

# Analysis of the Presentation of Financial Statements to non-Profit Oriented Organizations at the Moelyani Orphanage in Malang City

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## ABSTRACT

The conduct of this research is based on the existence of special regulations regarding financial statements presented by non-profit organizations, the emergence of this regulation is due to differences in the goals of profit-oriented organizations with non-profit oriented organizations. Regulations for non-profit organizations, the difference between ISAK 35 and profit-oriented organizations is the presentation of reports and reports that must be presented by the organization, although there have been guidelines in the regulation and there have been examples shown, but there are still many non-profit organizations that have not implemented ISAK 35, this is evidenced by several previous studies that have negative results, or not in accordance with ISAK 35, the cause is ignorance of the organization with the existing rules, from this phenomenon, the researcher decided to raise research with the object, namely the Moelyani Orphanage located in Klojen District Malang City, from the results of the study also turned out to have results that are in line with previous studies that have been done, namely the orphanage has not implemented financial statements which are certainly not in accordance with the ISAAC.

## 1. INTRODUCTION

Accounting is a science that is needed by many people in everyday life. Accounting was developed to improve human performance, especially in finance. This is important, considering that finance is at the core of various organizations or even private companies. Various fields really keep their finances healthy by utilizing bookkeeping information. Be it the business world, MSMEs, communities, even associations that are not beneficial also still need bookkeeping information. Bookkeeping itself is not only calculating the profits obtained, but also how to record, collect and present reports which can then make it easier for people who are closely involved. to make decisions.various organizations or even private companies.

Therefore, non-profit organizations also need accounting skills to more easily monitor financial conditions and make decisions. Therefore, due to differences in the

objectives of associations that are beneficial to associations that are not organized, bookkeeping has also been regulated according to its requirements, where the guidelines applied are also different.

It is clear that there are also operational differences resulting from these differences. Where profit-seeking organizations are encouraged to maximize profits to benefit one or more parties. Although organizations that are not profit-oriented do not have the fundamental goal of generating as much profit as expected, there is still a development of assets that exist in the organization.

Similarly, the presence of orphanages as one of the non-profit institutions is also widely available in small areas. So that there are limited access to entry or halfway house data which ultimately makes the shelter not get the correct data on the budget report of non-profit institutions.

In addition to the above reasons, the peculiarity that also occurs is that many caregivers decide to report funds in a very straightforward way, for simpler reasons, or because of ignorance and chaos in financial statement planning. Therefore, in reality there are still many non-profit organizations, especially orphanages, that do not comply with ISAK 35.

The above phenomenon is supported by previous studies whose results are in line with the phenomena that occur above. For example, research conducted by Hasanah examined the Application of Isak No. 35 The Application of ISAK 35 at the Jember Jombang Orphanage Foundation. The form of the report at the Darush Shibyan Jombang Jember Orphanage Foundation is not in accordance with accounting standards, namely ISAK 35 because the Foundation's report only makes income and expenses, so that in preparing the financial statements it produces the final balance. (Hasanah et al., 2022)

Based on the findings of research conducted at the Jombang Orphanage, the phenomenon of non-profit organizations, especially orphanages, prefers to carry out straightforward financial reporting. In this case, only the timing of cash entry and exit is taken into account. From these revenues are then added up and the final balance is created.

In addition, there are also other studies that are in line with the research above, namely research by Sahala Purba, et al who examined the Application of Financial Statements of NonProfit Oriented Entities Based on ISAK 35 (Case Study at the Kasih Murni Orphanage in 2021) still has not implemented the preparation of financial statements in accordance with ISAK 35, Kasih Murni Orphanage uses simple financial statements that only record income and expenses. The organization presents its reports in three forms, namely reports on the results of activities, monthly reports and annual reports. Overall, the financial statements of the organization do not conform to existing accounting standards. (Sahala Purba et al., 2022)

## **2. LITERATURE REVIEW**

### **1. Accountancy**

Accounting is the art of recording, classifying and summarizing in a significant way and expressed in monetary value for transactions and events that

are at least financial in character and interpret the results. (Fais Zamzami et al, 2016), On the other hand, there is a similar opinion, namely accounting is an applied science and the art of recording science that is carried out continuously according to a certain system, processing and analyzing these records so that they can be compiled as financial statements as an accountability of company or institution leaders for their performance (Gade Mohamed, 2005).

## **2. Financial Statements**

Financial Statements are a means for parties who need them to find out the condition of the Company and can help facilitate in solving needs by related parties such as one of them in making decisions, planning next steps and soon. (Ningtyas, 2023).

