

NONPROFIT ORGANIZATION FINANCIAL REPORTING STANDARDS IMPLEMENTATION IN CHURCH

Dyah N.A. Janie¹⁾ and Yulianti²⁾



AFFILIATION:

Universitas Muhammadiyah Semarang¹⁾
Universitas Semarang²⁾

CORRESPONDENCE:

yulianti@usm.ac.id²⁾

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Abstract: This research was conducted in a church as a nonprofit organization operating in the religious field. This study aimed to analyze the application of PSAK No. 45 in financial reporting in a church. This study uses a descriptive qualitative analysis method, which is a study that describes and compares data obtained by observation, interviews, and documentation and analyzes using triangulation techniques. Informant research is based on the principle of appropriateness and adequacy. The basis of the principle of informants in this study was three people. The results showed that the adoption of PSAK No. 45 regarding the financial reporting of nonprofit organizations in the church is not appropriate because the reporting by the church has only been carried out as a whole, not as detailed in PSAK No. 45 regarding the financial reporting of nonprofit organizations.

Keywords: PSAK No. 45, Nonprofit Organization, Church, Financial Reporting Standards

INTRODUCTION

In the current era, Indonesia is a developing country. It started with technology infrastructure for organizations that are very well developed in Indonesia. This country has various kinds of organizations, such as national government, local government, educational organizations, health organizations, agricultural organizations, and nonprofit organizations. A nonprofit entity is an entity that prioritizes the interests of many people and does not seek profit (Rantung et al., 2019). Nonprofit entities such as hospitals, labour unions, clinics and religious organizations can be called nonprofit entities.

The organization is part of the community component that has played an essential role since time immemorial, and without us knowing it, this entity is involved in people's lives. Nonprofit entities differ significantly from business entities and other profit organizations as nonprofits have experienced a unique increase. They can operate and grow without relying on profits but only from donations. Nonprofit organizations also aim to benefit society, not necessarily to pursue material gain and to support non-commercial public interests. Therefore, transactions that rarely occur in profit entities, namely income from donations, are often rare. However, nonprofit entities have various forms, making them almost the same as business entities in general.

In achieving a nonprofit organization's goal, financial reporting that is relevant, understandable, reliable, and neutral is required. The primary tool for obtaining information related to financial position is financial statements because the existence of financial reports can help make financial decisions.

A management responsibility for the use of funds by both funders and members of the entity is financial statements. Financial reports are part of financial reporting. The purpose of financial reports is to provide all information related to finance, performance, and changes in the company's financial position. It is also beneficial for decision-making (Rantung et al., 2019).

It, of course, can only happen with transparent and accountable management and responsibility for funds. Given that donors generally do not directly monitor the organization's daily operations. In order for the management of these funds to be effective and efficient, nonprofit organizations need a reliable accounting information system. One way to make this happen is according to Indonesia's Statement of Financial Accounting Standard or Pernyataan Standar Akuntansi Keuangan (PSAK) No. 45.

Indonesia has standardized the preparation of financial reports for nonprofit organizations. The standardization is contained in PSAK No. 45 on financial reporting of nonprofit organizations. On April 8, 2011, the Financial Accounting Standards Board approved PSAK No.45. This PSAK 45 was made to standardize financial accounting implementation specifically for nonprofit entities, which aims to provide valid information so that donors can trust it, members of the organization itself, and the parties providing the funds themselves.

The standards for preparing financial statements for nonprofit entities follow PSAK No.45, which contains statements of financial position, cash flow reports, activity reports and notes on financial statements. According to PSAK No.45, the purpose of a financial report is to provide all valuable information for the benefit of the donors, members of the entity, and all parties who influence this organization (Andarsari, 2016). The financial information of an organization describes its performance over some time. These financial statements are imperative as they describe the organization's performance within a period (Dinanti & Nugraha, 2018).

