



Legal Construction of Foundations as Parent Companies to Limited Liability Companies (LLCs) in the Perspective of the Foundation Law and the Limited Liability Company Law

Konstruksi Hukum Yayasan Sebagai Induk Perusahaan Terhadap Perseroan Terbatas (PT) dalam Perspektif Undang-Undang Yayasan dan Undang-Undang Perseroan Terbatas (PT).

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Abstract

A foundation, as a legal entity aimed at social, religious, and humanitarian purposes, often faces legal issues when establishing or controlling a Limited Liability Company (LLC) to support its social activities. This study aims to examine the legal relationship between a foundation as the parent company and the LLC as the subsidiary, based on the provisions in the Foundation Law and the Limited Liability Company Law. The research also analyzes the legal consequences arising if one of the entities incurs losses, whether the foundation or the LLC. The results show that although a foundation can establish an LLC, deviations occur in practice, such as the concurrent roles of foundation managers in the LLC, leading to conflicts of interest and misuse of funds. The case of the Aksi Cepat Tanggap (ACT) Foundation illustrates the importance of separating the foundation's social activities from the business interests of the LLC. Therefore, legal reform is needed to strengthen oversight, transparency, and accountability in the relationship between foundations and LLCs.

Keywords: Foundation, limited liability company, non-profit principle, conflict of interest, parent-subsidiary relationship.

Abstrak

Yayasan sebagai badan hukum yang berorientasi pada tujuan sosial, keagamaan, dan kemanusiaan sering kali menghadapi permasalahan hukum ketika mendirikan atau mengendalikan Perseroan Terbatas (PT) untuk mendukung kegiatan sosialnya. Penelitian ini bertujuan untuk mengkaji hubungan hukum antara yayasan sebagai induk perusahaan dan PT sebagai anak perusahaan berdasarkan ketentuan dalam Undang-Undang Yayasan dan Undang-Undang Perseroan Terbatas. Penelitian ini juga menganalisis akibat hukum yang timbul jika terjadi kerugian pada salah satu entitas, baik yayasan maupun PT. Hasil penelitian menunjukkan bahwa meskipun yayasan dapat mendirikan PT, terdapat penyimpangan dalam praktik, seperti rangkap jabatan pengurus yayasan dalam PT yang dapat menimbulkan konflik kepentingan dan penyalahgunaan dana. Kasus Yayasan Aksi Cepat Tanggap

(ACT) menggambarkan pentingnya pemisahan antara kegiatan sosial yayasan dan kepentingan bisnis PT. Oleh karena itu, perlu adanya reformasi hukum untuk memperkuat pengawasan, transparansi, dan akuntabilitas dalam hubungan antara yayasan dan PT.

Kata Kunci: Yayasan, perseroan terbatas, asas nirlaba, konflik kepentingan, hubungan induk-anak perusahaan.

1. INTRODUCTION

The transformation of foundations into economic actors through the establishment and control of Limited Liability Companies (LLCs) is not merely an administrative phenomenon; it also touches upon the ideological and philosophical dimensions of the legal existence of foundations themselves (Farudin & Setiawan, 2025). Fundamentally, a foundation is a legal entity established on a non-profit basis, with the purpose of engaging in social, religious, and humanitarian activities as stipulated in Law Number 28 of 2004 concerning Amendments to Law Number 16 of 2001 on Foundations (the Foundation Law) (Suryamah & Lita, 2021). This core principle establishes that a foundation is a legal entity prohibited from distributing profits to any party, including its founders, board of trustees, board of supervisors, management, or any affiliated parties. In contrast, a Limited Liability Company (LLC) is a legal entity that is inherently commercial and profit-oriented, as regulated by Law Number 40 of 2007 concerning Limited Liability Companies (the Company Law).

In modern practice, an increasing number of foundations establish or hold shares in LLCs as part of their strategy to improve efficiency and achieve financial independence in supporting their social activities (Kurniawan & Rahayu, 2024). While this practice may be normatively justifiable insofar as it does not deviate from the foundation's objectives, the structural integration between foundations and LLCs has given rise to serious legal issues. These issues primarily stem from contradictions between the non-profit nature of foundations and the profit-oriented nature of LLCs, as well as a lack of oversight concerning the separation of functions, authority, and assets between the two entities.

