Jurnal Abdimas Prakasa Dakara
https://doi.org/10.37640/japd.v4i2.2132
e-ISSN 2776-768X
99-106

Assistance in Preparing Financial Reports According to ISAK 35 to Increase Accountability and Management Nurul Islam Orphanage Tlogosari Semarang

Taufiq Andre Setiyono[1]*, Grace Tianna Solovida[2], Khoirul Attiq[3], Fatikhul Jamilah[4], Fitria Fina Wulandari[5]
[1,2,5]Accounting, STIE Bank BPD Jateng
[3,4]Management, STIE Bank BPD Jateng
*tugaspaktaufiq@gmail.com

Abstrak

This PKM activity aimed to assist the Nurul Islam Orphanage Semarang in implementing ISAK 35 to increase financial accountability and transparency. This program also develops an Orphanage Accounting Report System (SALPA) to disclose the financial reports so other parties can access for any requirement. Through this program, the orphanage managers have been able to prepare structured financial reports according to ISAK 35 standards. Transparency of financial report has also increased, proven by SALPA system that enable common people accessed the financial reports, so that donor confidence increases and makes it easier for the orphanage financial managers in submitting other donations. Challenges in the integration of Notes to Financial Reports (CALK) remain, but the SALPA system has helped improve the quality of financial management significantly.

Kata kunci: Financial Reporting, Orphanage Fund Management, Quality of Human Resource.

Received: September 23, 2024 Revised: October 17, 2024 Accepted: October 18, 2024

INTRODUCTION

The role of accounting in the financial management of entities, both profit-oriented and non-profit, is increasingly recognized by various stakeholders. The fundamental role of accounting is to present various financial information. According to the Indonesian Institute of Accountants, financial statements are part of the structured reporting process that conveys the financial position and performance of an entity (IAI, 2018). To fulfill accountability to the community, non-profit organizations, such as foundation that receive public funding, are required to prepare financial statements. These financial statements must be accountable and transparent (Nikmatuniayah, et al., 2024). Financial reporting is crucial for foundation as it serves as a written accountability for the management of the resources they oversee (Elfani, 2023). The Indonesian Institute of Accountants (IAI) has established guidelines for presenting financial statements for non-profit entities, the Interpretation of Financial Accounting Standards (ISAK) 35 (IAI, 2018).

One of non-profit entity is an orphanage foundation. While orphanages are increasingly found in various regions, not many are thriving due to their reliance on donations (Ansari dkk, 2023). Donors, in turn, seek reliable reports from these organizations (Hasanah dkk, 2023). As a non-profit organization, orphanages must be able to provide accountable financial reports to maintain donor trust. However, many orphanages still use manual methods which doesn't comply with accounting standards, as at the Nurul Islam orphanage. Therefore, we plan to assist in preparing financial statements in accordance with ISAK 35 to foster trust among donors.

Nurul Islam Orphanage which address on Tlogosari, Semarang, is currently lacks a stable donor base, leading to uncertainty in fulfilling basic needs. One strategy to secure consistent donations is to enhance the quality of financial reporting, thereby making it suitable for administrative purposes in seeking stable donors. In financial operations, the preparation of financial statements should align with generally accepted accounting principles. However, the reality is that this non-profit entity continues to maintain manual records, only documenting cash inflows and outflows.

The financial reporting at the Nurul Islam Orphanage frequently encounters challenges due to the lack of professionalism among its management. Observations and literature reviews reveal that most orphanage managers are not proficient in preparing financial reports such as balance sheets, activity reports, and others (Fitriani, 2021). The orphanage currently only records cash transactions and fails to comprehensively document the inventory of its assets, resulting in an inability to ascertain its economic value (Dewata, et al., 2022). Aside from the cash reports, the orphanage has yet to prepare any reports in accordance with the ISAK 35 standards applicable to non-profit entities. Thus, a transparent and accountable recording system is essential to address financial reporting issues. Through assistance and implementation of ISAK 35, it's hoped that the orphanage can increase transparency and professionalism in managing the funds.

To produce financial statements that meet established standards, it is imperative to have not only guidelines such as financial accounting standards but also personnel with sufficient skills and knowledge. Based on surveys and interviews with the caregivers at the Nurul Islam Orphanage, the primary challenge faced by the orphanage management is the lack of human resources with an accounting background, necessitating targeted assistance for the financial management team.

This phenomenon inspired the researcher to conduct community service activities to assist orphanage administrators in presenting financial reports in accordance with ISAK 35. Given this background, it is considered important to assist the process of preparing financial reports in line with accounting standards. It is hoped that orphanage management will be able to prepare financial reports effectively, transparently and accountably, and these financial reports can be used to get permanent donors so that the orphanage can develop better.

IMPLEMENTATION METHOD

This Community Service Program (PKM) was conducted over several sessions from August to September 2024 at the Nurul Islam Orphanage. During the program, the orphanage management was introduced to accounting items in financial statements, tasked with collecting data, including documentation of cash transactions and other financial records, which were categorized according to account types and how to categorized them. This data served as the foundation for the financial reports that would subsequently be compiled and published online as a form of financial disclosure.