Church is a form of nonprofit entity. At present, almost every area has a church. In Indonesia itself, the church existed long before independence. The church was established to focus on religion as a place of worship, and the church was not established for profit only. Although the church also needs funds for its operations, they are obtained from voluntary donations. The observed church in the study was founded between 1990 and 2019. Until now, it has functioned as a place of worship for Catholics. The church earns income from a voluntary collection and stipendium money. This money is used to meet the church's needs, such as paying for electricity, paying employees, paying for water, and buying equipment and necessities for worship. Only income and expense reports are in the church's financial reporting. It has yet to follow PSAK No.45 for nonprofit entities. Based on the explanation above and seeing the importance of compiling and conducting financial reporting on nonprofit entities, this study analyzes the PSAK No. 45 implementation in the church.

LITERATURE REVIEW

There is research that examines the accounting and governance practices of the Papal States from 1846 to 1870. It uses the concept of a sacred-secular divide to analyze how the Papal States, as a religious and political institution, struggled to balance its spiritual and temporal aims in a period of resource scarcity and political turmoil (Antonelli et al., 2021). The Pope's governance and accounting reforms, intended to enhance the visibility and accountability of the Papal States, did not affect the actual accounting practices, prioritizing the secular over the sacred. The Papal States relied on illegitimate revenues, such as diverting charitable donations and borrowing from anti-Catholic bankers, to sustain its existence. They also show that the accounting system failed to capture the sacred aspects of the Papal States, such as its pastoral mission and social welfare. The research concluded that the disconnection between the reforms and the practices contributed to the demise of the Papal States in 1870. They also extend the application of the sacred-secular divide framework to four different fields and suggest that the Papal States' case provides a warning for similar reforms today. The research is based on primary and secondary sources from the Rome State Archive and the Archivum Secretum Vaticanum, as well as historical literature on the Papal States and accounting (Antonelli et al., 2021).

The use of accounting information as a form of confession in the context of the Roman Inquisition in the 16th century had already existed. Using the Foucauldian perspective, analyze how the Inquisition used accounting practices to reinforce its pastoral power over the inquisitors and the heretics (Bigoni et al., 2021). The authors focus on the case of the Dukedom of Ferrara,

where the Inquisition was particularly active and where rare accounting books have survived. The Inquisition used accounting to manage its financial resources and force the inquisitors to open their consciences and provide an account of their actions to their superiors. Thus, Accounting was a tool to shape the inquisitors' Christian identity and ensure their obedience and loyalty to the church. The research also shows how accounting was used to extract the truth from the heretics, who were required to confess their sins and reveal their accomplices. Therefore, accounting was a means to exercise control, discipline and surveillance over the inquisitors and the heretics and legitimize the church's authority and doctrine. The research contributes to the accounting history literature by exploring a critical episode in the religious history of the West and by demonstrating the confessional and power implications of accounting in the religious domain (Bigoni et al., 2021).

Meanwhile, the state relationship with religion in England, from a historical and accounting perspective, using a framework of state–church relationships and a theoretical lens of Foucauldian governmentality, analyzed how the state has used various tools to regulate and influence the church and other religious entities over time (Cordery, 2019). It argues that the state's relationship with the church has changed from support and coercion to neutrality and harmonization, reflecting the changing notions of the common good and the increasing religious pluralism in society. The research also identifies the limitations and challenges of the current regulatory regime for religious charities and suggests opportunities for further research and debate. Moreover, it contributes to the accounting history literature by applying a new framework and extending the governmentality theory to the state–church relationship. It also provides insights for policymakers and practitioners on the implications of different regulatory approaches for religious entities (Cordery, 2019).