At least three critical dimensions require in-depth analysis. First, the legal construction of the relationship between foundations and LLCs—specifically, whether such a relationship is legally valid and consistent with the non-profit principle inherent to foundations. Second, the legal implications that arise in the event of loss or misconduct, affecting both the foundation as a shareholder and the LLC as a subsidiary. Third, the potential misuse of a foundation's legal status as a non-profit entity to mask business activities that should be subject to principles of openness, accountability, and transparency as mandated by corporate law.

While the Foundation Law provides room for foundations to own or establish business entities insofar as such actions support the foundation's social objectives, Article 7 paragraph (3) of the Foundation Law explicitly prohibits dual positions between foundation management and the board of directors or commissioners of businesses established by the foundation (Sanjaya & Djaja, 2024). This prohibition is intended to preserve institutional independence, prevent conflicts of interest, and uphold the fiduciary duty of foundation managers. In practice, this provision is operationalized through Government Regulation Number 2 of 2013, which outlines restrictions on fund usage, the obligation of financial audits, and the clear separation of structure and responsibilities between foundations and their business units (Pratiwi, 2017). Nevertheless, weak administrative oversight mechanisms and the lack of strict enforcement of sanctions have left legal loopholes that are exploited by various parties. This reality creates a legal grey area in which several foundations function effectively as holding companies of multiple LLCs while continuing to claim their status as non-profit legal entities (Kristianti, 2021). This phenomenon fundamentally contradicts the foundational values and characteristics of a foundation, which must uphold its integrity as a social institution.

A notable case that attracted public attention is that of the Aksi Cepat Tanggap (ACT) Foundation. This case clearly illustrates how the blurred legal boundaries between a foundation and an LLC can result in public losses and erode trust in social institutions (Khairunnisa et al., 2024). Journalistic investigations and legal inquiries revealed that ACT established several LLCs to support the operationalization of its social programs. Ironically, the financial management between the

foundation and these companies was neither professional nor accountable. Public funds intended for social purposes were instead diverted to LLCs owned by the foundation and even used for personal interests by its board members (Tempo, 2022).

Furthermore, it was found that some foundation managers held dual positions within the LLCs, and that there were inter-entity fund transfers without proper accounting procedures. The legal issues in this case extend beyond ethical and moral violations; they also expose the failure of the legal system to prevent and address structural conflicts of interest caused by personal affiliations between the foundation and its affiliated LLCs. At least two legal issues arise: first, whether the principle of asset separation and institutional independence can still be upheld; and second, whether foundation managers who indirectly control LLCs have violated Article 7 paragraph (3) of the Foundation Law. Compared to the Company Law, an LLC is normatively a legal entity with its own legal personality, distinct from its shareholders. However, when all shares of an LLC are owned by a foundation, operational and financial control of the company may be dominated by the foundation's management, who already wield authority within the foundation. This situation presents a heightened risk of conflict of interest, especially if such authority is abused for personal or group gain. It must be noted that the oversight structure within foundations-comprising founders, managers, and supervisors-is not as robust as the oversight mechanisms within LLCs, which incorporate checks and balances through independent commissioners and mandatory annual reporting. When oversight functions fail to operate effectively, the risk of misconduct increases while legal accountability becomes ambiguous.

In the context of legal responsibility, a fundamental question arises: if an LLC owned by a foundation incurs losses due to poor business decisions, can the foundation, as a shareholder, be held legally liable? Conversely, if the foundation uses its assets to cover the LLC's losses, is such action permissible under the principles of foundation law? Article 5 of the Foundation Law states that a foundation's assets may only be used to achieve its social, religious, and humanitarian objectives (Suryamah & Lita, 2021). Hence, any diversion of foundation assets toward commercial aims should be deemed a violation of the foundation's core principles. On the other hand, Article 3 paragraph (2) of the Company Law stipulates that shareholders are not personally liable for company losses unless it can be proven that the legal entity was misused. This illustrates the inherent tension between the non-profit principle of foundations and the limited liability principle of LLCs (Solehah et al., 2024). If foundations are not held accountable for LLC losses, foundation managers who also control the LLC might engage in reckless business conduct without fear of legal consequences. However, if the foundation bears the LLC's losses, it constitutes misuse of foundation assets for commercial purposes, which is legally impermissible. Therefore, it is crucial to restructure the legal and institutional frameworks governing the relationship between foundations and LLCs.

