

ANALYSIS OF THE IMPLEMENTATION OF NON-PROFIT FINANCIAL REPORTING BASED ON ISAK 35

Nurazizah^{1*}, Haliah²

^{1,2}Universitas Hasanuddin, Indonesia

*Corresponding Author:

immawatinurazizah@gmail.com

Abstract

This study aims to analyze the application of non-profit financial reporting based on ISAK 35 at Miftahul Khair Mosque, Bontonompo District, Gowa Regency. The research method used is descriptive qualitative with a case study approach. Data were collected through interviews, observations, and documentation. The results show that the financial reporting of Miftahul Khair Mosque is still very simple, covering only cash inflows, outflows, and cash balances. The implementation of ISAK 35 has not been fully applied, so the financial reports prepared do not meet the applicable accounting standards. This study recommends the need to improve transparency and accountability in mosque financial management by fully implementing ISAK 35.

Keywords: Non-Profit Financial Reporting, ISAK 35, Mosque, Accountability, Transparency

1. Introduction

The mosque, as a central institution in the Islamic community, serves not only as a place of worship but also as a hub for social, educational, and economic activities. Effective financial management and transparent financial reporting are crucial to ensure the mosque's sustainability and the trust of its congregation. However, many mosques still face challenges in implementing standardized financial reporting, often relying on simple cash-based records without adhering to established accounting standards. This issue highlights the need for mosques to adopt proper financial reporting frameworks to enhance accountability and transparency.

The Indonesian Accounting Standards Board (DSAK IAI) has issued Interpretation of Accounting Standards (ISAK) No. 35, which specifically governs the financial reporting of non-profit entities, including mosques. ISAK 35 aims to standardize financial statements, ensuring they provide comprehensive information about assets, liabilities, net assets, and cash flows. Despite its importance, many mosques, including Masjid Miftahul Khair in Bontolangkasa Selatan, Gowa Regency, have not fully implemented this standard. Their financial reports remain simplistic, focusing only on cash inflows and outflows, which limits the ability to assess the mosque's overall financial health and accountability.

This research seeks to analyze the implementation of non-profit financial reporting based on ISAK 35 at Masjid Miftahul Khair. The study will evaluate the current financial reporting practices, identify gaps, and assess the feasibility of adopting ISAK 35 to improve financial transparency and accountability. By addressing these issues, the research aims to contribute to better financial management practices in mosques, ensuring they can fulfill their roles effectively while maintaining the trust of their communities. The findings of this study will provide valuable insights for mosque administrators, stakeholders, and policymakers, emphasizing the importance of standardized financial

reporting in non-profit religious organizations. Ultimately, this research underscores the need for mosques to align their financial practices with ISAK 35 to enhance governance and operational efficiency.

2. Theoretical Background

2.1 Accountability in Financial Reporting

Accountability refers to the obligation to account for the management of resources to stakeholders. In the context of mosques, accountability includes transparent and responsible financial reporting to congregants and donors.

Definition of Accountability: Accountability refers to the responsibility for financial integrity, disclosure, and compliance with applicable laws and regulations. The target of this responsibility is the financial statements presented and the regulations governing the receipt, storage, and disbursement of funds by government institutions (Syafiri et al., 2023).

Concept of Trust (Amanah): Accountability is also linked to the concept of trust (amanah), where the party entrusted with financial management must be accountable for the management of resources entrusted to them. This trust is related to the principle of responsibility or accountability, which stems from the agreement between humans and the Creator (Noviana, 2019).

Aspects of Accountability: Accountability has five aspects:

- 1) Reciprocity: Accountability involves a two-way relationship and communication.
- 2) Focus on Results: Accountability is measured by outcomes, not inputs or outputs.
- 3) Requires Reporting: Reporting is a crucial element in accountability.
- 4) Yields Results: The goal of accountability is to improve performance, not to find faults.
- 5) Consequences: Accountability triggers consequences if there are deviations.

2.2 Financial Management in Mosques

Financial management in mosques involves recording, recognizing, and reporting financial transactions. Mosque funds typically come from infaq, alms, and community donations. Proper management is necessary to ensure funds are used according to their intended purposes and to prevent misuse.

Definition of Financial Management: Financial management of mosques refers to administrative actions related to recording sources of cash receipts, expenditures, and accountability for the use of funds. The sources of mosque income include public donations, infaq, sadaqah, and zakat (Rahma et al., 2023).