Aside from churches, accounting has a role in Islamic financial institutions (IFIs) and how it mediates the tensions between spiritual and secular values (Hidayah et al., 2019). It argues that IFIs face a clash between the ontotheology of Islamic finance, based on profit-loss sharing (PLS) schemes as a spiritual alternative to conventional finance, and the epistemology of modern banking and finance, driven by market logic and efficiency. The research employed qualitative data from interviews, observations, and documents from six countries to explore how IFIs use accounting to reinvent spirituality and create pseudo-spiritual financial products that mimic conventional products. It shows how accounting is involved in the fabrication, commodification, and rationalization of PLS schemes and how it resolves the conflicting interests and intentions of various actors within and beyond the IFIs. The authors suggest that IFIs should reflect on the implications of their accounting practices for their spiritual vision and mission and whether they provide a genuine alternative or just another form of capitalistic hegemony. The research contributes to the literature on accounting and religion and the mediating role of accounting in translating and modifying spiritual ideals in modern organizations (Hidayah et al., 2019).

There is one thought-provoking discussion about the concept of church accounting in Indonesia with an understanding of the Kingdom of God. It argues that the current church accounting practices in Indonesia are influenced by secularism and capitalism and are not in line with the ecclesiastical principle of sacredness. It proposes to reconstruct a new concept of church accounting based on the Bible as a normative source and the church's belief system as a dominant factor (Kambey, 2021). The research uses the postmodern paradigm and the theory of cognitive psychology to deconstruct the psychology of church leaders and congregations and to suggest a Christ-centered financial activity that focuses on God, not on material matters. It also modifies the framework of Laughlin, who analyzed the accounting systems of the Church of England and applied them to the Indonesian context. The research contributes to the development of accounting theory and practice in religious organizations, especially the church in Indonesia (Kambey, 2021).

Lachney conducted a qualitative study based on interviews with five financial administrators or representatives from small to medium-sized churches in Central Louisiana. The study used the COSO model, which consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring, to assess the current practices and effectiveness of the churches' internal control systems. Based on the findings, it also offered recommendations to improve its internal controls (Lachney, 2022). The first finding is that the churches have similar missions but different organizational structures and

committees related to their financial aspects. Most of the churches have a senior pastor, other ministers, and administrative staff. Some churches have a finance committee, a stewardship ministry team, or an investment committee to oversee their finances. One church has no committees and relies on the pastor and ruling elders to make financial decisions. Second, the churches face various risks, such as COVID-19, natural disasters, ageing membership, and financial crises, that could affect their ability to achieve their mission and objectives. Most churches have annual budgets, monthly statements, and emergency funds to ensure long-term financial stability. Some churches have long-term goals, such as paying off debts or building new facilities, and have developed master plans to accomplish them. However, some churches do not have formal risk assessments or contingency plans to deal with potential threats. Third, the churches have different levels of control activities, such as hiring processes, background checks, job rotation, check signing, petty cash, purchasing, and inventory. Some churches have implemented internal controls to safeguard their assets and prevent fraud, such as using online giving, requiring two signatures for checks, keeping blank checks secured, and reconciling bank accounts. However, some churches have weak or no internal controls, such as having one person handle all the cash receipts and expenditures, not using purchase orders, and not verifying employees' work hours. Fourth, the churches have varying degrees of information and communication, such as employee training, personnel manuals, accounting procedures manuals, and ethics and anti-fraud programs. Some churches have written up-to-date manuals and policies to guide their employees and volunteers. Some of the churches also provide training on topics such as safe church, hostile work environment, and sexual harassment. However, some churches do not have manuals, policies, or training programs to educate their staff and members. Fifth, the churches have different monitoring methods, such as audits, record keeping, and adapting to changes.

Some churches have regularly completed external financial audits, reviews, or compilations. Some churches also have surprise audits, record retention, and security cameras to monitor their activities. However, some churches do not have any audits, reconciliations, or inventory checks to ensure the accuracy and completeness of their records (Lachney, 2022). Lachney concludes that the churches in the study have varying degrees of internal control systems and anti-fraud activities. He suggests that churches adopt the COSO model as a framework to evaluate and improve their internal controls. Lachney also recommends that churches conduct regular risk assessments, implement practical control activities, communicate and train their staff and members, and monitor their performance and results. He argues that these actions will help the churches to reduce their fraud risk and achieve their mission.