These problems indicate that the existing regulations in the Foundation Law are insufficient to address the complexity of legal relationships between foundations and the business entities they own. Merely prohibiting dual positions is inadequate; there must also be clear mechanisms for transparency, independent audits, and accountability (Amaliah et al., 2023). Harmonization between the Foundation Law and the Company Law is urgently needed, both in terms of substantive norms, institutional arrangements, and legal enforcement. Without such reforms, the abuse of a foundation's legal status as a cover for business activities benefiting only select groups will persist. Based on the foregoing, this study aims to develop a comprehensive legal construction that explains and regulates the relationship between foundations and LLCs using a deep theoretical approach. The theories employed in this study include: Legal Entity Theory, which views foundations and LLCs as autonomous legal subjects with separate rights and obligations; Legal Construction Theory, which analyzes how legal relationships are formed between two distinct legal entities; and Legal Responsibility Theory, which examines the boundaries of liability between a foundation as a shareholder and an LLC as a business entity.

Grounded in these three theories, this study is expected to contribute meaningfully to the development of discourse on non-profit corporate law and promote a reformulation of legal policies that are more accommodating and aligned with the principles of transparency, accountability, and institutional integrity.

2. METHOD

This study employs a normative legal research method using two approaches: the statute approach and the conceptual approach. The primary focus lies in examining written legal norms as

stipulated in statutory regulations, particularly Law Number 16 of 2001 on Foundations as amended by Law Number 28 of 2004, and Law Number 40 of 2007 on Limited Liability Companies. Primary legal sources include statutory laws and legal literature, while secondary legal sources consist of academic literature, legal journals, scholarly papers, and relevant court decisions. The analysis technique used is descriptive-analytical, aiming to describe and interpret positive legal norms and compare them with practical applications in the field through a case study of the Aksi Cepat Tanggap (ACT) Foundation. The objective is to identify legal gaps and formulate normative reform proposals to strengthen the integrity and accountability of foundations in establishing and managing business entities in the form of Limited Liability Companies.

3. RESULTS AND DISCUSSION

Legal Relationship Construction between Foundations as Parent Companies and Limited Liability Companies (PT) as Subsidiaries According to the Foundation Law and the PT Law

A foundation is a legal entity with a non-profit nature, established based on Law No. 16 of 2001 on Foundations, as amended by Law No. 28 of 2004. Although the purpose of establishing a foundation is for social, religious, and humanitarian activities (Mulyanti & Heriyanti, 2024), in practice, many foundations in Indonesia establish or own Limited Liability Companies (PT) as a form of business entity to support the financing of activities or even engage in economic activities. The legal relationship between the foundation and the PT becomes a critical point in the perspective of corporate law and foundation law, as it involves fundamental differences between two types of legal entities: non-profit foundations and profit-oriented PTs.

The construction of this legal relationship begins with the provision in Article 7, paragraph (1) of the Foundation Law, which states that a foundation may establish a business entity as long as the business entity is in line with the foundation's purposes and objectives and does not contradict the applicable laws and regulations (Fong et al., 2024). This forms the legal foundation for the foundation's role as the founder and shareholder of a PT. Thus, legally, a foundation can own shares in a PT and act as the majority or sole shareholder of that PT. However, the Foundation Law also explicitly limits the direct involvement of the foundation's management in the business entity it establishes. Article 7, paragraph (3) of the Foundation Law prohibits the managers, trustees, and supervisors of the foundation from concurrently holding positions as directors or commissioners in the business entities established by the foundation (Muliadi & Nasri, 2023). This limitation is crucial to avoid conflicts of interest and the potential abuse of the foundation's assets. It is based on the fiduciary duty principle, which requires foundation managers to act in the foundation's best interest and not for personal gain.

From the corporate law perspective, PT is an independent legal entity as regulated in Law No. 40 of 2007 on Limited Liability Companies. PT has key organs, including the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners. If the foundation acts as a shareholder, it holds a position in the GMS with the authority to make strategic decisions in the PT, including the appointment and dismissal of directors and commissioners, as well as approval of the annual financial reports.

The relationship between the foundation as a shareholder and the PT as a subsidiary is essentially a corporate legal relationship, not an organic one. This means that the foundation is not part of the PT's organs but has rights as a shareholder. However, in practice, this normative construction is often violated. In many cases, the trustees or managers of the foundation directly intervene in the management of the PT, either formally through positions in the board of directors or informally through structural influence. This phenomenon creates legal issues as it violates the principle of separating legal entities and opens the door to the misuse of the foundation's assets for personal or business interests.

