

Evaluation of the Application of the Interpretation of Financial Accounting Standard Number 35 on the Preparation of Financial Statements of Non-Profit Oriented Entities at the Hermon Tolombukan Child Development Center

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ABSTRACT

This study aims to evaluate how the Interpretation of Financial Accounting Standards (ISAK) Number 35 is applied in the preparation of financial statements of the Hermon Tolombukan Child Development Center. The purpose of this interpretation is to increase the transparency and accountability of the financial statements of non-profit-oriented entities. ISAK No. 35 is an accounting guideline for non-profit entities, which includes reporting of activities, balance sheets, cash flows, and changes in net assets. This study uses a qualitative descriptive method with a case study approach to identify the extent to which the Hermon Tolombukan Child Development Center has implemented ISAK No. 35 in the preparation of its financial statements. Data was obtained through interviews, documentation, and direct observation of the financial report preparation process. The results of the study show that the application of ISAK Number 35 to the existing PPA is not in accordance with the existing accounting standards. This study recommends the need for further training for financial managers and periodic evaluations to ensure that accounting standards are applied consistently and effectively. With this evaluation, it is hoped that the update of the financial recording system can be improved, and further technical evaluation is expected to help ensure that the implementation of ISAK No. 35 can be implemented comprehensively.

INTRODUCTION

Interpretation of Financial Accounting Standards (ISAK) No.35 is a financial standard that came into effect on January 1, 2020. Prior to the existence of ISAK No.35, the financial reporting provisions of non-profit organizations were regulated in the Statement of Financial Accounting Standards (PSAK) No.45 which is an Interpretation of Financial Accounting standards addressed to non-profit organizations on the basis that although their main activity is not to make profits (Non-profit), non-profit organizations cannot be owned personally, but belong to and benefit the community.

This non-profit organization is an organization that serves a specific purpose and is not intended to seek profit or profit (Madura, 2019). This is because non-profit organizations are more intended to support an issue or matter in attracting public attention for a non-commercial purpose. Non-profit organizations include organizations in the religious field, public schools, public charities, public hospitals and clinics, political organizations, community assistance in terms of legislation, volunteer service organizations, labor unions, professional associations, research institutes, museums, several government officials, and educational foundations (Hasan, 2021).

The Child Development Center (PPA) is an international organization that works with the church with the aim of building the character of Christ in the development of children, both through curriculum activities sponsored by the *Compassion* Foundation. The foundation stands as a child protection organization that liberates children from spiritual, economic, social and physical poverty, as well as their ability to become responsible adult Christians.

More than half a million children from forty countries have had foster parents or so-called sponsors who can only communicate through compassion-regulated letters. The commitment of Christian staff working in *compassion* has never wavered. They are truly aware of the role they play in working with more than a hundred denominations of churches around the world, including Indonesia, which has the headquarters of the Indonesia *compassion* foundation in Bandung.

Foundations as non-profit entities must have clarity on the acquisition of resources and financial management as an effort to increase accountability to donors and have standards that apply to non-profit entities such as foundations, but the public does not understand the financial process and accountability of the foundation because it is felt that the funds provided by donors do not need to be paid back. However, the foundation must present an annual report. The foundation uses financial funds as effectively as possible to balance them with the need for quality and integrity through the organization.

In 2020, the *compassion* Indonesia foundation began publishing financial accountability reports by providing greater transparency to stakeholders by publishing financial statements that have been audited on an ongoing basis. Because it will be very unfortunate if we look at the phenomenon that is happening today, if a foundation is still not able to manage its financial reporting properly. So to become a professional in terms of managing a foundation is just

a dream. With the new guideline demands, namely ISAK 35, financial reporting is very important for the recording of a non-profit entity.

PPA itself is a program that focuses on serving children aged 3-21 years. If the child is over 21 years old, it will be declared passed. This PPA program began in 2007 in the city of Manado in which the GPdI Hermon Tolombukan Church collaborated with compassion Indonesia to become an extension of helping children under the name PPA Hermon Tolombukan.

Every PPA child who passes the recruitment is given the opportunity to participate in all activities and programs provided by the foundation. All costs are funded by sponsors obtained and managed by *compassion* centers directed from various Asian and European countries. A total of 150 sponsors for 150 children from all walks of life, namely 3-22 years old, will deposit funds per month of US\$19.60 or equivalent to Rp.319,263.00 per child, to the central foundation to enable children to take part in church-based programs that offer several things that will change the lives of sponsored children both mentally and spiritually. Of course, with donor funds and financial sponsors, the foundation is certainly of great value, therefore accurate and structured financial reporting is needed.

The Child Development Center realizes financial reporting from the central foundation in 2023 in accordance with applicable rules and regulations, in order to provide reasonable and transparent financial reports, the foundation's finance implements financial reporting based on ISAK No. 35 which regulates financial reporting of non-profit organizations, in order to provide information to parties who need financial information of the foundation, especially for existing sponsors and donors. Then for internal parties, this research can be used as a reference in decision-making or policies related to the preparation of honest financial statements, in this case managing the foundation's finances with great value.