McPhail Cordery (2019) studied the impact and relevance of the theme of accounting and theology in current and future accounting research. They use Orlikowski's (2015) framework of three modes of engagement with new perspectives, phenomenon, perspective and worldview, to categorize and critique the existing and potential studies on accounting and theology. They argue that most of the studies have adopted the first mode, which views theology as a phenomenon that matters for understanding accounting in religious institutions. They call for more studies that adopt the second mode, which views theology as a perspective that shapes reality and offers insights into accounting and economic concepts. They also explore the third and most radical mode, which views theology as a worldview that challenges accounting research's dominant ontological and epistemological assumptions. They draw on Burrell and Morgan's (1979) framework and Deetz's (1996) critique to show how theology as a worldview can open up new possibilities for accounting scholarship. They invite accounting researchers to take theology seriously and engage with it in more fundamental and innovative ways.

As a case study, Njobvu et al. (2020) studied financial accountability and internal controls in religious organizations using Holy Spirit Catholic Parish in Lusaka, Zambia. The research aims to develop a model to help the parish improve its financial management practices and enhance its stewardship. The article reviews the literature on financial accountability, internal control, and stewardship theory and presents the research methodology, a pragmatic mixed-method approach with a cross-sectional case study design. It uses purposive sampling to collect data from 150 respondents using questionnaires and interviews and analyze the data statistically. The findings suggest that the parish needs more effective and efficient internal control systems, policies and guidelines, auditing procedures, and training programs to ensure sound financial accountability.

The research proposes a financial accountability and internal control measure model with four dimensions of internal controls (preventive, detective, authorization, and corrective) and financial accountability as the expected outcome (Njobvu et al., 2020).

Purba & Sitanggang (2022) discuss the application of ISAK 35, also a financial accounting standard for nonprofit entities, at HKBP Gunung Bayu Church, a Protestant Christian church in Indonesia. The authors aim to examine how the church prepares and presents its financial statements based on ISAK 35, which requires disclosing information about assets, liabilities, net assets, revenues, expenses, and cash flows. The research uses qualitative methods, such as literature review, interviews, and observations, to collect and analyze data. The results show that the church's financial statements are not under ISAK 35, as they only report income, spending, and budget realization. The church should have adopted ISAK 35 to provide more comprehensive and detailed financial information to its stakeholders, such as the congregation, the district, the central office, and the public (Purba & Sitanggang, 2022). The research also provides examples of how the church's financial statements should look based on ISAK 35, such as the statement of comprehensive income, the statement of changes in net assets, the statement of financial position, the statement of cash flows, and the notes to the financial statements. Implementing ISAK 35 will improve the accountability and transparency of the church's financial management and performance (Purba & Sitanggang, 2022).

Here is another implementation of ISAK 35, which is an accounting standard for nonprofit entities in Indonesia—the case of the BNKP Church Resort 1 Gunungsitoli, a Protestant church in Nias Island. The article aims to present the church's financial statements in accordance with ISAK 35, which consists of statements of financial position, comprehensive income, changes in net assets, cash flows and notes to financial statements (Purba et al., 2022). The paper also provides the trial balance after closing for July 2021. The research uses primary and secondary data sources, such as interviews, observations, and literature reviews, to collect and analyze the data. The article concludes that the financial statements of the church based on ISAK 35 can help various parties find the church's financial information and assist them in making decisions. However, the article also acknowledges the limitations of the data and the difficulty of implementing ISAK 35 for nonprofit entities that need an accounting background. The research suggests further research on the application of ISAK 35 for other types of nonprofit entities and the comparison of ISAK 35 with other accounting standards (Purba et al., 2022).