The case of the Aksi Cepat Tanggap (ACT) Foundation serves as an important illustration of how the relationship between a foundation and a PT can be abused (Stevani et al., 2024). ACT is known to have established several PTs to support their social and humanitarian activities. However, investigations revealed financial deviations, where donation funds intended for social

activities were redirected to PTs under the control of the foundation's managers. The foundation's managers even directly held director positions in these companies, clearly violating Article 7, paragraph (3) of the Foundation Law. Moreover, large sums of money were transferred from the foundation's account to the PT entities without transparency and accountability, and without clear administrative separation.

The legal issues arising from the relationship between the foundation and PT that violate regulations are not only related to conflicts of interest but also create room for criminal violations such as embezzlement, fraud, or abuse of authority. In the context of corporate law, this could lead to the application of the "piercing the corporate veil" principle, where the court disregards the separate legal status of a corporate entity and its owners or managers due to the abuse of the legal entity form for illegal purposes or to the detriment of third parties. If this principle is applied, the foundation's managers could be held personally accountable for losses caused by the misuse of the foundation's assets through the PT they control.

In such circumstances, the legal mechanisms available may include civil lawsuits for compensation, criminal reports on fund misappropriation, or revocation of legal status by the Ministry of Law and Human Rights. However, significant obstacles often occur in the process of proving the case, as the relationship between the foundation and the PT is often obscured through networks of entities, individual shareholders as intermediaries, or the use of personal accounts to channel the foundation's funds. Therefore, updating the reporting system and ensuring financial transparency in foundations need to be seriously developed (Nainggolan & Adjie, 2023).

In the context of establishing a PT by a foundation, notaries play an important role as an initial filter in preventing potential legal violations. As public officials who create incorporation deeds, notaries are required to verify the validity of the status and authority of the party establishing the PT, including whether the party is a foundation. The notary must check the foundation's deed of establishment and articles of association, ensuring that the purpose of establishing the PT does not conflict with the foundation's purposes and objectives, and advise the foundation if the proposed management structure of the PT contains potential conflicts of interest with the foundation's management. According to Article 16, paragraph (1), letter a of the Notary Law, notaries must act honestly, impartially, and diligently, and maintain the interests of the parties involved in the legal actions.

If a notary creates a deed that violates the Foundation Law, they may be held accountable ethically and administratively, and could even face criminal sanctions if proven to have participated in illegal acts (Niasari et al., 2021). Therefore, the involvement of notaries is not merely a formality but part of a preventive legal oversight system in the relationship between legal entities.

To prevent violations such as those that occurred in the ACT case, enhanced supervision by relevant authorities, such as the Ministry of Law and Human Rights, is needed, particularly in the areas of reporting and financial auditing of foundations that establish or own business entities. This supervision must include a clear separation between the foundation's assets and the assets of the business entities it establishes, a ban on dual positions, and transparency in the flow of funds. One solution that can be developed is the formation of an integrated digital registration system between the Directorate General of General Legal Administration (Ditjen AHU), the Directorate General of Taxes (Ditjen Pajak), and financial supervisory agencies to allow for transparent tracking of funds between entities.

Legally, the relationship between the foundation and the PT is valid as long as it adheres to the principles of accountability, transparency, and alignment with the foundation's objectives. However, this relationship becomes problematic if there is no clear separation between social and business interests, between public assets (donations) and the personal interests of the management. Legal policy reforms should focus on revising the Foundation Law to strengthen the supervision system and impose stricter sanctions for violations, including clarifying the roles of public accountants, notaries, and external supervisory bodies in overseeing healthy foundation governance.

Therefore, the role of law enforcement, notaries, foundation trustees, and financial supervisory institutions must work collectively to oversee the relationship between the foundation and PT to prevent the recurrence of abuses of power that damage public trust in legal entities that should act in the interest of society. Without strengthened regulations and consistent law enforcement, the legal relationship between foundations and PTs will remain a vulnerable gap prone to violations.

Legal Consequences for the Foundation and PT if Losses Occur in Business Activities

In the relationship between a foundation and a limited liability company (PT), the issue of legal consequences if losses occur in business activities is crucial, especially because it concerns the protection of the foundation's assets, which are primarily intended for social, religious, and humanitarian purposes. Normatively, both the foundation and the PT are legal entities with their own legal personality, so each is responsible for its own actions. However, in practice, there is often overlap in management, blurred separation between the assets of the foundation and the PT, and conflicts of interest that can cause losses to one party.