THEORETICAL REVIEW

Accountancy

According to Sumarsan, (2018), accounting is an art to collect, identify, classify, and record transactions according to events related to finance to obtain information in the form of financial statements that can be disseminated by interested parties.

According to Meigs, (2000): In the book "Accounting: The Basis for Business Decisions," they state that accounting is a process of identifying, measuring, and presenting economic information to stakeholders.

So it can be concluded that Accounting is the art of recording, grouping/overviewing, and reporting presented in Financial Statements which contain sources of economic information that are useful for decision-making for interested parties. Based on this definition, it can be concluded that, the Art of Recording means that all transactions of activities that occur are recorded chronologically/sequentially according to the date of the transaction that occurred, which in accounting terms is known as the General Journal.

Non-Profit Organizations

An organization is a collection of people with different competencies who are interdependent with each other who strive to realize common interests and utilize various resources. (Mulyadi and Setiawan 2020)

A non-profit organization is an institution or collection of several individuals who have a certain goal and work together to achieve a certain goal, in the implementation of the activities carried out are not oriented to the fertilization of profit or wealth alone (Pahala Nainggolan, 2018).

Foundation

Law No. 16 of 2001, a foundation is a legal entity established through separated wealth and utilized to achieve certain goals in the social, religious and humanitarian fields, which does not have members. Judging from its purpose, the foundation does not seek profit or profit. The foundation then has the authority to establish one or several business entities in accordance with the vision and mission owned by the foundation.

Financial Report

According to the Indonesia Institute of Accountants in SAK ETAP (2019), "Financial statements are reports that describe an entity's financial position, financial performance, and cash flow. According to Bahri (2020), "*A financial statement* is a summary of a process of recording financial transaction transactions that occur during the reporting period and is made to account for the tasks imposed on it by the owner of the entity". Meanwhile, according to Hery (2021), "Financial statements are basically the result of an accounting process that can be used as a tool to communicate financial data or company activities to interested parties".

METHODOLOGY

The research approach used by the researcher in this study is a qualitative descriptive approach, because this method focuses on deep understanding and complex description. As a support, the author needs intense data from only one object, so this method is very relevant to be applied to this study to find out the application of ISAK N0. 35 on the Preparation of Financial Statements of Non-Profit Entities at the Child Development Center (PPA) Hermon Tolombukan. The research site at the HERNON Tolombukan Child Development Center (PPA) is located in Tolombukan 1 village, Jaga 3, Pasan District, Mitra Regency, North Sulawesi. The study was conducted from May 2024 - Completed.

Research Data Sources

The data used in this study is primary data, primary data is data from the problems obtained by the researcher, then collected by the researcher himself directly from the first source or where the research object is carried out.

RESULT AND DISCUSSION

Financial statements are needed for every entity in order to translate the condition of the entity in the form of accounting figures. According to Candra

(2023) in his book states that a financial statement is a report that contains financial information data of a company in a certain period (quarterly, semester or yearly).

The financial statements between profit-oriented and non-profit entities have slight differences, according to (Candra, 2023) if a profit-oriented entity is such as a company, it refers to PSAK No.1 while in non-profit-oriented entities such as foundations it refers to ISAK No. 35. The differences in the components in it may look similar, but in the preparation and treatment are very different because the preparation in the financial statements of non-profit-oriented entities is simpler and more practical.

Financial Position Report

Based on the report on the financial position of the Hermon Tolombukan Child Development Center, the 2023 budget period is in accordance with ISAK 35 consisting of assets and assets, which can be seen in the table below.

<i>Talel 4.1. Financial Position Report</i>	
PPA Hermon Tolombukan	
Financial Position Report	
December 31, 2023	
Expressed in Rupiah	
ASSETS	
Current Assets	
Cash and cash equivalents	7.093.859.097
Miscellaneous receivables	40.000
Fees paid in advance	40.836.820
Down payment	56.440.000
Supplies	40.905.900
Total Current Assets	7.232.081.817
ASSETS ARE NOT CURRENT	
Fixed assets - net	616.716.749
Total Assets Not Current	616.716.749
TOTAL ASSETS	7.848.798.566
LIABILITIES AND EQUITY	
SHORT-TERM LIABILITIES	
Fees still to be paid	44.000.000
Tax debt	19.437.237
Miscellaneous debts	16.638.500
Total Short-Term Liabilities	80.075.737
POSITION NET	7.768.722.829
TOTAL LIABILITIES	7.848.798.566
AND NET ASSETS	

Source : PPA Hermon Tolombuka Foundation (2023)

Comprehensive Income Report

A comprehensive income report is one of the financial statements that measures how successful a company is in a given period. Judging from table 4.2, PPA Hermon Tolombukan has presented a comprehensive report in accordance with ISAK 35, regarding information on income and expenses that have been carried out on the Foundation.

