is not disclosed in either document and is neither asserted nor doubted here. Whether recusal records are maintained, and whether they are complete, cannot be established from outside; the Agreement requires them and the organization states that disclosure is called at every meeting. Nothing in this paper alleges that any director has behaved improperly, that any allocation decision was influenced, that any filing is inaccurate, or that any party is in breach of any obligation. Nothing here is legal, tax or accounting advice.

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References

[1] IRS Form 990, SourceAmerica (EIN 52-1007153), year ended September 30, 2025. Part I lines 3 and 4; Part IV lines 25a, 25b, 26, 27, 28a, 28b and 28c; Part VI lines 11a, 12a, 12b, 12c, 13 and 14.

[2] SourceAmerica, Board of Directors Disclosure Report and Roster, submitted to the U.S. AbilityOne Commission General Counsel, March 26, 2026, pursuant to Cooperative Agreement Section G VIII, Agreement Administration: CNA Board Governance. Roster stated as current at February 1, 2026.

[3] Cooperative Agreement between the U.S. AbilityOne Commission and SourceAmerica, signed December 20, 2024, Section VII (Business Ethics and Conflicts of Interest) and Section VIII (CNA Board Governance).

[4] Internal Revenue Service, "Form 990, Part VI, Governance: Meaning of independent voting members of governing body," and the instructions to Form 990 Part VI line 1b and Schedule L, Transactions with Interested Persons.

[5] U.S. Government Accountability Office, GAO-07-236, Federal Disability Assistance: Stronger Federal Oversight Could Help Assure Multiple Programs' Accountability (2007).

[6] U.S. AbilityOne Commission Policy 51.302, Collection and Utilization of Program Fees by Designated Central Nonprofit Agencies, effective June 15, 2025; and 41 C.F.R. Part 51-3.

[7] IRS Form 990, Nonprofit Information Networking Association d/b/a The Nonprofit Quarterly (EIN 20-4080038), year ended December 31, 2024, filed November 15, 2025.

[8] U.S. AbilityOne Commission, Draft Strategic Plan FY 2026-2030, published for comment June 2026, Docket CPPBSD-2026-0034.

[9] SourceAmerica, FY25 key statistics, sourceamerica.org, reporting $3.8 billion in AbilityOne sales through the SourceAmerica network in fiscal 2025.

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