Transparency: Financial management of mosques must be conducted transparently to maintain public trust. Transparency includes openness in providing financial information to the public (Haryanti et al., 2019).

Stages of Financial Management: Financial management involves several stages, including planning, storage, usage, recording, supervision, and accountability (Nurjannah, 2018).

2.3 Financial Accounting Standards (ISAK 35)

ISAK 35 regulates the presentation of financial statements for non-profit organizations, including statements of financial position, activity reports, changes in net assets, cash flow statements, and notes to the financial statements. This standard aims to ensure that non-profit financial statements are presented consistently and transparently.

PSAK 45: Financial Accounting Standard No. 45 (PSAK 45) is a specific standard for non-profit organizations. PSAK 45 regulates the presentation of financial statements for non-profit entities, which include the statement of financial position, statement of activities, cash flow statement, and notes to the financial statements (Hardillani et al., 2022).

ISAK 35: Interpretation of Financial Accounting Standards (ISAK) 35 is a specific standard for non-profit entities, enacted on April 11, 2019, and effective as of January 1, 2020. ISAK 35 replaces PSAK 45 and regulates the presentation of financial statements for non-profit-oriented entities. Financial statements based on ISAK 35 include:

- 1) Statement of Financial Position: Provides information on assets, liabilities, and net assets.
- 2) Statement of Comprehensive Income: Shows surplus or deficit and other comprehensive income.
- 3) Statement of Changes in Net Assets: Provides information on unrestricted and restricted net assets from resource providers.
- 4) Cash Flow Statement: Presents information on cash inflows and outflows.
- 5) Notes to the Financial Statements (CALK): Provides additional information on the estimates presented in the financial statements (Erawati et al., 2021).

3. Methods

This study uses a qualitative approach with a case study method. Data were collected through observation, interviews, and documentation. Interviews were conducted with the treasurer of Miftahul Khair Mosque to understand the financial management and reporting processes. The collected data were analyzed descriptively to describe the application of ISAK 35 in the mosque's financial reporting.

4. Results and Discussion

4.1 Financial Management

Miftahul Khair Mosque still uses a simple financial recording system, namely cash mutation records that document cash inflows and outflows. Financial reports are presented to congregants every Friday but do not yet comply with ISAK 35 standards.

- 1) The financial management of Masjid Miftahul Khair is still very basic. The financial reports prepared only include cash flow statements that record cash inflows, outflows, and cash balances.
- 2) Recording and Bookkeeping:
 - a. The mosque treasurer records cash receipts and expenditures manually using a cash flow book.
 - b. Every expenditure is recorded and accompanied by a receipt as proof of transaction.
 - c. Recording is done weekly and reported to the community after Friday prayers.
- 3) Transaction Recognition:
 - a. Every financial transaction, whether income or expenditure, is recognized and recorded by the treasurer.
 - b. However, the financial reports prepared are still simple and do not cover all elements required by ISAK 35.
- 4) Financial Reporting:
 - a. Financial reports are presented every Friday, but there is no detailed annual report.
 - b. The reports only include total cash inflows, outflows, and cash balances.

4.2 Application of ISAK 35

The research results show that Miftahul Khair Mosque has not fully implemented ISAK 35. The financial reports prepared only include cash inflows and outflows, without statements of financial position, activity reports, or changes in net assets.

- 1) Masjid Miftahul Khair has not fully implemented financial reporting in accordance with ISAK 35. The financial reports prepared only cover cash flow statements and do not meet the standards of ISAK 35.
- 2) According to ISAK 35, the financial reports that should be prepared include:
 - a. Statement of Financial Position: Provides information on assets, liabilities, and net assets.
 - b. Statement of Activities: Shows surplus or deficit from operational and non-operational activities.
 - c. Statement of Changes in Net Assets: Provides information on changes in net assets.
 - d. Cash Flow Statement: Presents information on cash inflows and outflows.
 - e. Notes to the Financial Statements (CALK): Provides additional explanations on items in the financial statements.
- 3) In this research, the researcher attempted to prepare financial reports in accordance with ISAK 35 based on the available data, even though the mosque management has not officially implemented it.

4.3 Accountability and Transparency

Although the mosque has maintained financial records, the level of transparency is still limited. The financial reports presented to congregants only include total income and expenses, without detailed breakdowns.

