

Preparing Financial Reports Based on Non-Profit Organization as Specified in ISAK 335: A Case Study at Aisyiyah Orphanage Foundation Malang

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Abstract— This study aims to provide guidelines for preparing financial reports for non-profit organizations based on the ISAK 335 principles. The research was conducted at the Aisyiyah Orphanage Foundation in Malang. A quantitative approach was employed, utilizing both primary and secondary data sources. Data collection methods included interviews and observations. The data analysis technique employed was the Miles and Huberman model, which involves data reduction, data display, and conclusion drawing. The findings indicate that the Aisyiyah Orphanage Foundation has not yet adhered to the ISAK 335 in preparing its financial reports. The existing reports are relatively simple, consisting only of cash inflows and outflows. Following implementation of ISAK 335, the Foundation will be able to generate five distinct financial reports. This implementation enables the Foundation to create more comprehensive, accurate, and transparent financial statements, thereby improving organizational performance, decision-making processes, and the reliability and credibility of financial reporting.

Keywords: ISAK 335; Financial Report; Foundation

I. INTRODUCTION

Financial reports constitute a critical instrument for fostering transparency, accountability, and credibility among non-profit organizations (NPOs) and their stakeholders, including the public, donors, and other interested parties. The significance of financial reporting for NPOs has been underscored in numerous Indonesian studies and guidelines. For instance, [1] highlight the role of financial reports in assessing management's stewardship of resources and in providing financial and cash flow information essential for informed decision-making.

Financial reports serve as a historical record of an organization's performance. According to [2], they should provide stakeholders with clear and comprehensible information. Expanding on this perspective, [3] argue that financial reporting for NPOs is a cornerstone of organizational transparency, particularly in relation to donors. Such transparency is believed to foster public trust, demonstrate accountability and integrity, and ultimately attract potential contributors.

To enhance the clarity and consistency of financial reporting for NPOs, the Financial Accounting Standards Interpretation (ISAK) Number 335 offers specific guidelines. By adhering to these standards, NPOs can produce financial reports that enable stakeholders to make informed assessments of the organization's financial health and

performance. Given the reliance of NPOs on donor funding, ISAK 335 places particular emphasis on the classification of funds and expenses based on resource provider restrictions, namely unrestricted and restricted contributions.

In practice, preparing financial reports for non-profit organisations presents specific challenges. [4] argue that insufficient human resources contribute to a lack of understanding in the preparation of financial reports based on ISAK 335. One of the causes of this limitation is the inadequate dissemination of information on ISAK 335 reporting standards to nonprofit management or finance department personnel [5]. Furthermore, financial administration within non-profit organizations is often managed by individuals whose educational background or expertise lies outside the field of accounting. As a result, there is a limited understanding of how to prepare financial reports in accordance with ISAK 335.

The Aisyiyah Orphanage Foundation Malang is the focus of this study. This women's orphanage has been formally and legally established through Notarial Deed Number 46/07.05/02/IX/2021, under the supervision of the Malang City's Social Service. The foundation is a social enterprise operated by Muhammadiyah, aiming to promote the education of orphaned children.

The significant number of abandoned kids in the Lowokwaru Malang City area led to the foundation of this orphanage. Contributing factors include the financial difficulties faced by their parents, who are unable to provide daily support, and the orphans' inability to support themselves due to their young age. Through this institution, the orphans can have their basic needs and reduce their overall burden. In addition to fulfilling basic necessities, the organization also provides resources to support children's development and achievements. Additionally, funding is essential for managing and improving the school. Therefore, the institution's management must be capable of providing accurate information to donors, particularly through financial reports. Additionally, the management must consider how financial reports are presented to both internal and external parties to build donor confidence and encourage continued funding for the institutions under their supervision.

Based on the background described above, this study aims to examine the preparation of financial reports based on the non-profit organization standards specified in ISAK 335, with the title *Preparing Financial Reports Based on the Non-Profit Organization Specified in ISAK 335: A Case Study at Aisyiyah Orphanage Foundation Malang*.

II. LITERATURE REVIEW

A. The Importance of Financial Reports

The significance of financial reporting is well-documented in various studies. For instance, [6] emphasize the role of financial reports in providing meaningful information for decision-making. Financial reports serve as a foundation for strategic decisions, enabling stakeholders to evaluate an organization's financial health and performance. Moreover, financial reports are instrumental in promoting institutional transparency. By providing accounting data on institutional finances, they enhance the visibility and accountability of organizational activities [7]. This transparency is essential for maintaining stakeholders' trust in the organization's financial management practices. Additionally, financial reports play a crucial role in resource management. They help sustain stakeholders' confidence in the funding sources and prevent its devaluation. This is particularly important for non-profit organizations, which often rely on donations and contributions from various sources [8].