Tetteh et al. (2021) explore the practices of accountability and internal control within religious organizations in Ghana. They used a qualitative interpretive approach and interviewed 32 key church officials to understand how they manage their funds and assets. The study analyses the findings using the Resource-based View and Resource Dependence theory. The main findings are that the churches have internal control mechanisms, such as answerability to the congregation, approval of expenditures, segregation of duties, instant cash deposit, supporting expenditure with receipt, and monitoring the finance system. However, some things could be improved in applying these controls, such as lack of transparency, inadequate documentation, weak audit function, and over-reliance on spiritual belief. These weaknesses may undermine the accountability and trustworthiness of the churches and expose them to risks of fraud and mismanagement. Religious entities need to separate accountability and internal control mechanisms from spiritual belief, and there is a need for the physical security of the church assets. Aside from the small sample size, the subjective nature of qualitative data, and the possible bias of the interviewees, there are some directions for future research, such as expanding the scope of the study to other religious organizations and using quantitative methods to complement the qualitative findings (Tetteh et al., 2021).

Another interesting finding about church embezzlement is that it is a white-collar crime involving stealing money or property from a religious organization. The study aims to understand the motives, methods, and consequences of church embezzlement and provide recommendations for preventing and detecting it (Treadwell, 2020). The study uses a qualitative approach and a judgmental sample to analyze 12 church embezzlement cases detected and prosecuted in the United States. The study applies two theoretical frameworks, the fraud triangle and the fraud diamond, which explain the factors influencing individuals to commit fraud. The study finds that church embezzlers are typically trusted insiders with access to church funds and records and exploit the lack of internal controls and oversight in the church. The study also finds that church

embezzlers are motivated by various personal and financial pressures, such as gambling addiction, debt, or lifestyle needs. The study reveals that church embezzlement, such as financial losses, reputational damage, legal consequences, and emotional distress, negatively impacts the church and its members. The study recommends that smaller churches use existing church members with professional finance or accounting credentials as office volunteers. These members should work together in counting, recording, and depositing funds and paying and recording purchases. The study also suggests that church records should not be removed from the church and that funds should only leave the church after multiple committee members prepare a deposit. Finally, the study advises that church memberships should not be afraid of prosecuting embezzlers because there can be no mercy without justice. The study acknowledges the limitations of its sample and method and cautions against generalizing its results (Treadwell, 2020).

Dinanti & Nugraha (2018) examined the implementation of school financial reporting per PSAK No. 45. They focus on the case of kindergarten schools that are members of the KKG Cluster RA Kartini in Purwokerto Utara, Banyumas. The research uses a qualitative method based on participant observation, in-depth interviews, and documentation. They find that the schools that have professional staff with special qualifications in accounting and or finance can present their financial information accurately and by PSAK No. 45. They find that the schools that do not have such staff face difficulties in understanding and applying the accounting terms and concepts, such as assets, liabilities, net assets, depreciation, and cash flows. The article suggests that the schools must improve their financial reporting practices to fulfil their responsibility and transparency to the stakeholders, especially the donors, members, creditors, and the public (Dinanti & Nugraha, 2018).

RESEARCH METHODOLOGY

The type of research that will be used is qualitative with a descriptive approach. Qualitative research is research that describes, compares, and describes data. The research employed documents and the results of interviews and observations and documented them as research objects. In this study, the researcher made a persuasive selection to find informants. The research flow that will be carried out in this research is to identify and analyze the financial reporting recording system at the church, a nonprofit organization engaged in the religious sector, namely in the form of a church or a place of worship.

As a nonprofit organization, service is the main thing in this church, with the intention of not taking or emphasizing profit. The research was started by getting to know about the church in advance as a nonprofit organization engaged in the religious sector. The church is a nonprofit organization that does not prioritize profit or profit, and the church also keeps records of expenses and income. Recording expenses and income is the primary key to the smooth running of the worship process so that it can run well.