- 1) The cash flow statement records cash receipts and expenditures for the year 2023. Total cash receipts amounted to Rp 68,760,650, while cash expenditures amounted to Rp 33,186,000, with a final cash balance of Rp 35,574,650.
- 2) However, this cash flow statement only records cash flows and does not include information on liabilities or other potential income.

4.4 Challenges in Implementing ISAK 35

The main challenges in implementing ISAK 35 are the lack of understanding among mosque administrators about this accounting standard and the limited human resources with an accounting background.

4.5 Discussion

- 1) Form of Financial Reporting:
 - a. The financial reporting of Masjid Miftahul Khair is still very basic and only includes cash flow statements. These reports do not meet the standards of ISAK 35, which require more comprehensive financial reporting.
 - b. Nevertheless, the mosque management has made efforts to maintain transparency by reporting finances to the community every Friday.
- 2) Accountability in Financial Management:
 - a. The mosque's financial management is conducted with accountability principles, where every receipt and expenditure is recorded and reported to the community.

- b. However, this accountability is still limited to cash inflow and outflow reports, without including more detailed financial reports as required by ISAK 35.
- 3) Implementation of ISAK 35:
 - a. Masjid Miftahul Khair has not fully implemented ISAK 35. The financial reports prepared are still general and do not include important elements such as the statement of financial position, statement of changes in net assets, and notes to the financial statements.
 - b. The researcher prepared financial reports in accordance with ISAK 35 based on the available data, showing that the mosque's financial reports can be presented in a more structured and detailed manner if following ISAK 35 standards.
 - 4) Challenges in Implementing ISAK 35:
 - a. The main challenge in implementing ISAK 35 is the lack of understanding among mosque management regarding financial accounting standards.
 - b. Additionally, the mosque management feels that simple financial reports are sufficient to meet the community's needs.

5. Conclusion

Based on the research findings, it can be concluded that Miftahul Khair Mosque has not fully implemented financial reporting in accordance with ISAK 35. The financial reports prepared are still very simple and only cover cash mutations. To improve accountability and transparency, training for mosque administrators on non-profit accounting standards and the use of a more structured accounting system is needed. This study recommends that the mosque begin implementing financial reports that comply with ISAK 35, including statements of financial position, activity reports, and changes in net assets.

References

- Azwari, P. C. (2018). Reconstruction of Accounting Treatment for Worship Entities. *I-Finance: A Research Journal on Islamic Finance*, 4(1), 84–101.
- Diviana, S., Putra Ananto, R., Andriani, W., Putra, R., Yentifa, A., Zahara, & Siswanto, A. (2020). Presentation of Financial Statements for Non-Profit Entities Based on ISAK 35 at Baitul Haadi Mosque. *Accounting and Management*, 15(2), 113–132.
- Efrida Sari Ramayani, S., Nurlalia, & Sudiarti, S. (2023). Analysis of the Application of Non-Profit Financial Reporting Based on ISAK No. 35 at Mosques in Medan City. *Management Studies and Entrepreneurship Journal*, 4(35), 5196–5206.
- Hardiliani, D., Kuniawan, A., & Yuliyanti, L. (2022). Analysis of Non-Profit Financial Statements Based on PSAK No. 45 (Case Study at Mosques in Majalengka Regency). *Journal of Finance, Entrepreneurship, and Accounting Education Research*, 2(1), 32–38.
- Indonesian Institute of Accountants (IAI). (2022). *Financial Accounting Standards (SAK) No. 01: Presentation of Financial Statements*. Jakarta: Indonesian Institute of Accountants.
- Maulana, I. S., & Rahmat, M. (2021). Application of ISAK No. 35 on the Presentation of Financial Statements for Non-Profit Entities at Al-Atdiyah Grand Mosque, Moyo Utara District, Sumbawa Regency. *JAJFA Faculty of Economics and Business UTS Journal of Accounting, Finance and Auditing*, 3(2), 63–75.
- Rifana, M., Syahriza, R., Iskandar Ps, J. V, estate, M., Sei Tuan, P., & Sedang, D. (2023). Application of ISAK 35 Financial Reporting for Non-Profit Organizations at Mts

Al Washilyah Pajak Rambai Medan. *Journal of Science and Technology*, 5(2), 516–524.

Sobari, P. (2023). Analysis of Mosque Financial Statements Based on ISAK No. 35 on Non-Profit Financial Reporting. *Proceedings*, 6681(6), 1–11.