Law No. 40 of 2007 on Limited Liability Companies (PT Law) emphasizes that PT is a legal entity separate from its shareholders (Haetami et al., 2024). Article 3, paragraph (1) of the PT Law states that "shareholders of the company are not personally liable for the obligations made in the company's name and are not responsible for the company's losses beyond the shares they own." However, paragraph (2) clarifies that this provision does not apply if there is evidence of the abuse of the corporate entity, such as using the PT to commit unlawful acts, fraud, or mixing personal assets with company assets (piercing the corporate veil). In the context of the relationship with the foundation, this provision becomes crucial if the PT established or funded by the foundation suffers significant losses that affect the continuation of the foundation's social programs.

If the foundation suffers losses due to investments or capital participation in an LLC (PT), the foundation's managers can be held legally accountable, especially if it is proven that such investments were conducted recklessly, without proper feasibility studies, or without the approval of the foundation's governing organs, such as the board of trustees. According to Article 5, paragraph (1) and Article 7, paragraph (2) of Law No. 16 of 2001 on Foundations (Foundation Law), it is stipulated that the foundation's assets must be fully utilized to achieve the foundation's objectives (Krisna, 2021). Therefore, any actions that may pose risks to the foundation's assets must be carried out with the utmost prudence and in alignment with the principle of social fiduciary duty. If the actions of the foundation's management violate these principles and cause losses, they may be subject to civil lawsuits for unlawful acts, or even criminal prosecution if elements of abuse of authority or embezzlement are present. However, current provisions in the Foundation Law are still considered insufficient to address the complexities of foundation involvement in commercial activities, particularly those related to capital participation in profit-oriented entities like LLCs. The law lacks detailed norms regarding investment governance, due diligence obligations, and internal supervisory mechanisms for such activities. To address these gaps, it is proposed that the Foundation Law be amended by adding a specific article regulating investment activities by foundations. For instance, a proposed new provision—Article 7A—could be inserted to stipulate that "any investment or capital participation by a foundation must be based on an independent feasibility study, approved by the board of trustees and supervised by the board of supervisors, and explicitly aimed at supporting the foundation's objectives without jeopardizing its core social mission." Such a provision would strengthen the legal framework for preventing misuse of foundation assets and reinforcing the accountability of its management in investment decisions.

On the other hand, if a limited liability company (PT) established by a foundation incurs losses and then requests additional capital contribution from the foundation, it is necessary to carefully examine the legality and purpose of this additional contribution. A foundation is not a legal entity established for business purposes, and it is not allowed to allocate its assets to activities that do not directly support its social, religious, or humanitarian missions. The

provision of additional capital from the foundation to the PT could be classified as a violation of the nonprofit principle if it is done without a legal basis and without concrete justification for social benefits. This action could also raise suspicions of misappropriation of public funds for personal interests, especially if there is an affiliation between the foundation's management and the owners or management of the PT.

Such practices can be seen in the case involving the Aksi Cepat Tanggap (ACT) Foundation, where public funds raised for social purposes were channeled to several business entities that later incurred losses. Investigative reports found that these social funds were used to cover operational losses of a PT affiliated with the foundation, without transparency to the public or approval from the foundation's organs. This case serves as a concrete example of how legal loopholes in the relationship between foundations and PTs can result in double losses, both financially and reputationally, ultimately harming the broader community, who trusted and donated to the foundation (Jenniviera et al., 2024).

In notarial practice, notaries play an important role in ensuring that the legal actions undertaken by the foundation and PT do not violate the provisions of applicable laws and regulations. A notary who draws up a capital contribution deed or cooperation agreement between the foundation and the PT must verify the validity of the foundation's organ decisions, including whether the contribution has been approved by the supervisory board, in accordance with the foundation's articles of association. If the notary fails to conduct this verification and proceeds with an unlawful deed, the notary may be held accountable both ethically and legally, particularly if the action leads to losses.

Modern legal literature emphasizes that foundations, as nonprofit entities using public funds, must adhere to higher standards of accountability and caution compared to profit-based legal entities. Therefore, the relationship between a foundation and business entities such as PTs must be strictly and transparently regulated, with clear limitations regarding the purpose of contributions, monitoring mechanisms, and the use of profits (if any) to support the foundation's social goals. Corporate governance principles, such as transparency, accountability, and independence, should be applied in every aspect of the legal relationship between the foundation and PT.