Financial statements are the final result of an accounting process, so that the financial information presented is useful for users, the presenting process must be based on applicable accounting standards. In formulating accounting standards, generally accepted theoretical references are needed, so that the established accounting standards can be used to evaluate future accounting practices, this theoretical reference can be called the conceptual framework for preparing financial reports. (Zulkifli et al, 1998)

The explanation above means that financial statements are the result of a bookkeeping cycle in which they contain financial data that is then introduced and can be useful for every party who uses it.

## **3. Purpose of Financial Statements**

The purpose of financial statements is as a medium for providing financial information or long-term financial data as a basis for decision making. In fulfilling its objectives, financial statements also show management's accountability for the resources to be entrusted to it. (Ningtyas, 2023)

The purpose of making or preparing financial statements is ":1. To Provide information about the type and amount of assets (assets) owned by the company at this time.2. To Provide information about the type and amount of liabilities and capital owned by the company at this time.3. To Provide information about the type and amount of income earned in a certain period of the company.4. To Provide information about the amount of costs and types of costs issued by the company in a certain period.5. To provide information about changes that occur in the company's assets, assets, and capital.6. To provide information about the performance of company management in the accounting period.7. To provide information about the records to the financial statements8. For other financial Information (Kasmir, 2008).

## **4. PSAK 01**

The presentation of paragraph 05 of the Financial Statements states that "This Statement uses terminology suitable for profit-oriented entities, including public sector business entities. If an entity with non-profit activity in the private or public sector applies this Statement, it may need to adjust the descriptions used for some of the items contained in the financial statements and the financial

statements themselves." Thus, the scope of PSAK 1 substantially covers the scope of presenting the financial statements of entities with non-profit activities. (Bond Accountancy Indonesia, 2018)

The presentation of financial statements does not provide guidelines for how entities with nonprofit activities present their financial statements. Entities with non-profit activities in this Interpretation hereinafter refer to non-profit oriented entities. (Bond Accountancy Indonesia, 2018).

#### **5. ISAK Scope 35**

The scope of ISAK 35 has been described in the ISAK 35 Exposure Draft. And quite clearly give the Limitation of ISAK 35 which is in paragraph 05. This interpretation applies to non-profit oriented entities regardless of the entity's legal entity form. Paragraph 06. This interpretation is also applied by non-profit oriented entities that use Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). And paragraph 07. This interpretation applies specifically to the presentation of financial statements. (Bond Accountancy Indonesia, 2018)

#### **6. ISAK 35 Interpretation**

The interpretation of ISAK 35 has also been clearly spelled out in the ISAK 35 exposure draft which regulates financial statements for non-profit oriented entities.

This interpretation is explained in paragraph 09. The presentation of financial statements of non-profit oriented entities is prepared by taking into account the requirements for the presentation of financial statements, the structure of financial statements and the minimum requirements for the content of financial statements that have been regulated in PSAK 1: Presentation of Financial Statements.

- Paragraph 10. Nonprofit-oriented entities may make adjustments to the descriptions used for some items contained in the financial statements. For example, if a resource received by a non-profit oriented entity requires the entity to meet the conditions attached to that resource, the entity may present the amount of that resource by its nature, i.e. in the presence of restrictions or without restrictions by the resource provider.
- Paragraph 11. Nonprofit-oriented entities may also customize the descriptions used on the financial statements themselves. For example, an adjustment to the use of the heading 'report on changes in net assets' rather than 'report on changes in equity'. Adjustments to the title of financial statements are not limited as long as the use of the title reflects a function that is more in line with the content of the financial statements.
- Paragraph 12. Non-profit oriented entities must still consider all relevant facts and circumstances in presenting their financial statements including notes to financial statements, so as not to reduce the quality of information presented in the financial statements. (Bond Accountancy Indonesia, 2018)

## **7. Non-profit Organizations**

Organon is the origin of the word organization which comes from Greek, meaning is a tool. Conceptually, organization has two different meanings as a noun (organization), namely a place of a group of people to achieve a common goal and as a verb (Organizing), is a process and series of activities carried out in a structured manner as part of an effort to establish and grow an organization. Organization is a combination of several people who move an organization by carrying out various jobs assisted by systems and organizational elements to achieve organizational goals. (Simanjuntak M et al., 2021)

A non-profit organization (non-profit) also called a non-profit oriented organization is an organization whose main purpose of establishment is not solely for profit. Non-profit organizations stand to bring about change in individuals or communities. Non-profit organizations make human resources the most valuable asset, because all activities of these organizations are basically from, by and for people. There is no ownership as is customary in a business organization, in the sense that ownership in a non-profit organization cannot be sold, transferred, or redeemed, or such ownership does not reflect the proportion of the entity's resource sharing at the time of liquidity or dissolution of the entity. Examples of non-profit organizations include Non-Governmental Organizations (NGOs), Cooperatives, Foundations, and so on. (Sri Wade Nur, 2020)