The implementation process consisted of four key stages (1) Preparing Financial Reporting Templates: Templates were developed in accordance with ISAK 35, encompassing the balance sheet, comprehensive income statement, cash flow statement, and accompanying notes to the financial statements; (2) Creating SALPA and an Orphanage Website: SALPA system and website was established to serve as a platform for disseminating various information related to the orphanage; (3) Uploading Financial Reports: The financial reports created were uploaded to the orphanage's website to enhance transparency and public access; (4) Capacity Building Workshops: Workshops were conducted to improve the quality of management and organizational practices in a sustainable manner.

The management of the Nurul Islam Orphanage was encouraged to actively participate in the financial reporting process, from itemizing entries in the financial statements to uploading these documents online. Additionally, the management was invited to engage in workshops aimed at enhancing their management practices.

Upon completion of the implementation stages, the project team conducted evaluations to ensure the sustainability of the program. This evaluation process assessed (1) The alignment between the readiness of human resources and the standards of the implemented program; (2) The conformity of the overall program execution with the planned activities and the participation level of stakeholders; (3) The extent to which the outcomes of the program met the established performance standards.

RESULTS AND DISCUSSION

This activity began with the first meeting between the STIE Bank BPD Jateng service team with the core management and caretakers of the Nurul Islam Orphanage on August 8, 2024 and continued with a meeting on August 13, 2024. The socialization activity for financial reports and the management of the Nurul Islam Orphanage was carried out on September 7 and 12 october 2024. The composition of the service activities can be seen in table 1.

During the PKM activities, orphanage managers received guidance in the preparation of financial statements using templates aligned with ISAK 35, adhering to the standards established by the IAI. The obstacle faced when preparing financial reports is when oprhanage managers adapts to the items in the financial reports. Since they are not familiar yet with financial reports, it takes time to introduce these gradually. As the PKM activities progresses, orphanage managers begin to be able to create standardized financial reports since there are not many items that had to be filled in. The result of the PKM activities show that Nurul Islam Orphanage is now able to arrange more complete financial reports in accordance with ISAK 35, including financial statements, cash flow statements, and activity report. The resultant financial reports were made accessible online at https://nurulislamsemarang.com/. The SALPA system makes it easier for orphanage management to manage financial data.

However, challenges were encountered in disclosing the Notes to the Financial Statements (CALK). According to ISAK 35, required reports include the balance sheet, comprehensive income statement, changes in net assets statement, cash flow statement, and notes. Nonetheless, the CALK could not be integrated into the system due to its narrative format, which posed significant coding complexities.

Moreover, if CALK were to be included, the resulting form would become overly complex, hindering usability for the orphanage management. As a result, the Accounting System for the Orphanage (SALPA) displayed all requisite financial reports, with the exception of the CALK.

Tabel 1. Schedule of Activities

Day and date	Time	Activity
Thursday, 8 August 2024	09.00-11.30	Initial meeting between the service team and the core management of Nurul Islam Orphanage
Tuesday, 13 August 2024	09.00-11.30	Follow-up meeting between the service team and the management The core of the Nurul Islam Orphanage
Saturday, 7 September 2024	09.00-10.30	Introduction and overview of non-profit organizations
	10.30-15.00	Socialization of financial reports and introduction of financial report items according to ISAK 35 and mentoring with system.
Saturday, 12 October 2024	09.00-15.00	Socialization on improving human resources for orphanage management

Another obstacle faced is that the orphanage has not yet inventoried the assets owned such as building and vehicle used for business. Because the value of fixed assets and its depreciation have not been calculated, the value of all fixed assets recorded in SALPA system is zero. In the future, this PKM activity will be continued to help the orphanage assess fixed assets that have not been inventoried and monitor the continuity of financial reporting and its impact on the orphanage.

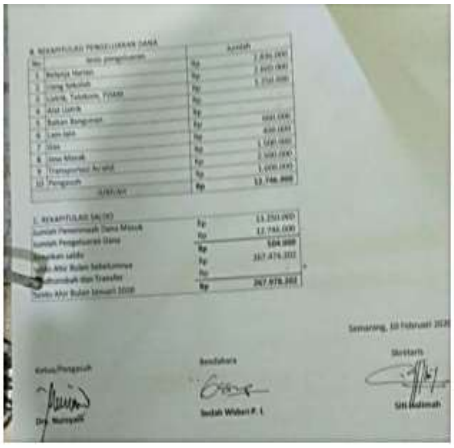
Picture 1. SALPA system

Throughout the implementation of the PKM, participants were actively engaged in all activities, including the training sessions on financial report preparation and subsequent discussion forums. Participants expressed their challenges from their perspectives, which were collectively addressed during discussions to develop viable solutions. A primary concern highlighted was the insufficient human resources with accounting expertise, leading to rudimentary financial management practices.

Picture 2 Socialization

The capacity-building sessions included elements of modern management principles, emphasizing that effective financial management does not necessitate a background in accounting. Instead, modern management principles advocate for a division of labor, authority, and responsibility, allowing each member of the management team to fulfill specific roles. Consequently, financial management responsibilities were delegated solely to designated financial officers, who were tasked with documenting the orphanage's assets, calculating expenditures, and recording revenue.