In conclusion, financial reporting is essential for non-profit organizations as it promotes accountability, transparency, and trust among stakeholders. By disclosing their financial reports, non-profit organizations can increase the efficiency and transparency of their financial management practices. Therefore, it is imperative for these organizations to adhere to rigorous financial reporting standards to maintain the trust and confidence of their stakeholders.

B. Interpretation of Financial Accounting Standard (ISAK 335)

Before the introduction of ISAK 335, non-profit financial reports were regulated under PSAK 45. The transition from PSAK 45 to ISAK 335 began on April 11, 2019, and became applicable to non-profit organizations starting from the fiscal year beginning January 1, 2020. The ratification of the Indonesian Financial Reports Standards Framework on December 12, 2022, led to changes in the numbering of Statements of Financial Accounting Standards (PSAK) and Interpretations of Financial Accounting Standards (ISAK). The name change from ISAK 335 to ISAK 335 was officially implemented on January 1, 2024. However, the substance of ISAK 335 has remained unchanged.

The Aisyiyah Orphanage Foundation Malang is a non-profit organization that does not prioritize generating profit and does not distribute profits to its members, administrators, or managers (Wahyuningtyas in Hasanah et al.,

2022). According to [9], non-profit organizations are entities or institutions whose primary goal is to serve the community rather than to generate revenue. The foundation is one of many such non-profit organizations.

According to Law Number 16 of 2001 concerning Foundations, as revised by Law Number 28 of 2004, a foundation is a legal institution composed of unique assets that seeks to fulfill specific social, religious, and humanitarian objectives. The Aisiyyah Orphanage Foundation Malang was selected as the focus of this study. This orphanage is located at Jl. Mayjend. Mt. Haryono Gang III No. 231A, Dinoyo, Lowokwaru sub-district, Malang city, East Java. The deed number is 46/07.05/02/IX/2021.

In conclusion, the implementation of ISAK 335 in the presentation of financial reports by non-profit organizations is crucial for ensuring transparency and accountability. The Aisiyyah Orphanage Foundation Malang, as a case study, demonstrates the importance of adhering to these standards. The presentation of financial reports based on ISAK 335 includes the Statement of Financial Position, Statement of Changes in Net Assets, Statement of Comprehensive Income, Statement of Cash Flows, and Notes to the Financial Statements. Therefore, it is essential for non-profit organizations to comply with ISAK 335 to maintain the trust and confidence of their stakeholders.

III. RESEARCH METHOD

This study employs a quantitative research approach to construct financial reports for orphanages, focusing on the Aisiyyah Orphanage Foundation Malang. The primary goal is to produce reliable financial reports that adhere to the ISAK 335 criteria. The research involves data collection through observation and interviews, with data analysis conducted using the Miles and Huberman analysis model. The findings are presented systematically, emphasizing factual data rather than inferences. The calculations for creating financial reports are performed using Microsoft Excel.

Quantitative research involves converting data into numerical values to facilitate analysis. The relationship between variables determines whether quantitative research is descriptive, correlational, or associative (Ali et al., 2022). This study aims to construct financial reports using numerical data to produce reliable financial reports for orphanages. The financial reports are presented systematically, in accordance with ISAK 335 criteria, and emphasizes factual data rather than inferences.

This study collects data through observation and interviews. The researchers conducted observations over a three-month period, from January to March 2024, to examine the process of preparing the Aisiyyah Orphanage Foundation's financial reports. Interviews were conducted with key administrators of the foundation, including the head and the treasurer. The interviews focused on how the orphanage has managed its finances since its establishment. Observations were made to learn more about the orphanage's financial transaction records, which included receipts for operational expenses, income from infaq and sadaqah, and revenue from catering business.

Data analysis was conducted using the Miles and Huberman modern, specifically the interactive data analysis model [10] with the following stages:

1. Data Reduction

Data reduction refers to the selection process, focusing and simplifying (raw data) that occurs in written field notes.

2. Data Display

For preparing financial reports based on ISAK 335, this study performed the following steps :

- Requesting a list of transactions from the Orphanage during the study period, namely January-March 2024.
- Develop a Chart of Specific Accounts.
- Analysing each transaction to be entered.