Harmonization of regulations between the Foundation Law and the Limited Liability Company Law is needed to prevent conflicts between the nonprofit principle and business principles. In practice, management often exploits legal ambiguities or gaps to divert social funds to businesses under private control. Therefore, the government needs to formulate implementing regulations that clarify the legal boundaries of the foundation's participation in business activities, and strengthen oversight mechanisms by state authorities such as the Ministry of Law and Human Rights or the Ministry of Social Affairs. In addition, there should be room for civil society participation in monitoring, so that the foundation's governance becomes more transparent and accountable (Heriyanti & Daulay, 2024). Thus, the losses arising from the legal relationship between the foundation and the PT not only lead to legal consequences for the parties involved, but also open up opportunities for legal reform to ensure that business activities conducted by social entities do not deviate from their social mandate and remain within a fair and accountable legal framework.

4. CONCLUSION

This research reveals that the legal relationship between foundations and Limited Liability Companies (LLCs) presents significant challenges in applying the non-profit principle of foundations within the business context of LLCs. Normatively, the Foundation Law allows a foundation to own an LLC, provided that the establishment of the LLC supports the social purposes of the foundation. However, in practice, deviations occur, such as foundation managers concurrently holding positions in

the LLC, leading to potential conflicts of interest and abuse of authority. The case of the Aksi Cepat Tanggap (ACT) Foundation illustrates how the blurred distinction between the social function of a foundation and the business interests of the LLC can result in financial and reputational losses, as well as a lack of transparency in managing public funds.

Furthermore, there is a tension between the non-profit principle inherent in foundations and the limited liability principle of LLCs. If an LLC established by a foundation incurs losses, the foundation, which is not supposed to be liable, may be drawn into covering those losses, which contradicts the foundation's principles. Therefore, the relationship between foundations and LLCs needs to be regulated more strictly to prevent legal violations.

5. SUGGESTIONS

- a. **Harmonization of Legal Frameworks:** There is a need to align the Foundation Law with the Company Law to clearly define the relationship between foundations and LLCs, ensuring that foundations do not misuse their non-profit status for business ventures.
- b. **Strengthening Oversight Mechanisms:** The role of government oversight bodies such as the Ministry of Law and Human Rights must be enhanced, with a particular focus on monitoring the financial management of foundations that own or control LLCs. This should include regular audits and the implementation of stricter regulations.
- c. **Improved Transparency and Accountability:** Foundations should be required to adopt transparent financial reporting systems, with an emphasis on maintaining a clear separation between social and business interests. A comprehensive digital registration and tracking system involving the Directorate General of Legal Administration, the Directorate General of Taxes, and financial supervisory agencies should be established to enhance transparency.
- d. **Enforcing the Prohibition of Dual Positions:** Clear and strict enforcement of the prohibition on dual positions (i.e., foundation managers holding positions in business entities) is essential to prevent conflicts of interest and ensure that foundation managers uphold their fiduciary duties.
- e. **Notary Role in Preventing Violations:** Notaries should play a more proactive role in preventing violations by ensuring that the establishment of LLCs by foundations does not contradict the foundation's non-profit objectives and does not create conflicts of interest.

6. RECOMMENDATIONS

- a. **Legal and Policy Reforms:** It is recommended that policymakers revisit the Foundation Law to incorporate clearer provisions regarding the establishment of business entities by foundations, ensuring that such activities align with the foundation's non-profit purpose. The law should also include specific provisions for stronger sanctions for violations and clearer responsibilities for notaries, accountants, and external supervisory bodies.
- b. **Strengthen the Legal Entity Theory:** Legal reforms should reinforce the legal status of foundations and LLCs as distinct legal entities, ensuring that the separation of their functions, responsibilities, and assets is maintained. This will help prevent any misuse of the foundation's non-profit status for private or business interests.
- c. **Establish Clear Liabilities for Mismanagement:** Clear guidelines should be developed regarding the legal responsibility of foundation managers in cases of losses or misconduct by the LLC. The current lack of clarity regarding liabilities and the misuse of foundation assets must be addressed through legal reforms to protect public trust and maintain the integrity of foundations.
- d. **Public Awareness and Legal Education:** Foundations should be provided with comprehensive legal guidance on their responsibilities, particularly regarding the establishment and management of LLCs. Public awareness campaigns could also help to inform the public and stakeholders about their rights and how to report abuses.

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