## **8. ISAK Financial Position Statement 35**

There are 2 (two) formats of the Statement of Financial Position presented as examples in this appendix. Each format has its advantages. 1. Format A presents other comprehensive income item information individually as part of net assets without restriction from the resourcer. However, if other comprehensive income comes from net assets with restrictions, then the entity presents that other comprehensive income information according to its net asset class; or 2. Format B does not present other comprehensive income item information on its own. (Bond Accountancy Indonesia, 2018)

## **9. ISAK 35 Comprehensive Income Report**

A comprehensive income report is a report that shows the amount of income without restrictions and with restrictions and the use of resources in the implementation of various programs and services during an accounting period. There are 2 (two) formats of Comprehensive Income Report presented as examples in this appendix. Each format has its advantages.

1. Format A presents information in the form of a single column. This A-format makes it easy to compile reports comparatively; or
2. Format B presents information according to the net asset classification. (Bond Accountancy Indonesia, 2018)

## **10. ISAK Net Asset Change Report 35**

The Net Asset Change Report is a report that presents changes in net assets with restrictions and without restrictions in one accounting period.

### **11. ISAK Cash Flow Statement 35**

The cash flow statement is a report that presents information about cash flows in and out in an accounting period. The cash flow statement has two methods of presentation in ISAK 35, namely the direct method and the indirect method.

### **12. Notes to Financial Statements**

Complete financial statements, both public and closed companies, will be accompanied by notes to the financial statements (notes to the financial statement). Notes to the financial statements are integral to the Company's financial statements. (Prihadi, 2019)

In the financial statements, accounting figures have been presented that do not always inform clearly or in the form of qualitative information that explains the purpose of these figures. Financial statements, both statements of financial position, income statements, and statements of changes in capital tend to be insufficient to fully inform the results of operations and financial position of the Company. In order for financial statements to be understood correctly and not misleading to users, all information that is important to users must be disclosed in the notes to the financial statements. (Fais Zamzami et al, 2016)

## **3. RESEARCH METHODS**

A paradigm is a loose combination of some assumptions, concepts, and propositions related to the logical, which shows ways of thinking as well as observation. . In general, a paradigm is a set of concepts, beliefs, assumptions, values, methods, or rules that form the framework for implementing a research. (Makenzie et al, 2006)

This study used a descriptive qualitative approach. Quality research is a study that emphasizes aspects of in-depth understanding of a problem rather than looking at the problem for generalization research. (Nur Ahmadi B Rahmani, 2016)

## **4. RESULTS AND DISCUSSION**

### **Results**

The information obtained by researchers was obtained from interviews conducted directly with informants. Researchers choose different interview schedules to facilitate coordination with informants and also maintain the authenticity of answers from each informant. The informants selected are also informants who are felt to understand what the researcher wants and understand the purpose of this research. In addition, researchers also choose informants who can provide accurate information about the things that researchers need, and feel that they know very well how the system runs in the organization that the researcher chooses.

**Table 1.** Important Statements of Informants Regarding Financial Statements

Number	Name	Question	Statement	Meaning
1	Kuswinanto	"How is the implementation of financial statements carried out by the mosque?"	"The financial statements that we apply are in the form of printed books or physical, some are also posted on the mosque here. For the report, yes, whatever happened we write, with the nominal."	The meaning of Mr. Kuswinanto's statement is that the mosque takmir tries to present the report as transparently as possible but still does not understand the accounting science used.
2	H. Fahrouzi, M. He.	"How is the implementation of financial statements carried out by the mosque?"	"God willing, regarding the financial statements in this mosque, we are always transparent, every year we print them as our responsibility to the community. Although it may still be simple."	If from Mr. H. Fahrouzi, M. Hi. So it can be interpreted that the financial reporting of the mosque is always carried out as much as possible but he realized that the presentation of the report carried out was still not in accordance with the provisions.
3	DRS. Anshori Rahmed	"How is the implementation of financial statements carried out by the mosque?"	"For financial statements, we always make reports because it is a form of responsibility, right, we also record as completely as possible by including income and expenses for the year."	From Drs. Anshori Rahmad's statement, the researcher took the meaning that the takmir had tried to report money as a sense of responsibility to stakeholders, but the form of the report was still not appropriate, namely only income and expenditure.

Number	Name	Question	Statement	Meaning
4	H. Yayat	"How is the implementation of financial statements carried out by the mosque?"	"The financial report from the mosque is this. It's a book, so every year all donors stay like me. Later, there will be officers from the mosque who go around distributing this annual report book. I personally think I can be clear and understand the report."	The meaning that can be taken from H. Yayat is that every year stakeholders receive financial statements printed by the mosque takmir, and as a permanent donor, Mr. H. Yayat can understand the contents of the financial statements easily.