In this study, direct observations were made about the financial reporting recording system at the church. It is done directly in the field to obtain accurate and relevant information. The research focuses on the system for recording financial reporting that is implemented because it impacts facilities, infrastructure and religious activities. After observing firsthand how the financial reporting recording system applied to the church, an analysis of the reporting system and, after that, determined the inhibiting factors of the application of the system so that it resulted in less than perfect financial reporting records, which was then drawn a conclusion from the research carried out accompanied by solutions that could be attempted to overcome the problem.

FINDING AND DISCUSSION

The organizational structure is the arrangement between each section, the position that exists in an organization which functions to carry out all operational activities to achieve the same goals. The organizational structure also functions as a separator of activities between members, and the relationship between activities and functions is limited. A good organizational structure is an explanation of who reports to whom so that there is accountability for something that is done.

The function of structure in an organization is responsibility, position, flow of relationships, and job description. The organizational structure contained in the church is as follows:

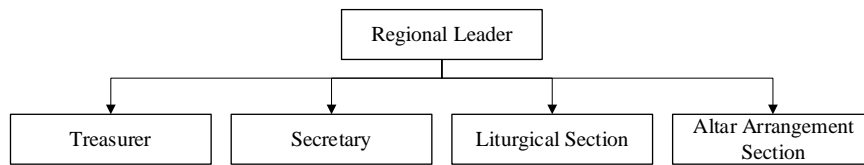


Figure 1 The Church Organization Structure

The following outlines an outline of the work performed by each member of the structure in the company:

1. Regional Leader
 - a. Responsible for all church activities, including accommodation for church needs, expenses, and income.
 - b. Coordinate activities between environments.
 - c. To deliver the results of the Parish Council meeting results to all administrators in the church organizational structure.
 - d. Communicate openly about church income and expenses to all members of the organization.
2. Treasurer
 - a. The church needs accuracy and timeliness to process financial data and information to produce financial reports.
 - b. To save and also spend money for organizational needs in the church.
 - c. To manage evidence of church income and expenditure transactions, such as collection money, stipendium, and spending on goods to support church operations.
 - d. To plan and coordinate the preparation of the church budget and control the use of this budget to ensure the effective and efficient use of funds in supporting church operations.
 - e. To plan and coordinate finance and accounting and control their implementation to ensure that all financial processes and transactions run regularly and reduce financial risk.
 - f. To report about church finances to the stake president every three months.
3. Secretary
 - a. To prepare invitations for meetings and gatherings.
 - b. To prepare meeting and meeting facilities.
 - c. To record all church finances on a computerized basis.
 - d. To set up meeting attendance and take minutes of every meeting.
 - e. To prepare letters and documents relating to the church.
4. Liturgical Section
 - a. To develop a work plan.
 - b. To compile a budget regarding liturgical activities in the church.
 - c. To seek cooperation with other sections, especially the altar section.
 - d. To be responsible for all activities and budgets in writing to the regional leader after each activity.
5. Altar Arrangement Section
 - a. To prepare all the necessities for the altar layout.
 - b. To be responsible for decorating and arranging the altar table for worship.
 - c. To show notes on the issuance of the altar layout.

Informant Profiles

Informants are the key parties and can provide helpful information for research. The interview is used in this study to collect data from appropriate sources. There are three informants from the church to obtain all information relating to financial reporting records at the church. These informants were chosen because they could provide all information related to research.

The informant profile is used as a resource in the research to find out the informant's background. Informant profiles include names and positions held in the church. The selected informant profiles are as follows:

Mr. ABS is the regional head of the church. He is responsible for all church activities, including the accommodation needed by the church, whether from church income or expenses. He also reports church income and expenses to all sections after he gets information from the treasurer about church finances. He is in charge of coordinating all activities that will be held at the church, such as Easter celebrations and Christmas. In addition, He is responsible for meetings

with regional leaders from other churches and then informing the meeting results of all church organizational structures. Under the details of the profile and duties, he, as the regional leader, is directly related to the financial reporting records of income and expenses in the church so that he knows precisely every problem.