IV. RESEARCH RESULTS AND DISCUSSION

The accounting procedure at the Aisiyyah Orphanage Foundation begins with meticulous documentation of all daily transactions, including income and expenditure, through separate reports. Each transaction is recorded based on supporting evidence. The treasurer manually documents the transactions in a physical book and Microsoft Excel for computerised record-keeping. The resulting financial reports are relatively simple, comprising only income and expenditure records. In response, this study aims to reconstruct the financial report of the Aisiyyah Orphanage Foundation utilizing the ISAK 335 guideline, which yields the following financial report:

A. Statement of Comprehensive Income

The statement of comprehensive income presents the overall surplus or deficit resulting from subtraction of expenses from income. Its purpose is to provide information on income and expenses, allowing users to assess whether a surplus or deficit exists in the financial period:

AISYIYAH ORPHANAGE FOUNDATION MALANG				
Statement of Comprehensive Income				
Period of January-March 2024				
In Rupiah				
Account Code	Account Name	01 Jan 2024 - 31 Maret 2024		
		Without Restriction From Resource	With Restriction From Resource	Amount
REVENUE				
4-101	Individual Permanent Donation	60.003.000		60.003.000
4-102	Swasta/yatim mandiri Donation	-		-
4-103	Government Donation	-		-
4-104	Government Insidentil Donation	1.800.000		1.800.000
4-105	Central Government Donation	-		-
4-106	Zakah	25.817.000		25.817.000
4-107	Infq and Shodaqah	176.187.842		176.187.842
4-108	Catering Revenue	210.000.000		210.000.000
4-109	Boarding House Revenue	21.150.000		21.150.000
4-110	Exchange of Good	8.270.000		8.270.000
4-111	Other Revenue	41.620.000		41.620.000
4-112	Infq bangunan		34.770.000	34.770.000
TOTAL INCOME		544.847.842	34.770.000	579.617.842
EXPENSES				
5-101	General Expense	14.832.000		14.832.000
5-102	Staf and Management Expense	114.300.000		114.300.000
5-103	Lecturer Expense	12.000.000		12.000.000
5-104	Compassion Expense	9.000.000		9.000.000
5-105	Healthy Expense	13.226.200		13.226.200
5-106	Nutritions and Consumption Expense	83.052.600		83.052.600
5-107	Educational Expense	126.585.600		126.585.600
5-108	Fashion Expense	26.717.000		26.717.000
5-109	B. Sub Pendidikan Anak Aush-Non Asrama	10.948.000		10.948.000
5-110	Non formal Activity Expense	2.410.000		2.410.000
5-111	water & Electricity Expense	14.634.450		14.634.450
5-112	Telpon & Internet Expense	4.627.750		4.627.750
5-113	Administration Expense	8.226.250		8.226.250
5-114	Human Resource Expense	1.350.000		1.350.000
5-115	Transportation Expense	13.573.000		13.573.000
5-116	Other Expense	65.421.000		65.421.000
5-120	Vehicle Tax Expense	1.855.000		1.855.000
5-121	Maintenance Expense	37.354.450		37.354.450
5-122	Vehicle Maintenance Expense	1.189.500		1.189.500
5-123	Building Maintenance Expense	84.740.000		84.740.000
5-124	LPG Expense	8.497.000		8.497.000
5-127	Depr Expense - Car	1.593.750		1.593.750
5-128	Depr Expense - Motorcycle			0
TOTAL EXPENSES		656.133.550		656.133.550
SURPLUS (DEFISIT)		-111.285.708	34.770.000	-76.515.708
OTHER COMPREHENSIVE INCOME				-
AMOUNT OF COMPREHENSIVE INCOME (DEFISIT)				-76.515.708

Fig.1. Statement of Comprehensive Income

B. Statement Of Financial Position

The statement of financial position is a financial report that provides an overview of an organization’s assets, liabilities, and net assets at a specific point in time, supporting the analysis and projection of future cash flows.

AISIYIAH ORPHANAGE FOUNDATION MALANG Statement of Financial Position Period of January-March 2024 In Rupiah	
ASSETS	
<i>CURRENT ASSETS</i>	
Cash and Cash Equivalent	5.070.350
Bank BSM	764.069
Bank BRI	20.136.887
Amount of Current Assets	25.971.306
<i>NON-CURRENT ASSETS</i>	
Car	51.000.000
Accum. Depr - Car	-1.593.750
Orphanage Supplies	2.200.000
Office Supplies	3.500.000
Amount of Non-Current Assets	55.106.250
AMOUNT of ASSETS	81.077.556
LIABILITIES	
Long Term Liabilities	-
Short Term Liabilities	-
Total Liabilitas	-
NETTO ASSETS	
Without Restrictions	46.307.556
With Restrictions	34.770.000
NETTO ASSETS AMOUNTS	81.077.556
AMOUNT OF LIABILITIES AND NETTO ASSETS	81.077.556

Fig. 2. Statement Of Financial Position

C. Statement of Changes in Net Assets

The report is generated by subtracting total obligation from the total assets. Net assets are divided into two types: restricted net assets, which are funds with usage limitations imposed by the provider for a specific purpose, and unrestricted net assets [11].