*(Source: Processed by Researchers, 2023)*

**Table 2.** Table of Important Informant Statements Regarding ISAK 35

Number	Name	Question	Statement	Meaning
1	Kuswinanto	"Does the Father know, or have you heard of ISAK 35?"	"ISAK 35? Wow, I personally have never heard of that. Maybe in the future try to say acari-find out."	The meaning that can be drawn from Mr. Kuswinanto's answer is that he does not know about ISAK 35
2	H. Fahrouzi, M. He.	"Does the Father know, or have you heard of ISAK 35?"	"Wow. Sorry if it (ISAK 35) I have never heard of, do not know me, maybe Mr. Rahmad (Treasurer) knows more about such things	The meaning obtained is also in line with Mr. Kuswinanto where he also does not know anything about ISAK 35.

Number	Name	Question	Statement	Meaning
3	DRS. Anshori Rahmed	"Does the Father know, or have you heard of ISAK 35?"	"For that (ISAK 35) I honestly know. If it's about financial statements, what we use is like this (old report), and so far there are no problems reported, but maybe in the future I will find out more."	The meaning of Mr. Drs. Anshori Rahmad's statement is that he also did not know about ISAK 35 and until now the mosque takmir still uses the old report structure.
4	H. Yayat	"Does the Father know, or have you heard of ISAK 35?"	"If I don't know about ISAK 35, maybe I should know more about the takmir. But I have no problem. You can use whichever one you can."	This means that Mr. H. Yayat as a stakeholder also does not know about ISAK 35 but also does not mind it.

*(Source: Processed by Researchers, 2023)*

## **Discussion**

The discussion of research results is written based on the focus of research conducted by researchers through the observation stage, interviews and also documentation on financial statements based on the Analysis of the Application of ISAK 35 on the Financial Statements of the Moelyani Orphanage Malang City. In this study, researchers collected some data and information and researchers also conducted interviews with representatives of orphanage caregivers who were felt to have important responsibilities and duties in the management of the orphanage, namely the deputy chairman of the orphanage, secretary, treasurer of the orphanage, and involved one resident who had a share as a stakeholder or permanent donor from the Moelyani Orphanage, Klojen District, Malang City. After obtaining adequate data, it is necessary to conduct an analysis.

## **Application of ISAK 35 on Financial Reporting at Moelyani Orphanage**

The Orphanage is clearly a non-profit organization, where the non-profit organization also has a commitment to plan financial statements as specified in ISAK 35. Thus, the Orphanage is also inseparable from these provisions. In terms of preparing financial statements, Moelyani Orphanage is also inseparable from the provisions of ISAK 35. Unfortunately, the Orphanage has not implemented ISAK 35 as a guideline, this is evidenced by the informant's ignorance of its existence.

From the information of the informant above, it tends that the management of the orphanage does not know ISAK 35 and never knows matters related to ISAK 35, this causes the introduction of financial statements that have been prepared by the Moelyani Orphanage Malang City not in accordance with the rules of planning ISAK 35 financial statements. The source also admitted that the introduction of the completed financial statements was not in accordance with the provisions of ISAK 35. After knowing this, the management of the orphanage tried to learn how to present a budget report according to ISAK 35.

### Compatibility of Financial Statements of Moelyani Orphanage Malang City with ISAK 35

**Table 3.** Compatibility of Orphanage Financial Statements with ISAK 35

Indicator	Panti Report	ISAK 35	Keterangan
<b>Statement of Financial Position</b>	It is simple to record by displaying the final balance	Shown based on the example in ISAK 35	Not Compliant
<b>Comprehensive Earnings Report</b>	Not recording comprehensive income reports	Presented according to the example in ISAK 35	Not Compliant
<b>Net Asset Change Report</b>	Does not present a report on net asset change	Presented according to the example of ISAK 35	Not Compliant
<b>Cash Flow Statement</b>	Present simple reports with cash in and cash out only	Presented according to the example in ISAK 35	Not Compliant
<b>Notes to Financial Report</b>	Not Presenting Notes to Financial Statements	Presented as described by ISAK 35	Not Compliant

*(Source: Data Processed by Researchers, 2024)*

From the table above, there are several important indicators regarding the suitability of the report of the Moelyani Orphanage in Malang City with ISAK 35. Of the five reports in ISAK 35, none have met or complied with ISAK 35. From the results above, it can be concluded that the Moelyani Orphanage in Malang City has not prepared financial statements in accordance with ISAK 35 which is a guideline for every non-profit oriented entity, including orphanages.

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