Table 4.2. Comprehensive Income Report

PPA Hermon Tolombukan	
Comprehensive Income Report	
31 December 2023	
Expressed in Rupiah	
INCOME	
Grants and donations	8.852.815.048
Interest Earning	214.209.372
Profit from the sale of fixed assets	24.270.833
Profit difference course - net	17.398.702
Others	1.182.130
Total Revenue	9.109.876.085
BURDEN	
Service program	8.962.419.777
Administration and general	1.411.146.623
Fundraising and development	303.273.561
Financial costs	4.488.431
Loss of difference course - net	-
Loss on the sale of fixed assets	-
Others	-
Total Expenses	10.681.328.392
INCREASE (DECREASE) IN NET ASSETS	-1.571.452.307
POSITION NET	7.152.006.080
TOTAL LIABILITIES AND NET ASSETS	7.848.798.566

Source : PPA Hermon Tolombuka Foundation (2023)

Report on Changes in Net Assets

The report on the change in net assets in PPA Hermon is in accordance with ISAK 35 because the report presented to the foundation has described the state of a company's assets, both assets without restrictions on their use and assets with restrictions on their use from resource providers in a certain period.

Table 4.3 Report on Changes in Net Assets

PPA Hermon Tolombukan	
Report on Changes in Net Assets	
31 Desember 2023	
Expressed in Rupiah	
UNTIED INCOME	
Initial balance	9.340.175.136

Current year surplus (deficit)	-1.571.452.307
Final Balance	7.768.722.829

Source : PPA Hermon Tolombukan (2023)

Cash Flow Statement

The main purpose of a cash flow statement is to present information about cash receipts and expenditures in a period. In the cash flow report, the Hati Gembira Foundation is in accordance with ISAK 35 because in its presentation it has met the ISAK 35 classification, namely cash receipts and expenditures. Where the cash receipts and expenditures of PPA Hermon Tolombukan include operational activities, investment activities.

Table 4.4 Cash Flow Statement

PPA Hermon Tolombukan	
Cash Flow Statement	
31 December 2023	
Expressed in Rupiah	
CASH FLOW FROM OPERATING ACTIVITIES	
Increase (decrease) of net assets	-1.571.452.307
Adjustment of increase (decrease) of net assets to net cash obtained from operating activities:	
Depreciation of fixed assets	139.983.839
(Profit) and loss Sale of fixed assets	-24.270.833
Foreign exchange rate (profit) loss	-17.398.702
Interest income	-204.209.327
Decrease (increase) of assets:	
Miscellaneous receivables	-24.000
Supplies	-40.905.900
Fees paid in advance	-2.440.000
Down payment	902.601
Increase (decrease) of liabilities:	
Fees still to be paid	22.000.000
Tax debt	-32.861.545
Miscellaneous debts	-92.579.388
Cash is obtained from operating activities	-1.833.300.607
Acceptance of interest	214.209.372
Net Cash Obtained from Operating Activities	-1.619.091.235
CASH FLOW FROM INVESTMENT ACTIVITIES	
Fixed asset acquisition	230.000.000
Cash Flow Statement	-19.379.000

Renewable cash is obtained from investment activities	210.621.000
Foreign exchange rate effect	17.398.702
Net increase (decrease)	-1.391.071.533
Cash and cash equivalents at the beginning of the year	8.484.930.630
Cash and cash equivalents at the end of the year	7.093.859.907

Source : PPA Hermon Tolombukan (2023)

CONCLUSIONS

The form of PPA Hermon Tolombukan financial statements in 2023 is not in accordance with ISAK No. 35 which consists of a financial position statement, a comprehensive income statement, a report on changes in net assets, a cash flow statement, and a note on the financial statements. Based on the financial statements prepared, the foundation does not make records on the financial statements which provide clearer transparency to each recording in the financial statements based on applicable standards. The Foundation only records transactions based on the accounts in the budget realization report stated in the attachment.

RECOMMENDATION

Based on the above conclusion, the author gives the following suggestions: To the management of PPA Hermon Tolombukan should use guidelines in the preparation of financial statements in the future based on applicable standards. With the existing provisions and stages, the foundation must report it transparently. Especially on the Notes on the financial statements that provide clarity on every transaction in ISAK 35, namely the financial position statement, comprehensive income statement, net asset change report and cash flow statement, which do not report transactions in more detail. So as a complement to the notes on the financial statements, it is very important as an informant in financial statements based on ISAK 35.

FURTHER STUDY

Considering their limitations and shortcomings, it is not surprising that researchers found several problems with writing, grammar, and presentation style and report presentation when writing this paper. To obtain perfect results, researchers anticipate perceptive criticism and recommendations from many sources

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