It is anticipated that through this PKM activities, the orphanage's financial reporting will become more organized, credible, and accountable while upholding the principles of transparency. A key factor contributing to the success of this initiative was the participants' interest in mastering independent financial report preparation. Prior to the PKM, their financial documentation consisted only of basic records of cash inflows and outflows.



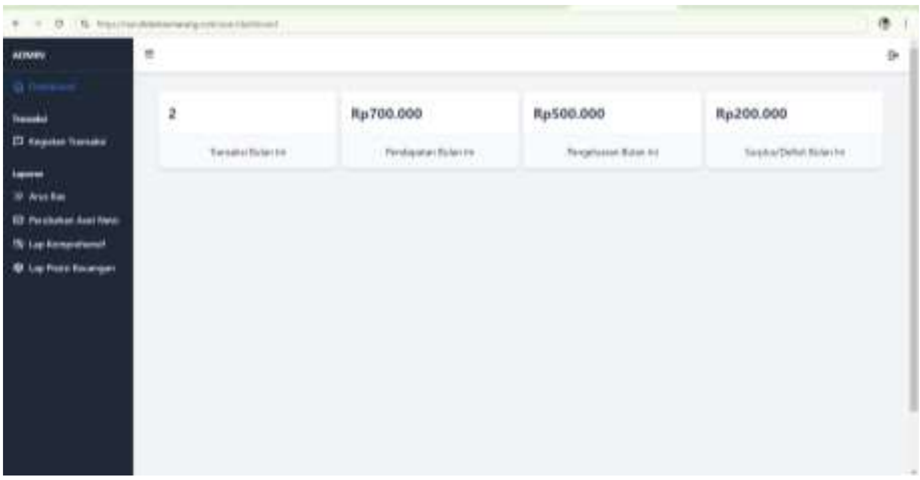
Picture 3 financial report of nurul islam orphanage

The introduction of standardized financial reporting represented a significant paradigm shift for the participants, necessitating additional time for them to assimilate and independently prepare financial statements. Consequently, the PKM was structured to be gradual and ongoing, allowing participants to thoroughly engage with the material over an extended period.

Despite the prolonged duration of the program, the enthusiasm and commitment of the participants remained undiminished. Future assistance in financial report preparation will be scheduled to ensure that the orphanage management can independently generate financial statements.

Picture 4 Mentoring

Through the discussions and direct observations during the community service process, it became evident that this initiative significantly benefitted the management of the Nurul Islam Orphanage by (a) Enhancing their understanding of financial statements, the reporting process, and the functional relevance of financial reports specifically for non-profit organizations in accordance with ISAK 35; (b) Providing a communication platform between the orphanage management and external parties via the website https://nurulislamsemarang.com/; (c) Instilling an understanding of modern management principles, which emphasize accountability and transparency beyond mere goodwill in charitable activities.



Picture 5 View of SALPA

CONCLUSION

Beforehand, the Nurul Islam Orphanage recorded manually using a basic ledger, which provided only a simple overview of their financial status. After the socialization sessions and the implementation of the program, coupled with the management's willingness and enthusiasm to improve their operational practices, the orphanage has successfully transitioned to a more systematic financial recording approach. This new framework not only simplifies the preparation of financial reports but also significantly improves efficiency and comprehensiveness in asset management. The ISAK 35 implementation program at Nurul Islam Orphanage has succeeded in increasing the accountability and efficiency of financial management, so the orphanage management is now able to prepare financial reports more transparently.

However, due to the inherent complexities in coding the developed system, the Notes to the Financial Statements (CALK) could not be integrated into the SALPA system, resulting in incomplete compliance with ISAK 35 standards. Therefore, it is recommended that this program can be continued and focus on developing comprehensive SALPA system so that financial reporting standard can be full released. The development may involve refining the existing system or collaborating with technical experts to enhance the capabilities of the platform, ensuring that it can accommodate a complete array of financial disclosures.

SUGGESTIONS

INTERNAL PARTY

Due to being able to make standardize financial reports, Nurul Islam Orphanage managers are advised to be more active in seeking regular donors more officially by attaching the financial reports so that the main goal of this PKM activity can be achieved.

EXTERNAL PARTY

Many orphanages do not receive funding from the government because the managers are not understand how to apply for operational assistance. The role of local government is needed to provide socialization to the orphanage supervisors and managers so that orphanages can provide good quality to abandoned children.

ACKNOWLEDGMENTS

The authors wish to express their sincere gratitude to the Directorate of Research, Technology, and Community Service for funding this program. We extend our appreciation to the academic community of STIE Bank BPD Jateng, including students, administrative staff, and particularly the faculty members who contributed as trainers. Additionally, we would like to acknowledge the invaluable support of the community leaders, religious figures, and the management of the Nurul Islam Orphanage in Tlogosari Semarang, along with all individuals who participated in and contributed to this initiative. Your collaboration has been instrumental in the success of this project.

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