AISIYIAH ORPHANAGE FOUNDATION MALANG Statement of Changes in Net Assets Period of January-March 2024 In Rupiah	
NETTO ASSETS WITHOUT RESTRICTION	
FROM RESOURCE	
Beginning Balance	157.593.264
Defisit On Year	-111.285.708
End Balance	46.307.556
<i>Other Comprehensive Income</i>	
Beginning Balance	-
End Balance	-
AMOUNT	46.307.556
NETTO ASSETS WITH RESTRICTION	
FROM RESOURCE	
Surplus On Year	34.770.000
End Balance	34.770.000
AMOUNT NETTO ASSETS	81.077.556

Fig. 3. Statement of Changes in Net Assets

D. Cash Flow Statement

The cash flow report provides information on the cash inflows and outflows of the Aisiyyah Orphanage Foundation. It is divided into two activities:

- a) Operational activity involves recording and monitoring all transactions related to the day-to-day operations of the Aisiyyah Orphanage Foundation on a monthly basis.
- b) Investment activity in the Aisiyyah Orphanage Foundation fluctuates with each transaction, contributing to the overall investment activity on a periodic basis,

AISIIYAH ORPHANAGE FOUNDATION MALANG Cash Flow Statement Period of January-March 2024 In Rupiah	
OPERATING ACTIVITIES	
Cash from Donation	19.012.000
Cash from zakat	19.455.000
Cash from Infaq and Sadaqah	56.224.000
Cash from Catering Business	75.000.000
Cash from kost business	4.650.000
Cash from exchange goods	7.940.000
Cash from other revenue	1.620.000
Paid for general expenses	-6.856.500
Paid for operational activity	-130.277.150
Pembayaran medical chek up	-4.376.200
Paid for nutritions and consumptions	-26.721.250
Paid for educational expenses	-43.219.800
Other expenses	-13.000.000
Netto Cash from Operating Activities	-40.549.900
FUNDING ACTIVITIES	
-	
INVESTMENT ACTIVITIES	
Investment for saving in Bank BRI	20.000.000
Netto Cash from Funding Activities	20.000.000
INCREASE (DECREASE) FOR CASH AND CASH EQUIVALENT	
-20.549.900	
CASH EQUIVALENT BEGINNING PERIOD 2023	46.521.206
CASH AND CASH EQUIVALENT ENDED PERIOD 2024	25.971.306

Fig. 4. Cash Flow Statements

E. Statement of Changes in Net Assets

The notes to the financial statements include a comprehensive summary of the foundation's basis, a detailed analysis of significant accounting policies, an explanation of the post-reporting events, and other pertinent information [12].

AISIIYAH ORPHANAGE FOUNDATION MALANG Notes to Financial Statement Period of January-March 2024	
NOTE A	
Aisiyyah Orphanage Foundation in its operational activities obtains income from unrestricted donations from Donations obtained from Individual permanent Donations and Government Incidental Donations as well as Infaq and sadaqah from the general public with flexible amounts in accordance with the Donation's intention to give alms. In addition to unrestricted net assets, Aisiyyah Orphanage Foundation also has restricted net assets with restricted use and allocated for the operational activities of the orphanage.	
NOTE B	
Aisiyyah Orphanage Foundation's restricted net assets refer to the portion of net assets whose use is restricted and cannot be allocated as desired due to regulatory or legal agreements and commitments. Aisiyyah Orphanage Foundation has net assets with restrictions in the form of 1067m2 of land and Rp 34,770,000 of building infaq.	

Fig. 5. Notes to Financial Statements

V. CONCLUSIONS AND SUGGESTIONS

The Aisyiyah Orphanage Foundation has enhanced its performance, decision-making, and financial reporting integrity by implementing ISAK 335, which includes five types of financial statements. This transition from a simple internal format has resulted in improved financial reporting and decision-making. The foundation's financial reports now demonstrate increased transparency and detail, enabling easy identification of financial issues during the January-March 2024 period. However, a cash account deficit was identified due to expenses exceeding revenue in the Comprehensive Income Report.

The application of ISAK 335 to the Aisyiyah Orphanage Foundation's financial reports has significantly enhanced management's ability to collect accurate data, thereby aiding decision-making. This implementation also increases transparency in financial reports, enhances supervision of fund use and distribution, and ultimately improves accountability. Despite these improvements, the Aisyiyah Orphanage Foundation still faces challenges in fully implementing ISAK 335. To address these challenges, the finance department should participate in financial literacy seminars or online courses offered by financial professionals. Additionally, prioritizing expenditures is crucial to prevent budget deficits and ensure that the orphanage's critical needs are met.

For future research, a longitudinal analysis of annual reports could provide valuable insights into the application of ISAK 335. Evaluating factors such as fiscal performance ratio, public support ratio, and fundraising efficiency ratio may help assess the effectiveness of ISAK 335 implementation over time.

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