Mr YFR is the church treasurer. His task is to process financial data and information to produce a timely and accurate financial report that the church needs. As treasurer, he has the authority to save and spend money for organizational needs in the church. All church income and expenses are recorded; after that, he reports them to the district leader every three months. In accordance with the detailed profile and duties, he deals directly with financial reporting records of income and expenses in the church.

Sr. TAEP is the church secretary. The sister's job was to do all the computerized re-records of the church's income and expenses. Includes all budgets that will be used in the church. Following the details of the duties, her duties are directly related to the financial reporting records of the church.

The church is a nonprofit organization that operates in places of worship, which means that their opinion comes from collection money and voluntary donations from donors. For this reason, it is necessary to know what kind of financial reporting is carried out by the church to give donors and members confidence. The church organization has been recording financial statements quite well in this research, but it is still ineffective. They needed to follow PSAK No. 45 thoroughly and did it manually (still using a typewriter). So that there was potential for errors and fraud.

Discussions

Financial reporting is a collection of all aspects relating to providing and delivering financial information. Financial reporting contains financial reports and other ways of conveying or communicating all related information, either directly or indirectly. Nonprofit entities themselves also have standardized implementation of financial reporting contained in PSAK No.45.

The primary purpose of PSAK No.45 is to provide all relevant information for donors, members of the organization, and other parties who provide resources. Therefore, with the application of PSAK No.45 reporting, it is expected that all financial reporting for nonprofit entities needs to be clear and effective (Andarsari, 2016). The church is the only one in the middle of a particular residential area. The church was established due to residents' requests to have adequate worship facilities. The church began construction on June 24, 1990, and lasted for ten years. Finally, on December 25, 2000, this church was officially established and started as a place of worship for Christians.

The church records financial reporting per the application of PSAK No.45. The treasurer and secretary are responsible for the financial reporting. As the church is a nonprofit entity that does not make sales to get income, the church also gets income for the church's treasury through collecting money and donations from the congregation. The money collected once a week and the donation money that comes is still being determined. The treasurer calculates and records the financial statements, which are then given to the secretary to re-record by computer. It is done for three months, and then the results of the recording of the financial statements of the treasurer and secretary are reported to the regional chairman, the person with an interest in knowing the results and data of these financial statements in the church.

Based on the explanation from the informant regarding the financial reporting that occurred the financial reporting applied to the church can be described as follows:

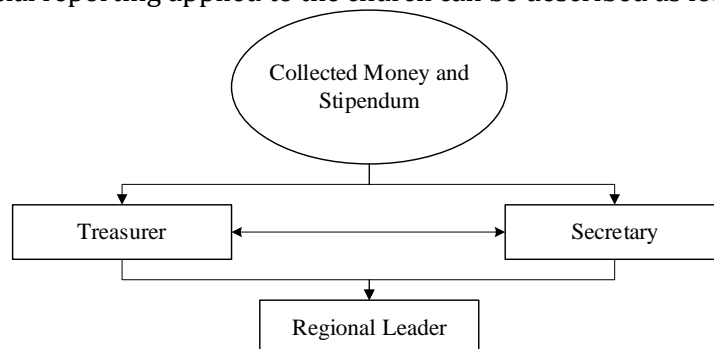


Figure 2 Financial Reporting Flowchart

Compliance is a form of human obedience to a predetermined rule or obeying orders and rules. Compliance is defined as a character of obedience or obedience to something that has been implemented or regulated. In this regard, a treasurer is obedient to conduct annual church financial reports on time and under PSAK No.45 for nonprofit entities established in Indonesia. PSAK No. 45 for nonprofit entities includes activity reports, cash flow statements, statements of financial position at the end of the reporting period, and notes to financial statements. Statement of Financial Position can be referred to as a balance sheet in the financial statements of for-profit organizations. This financial report is part of the financial statements of an entity or organization produced in an accounting period that provides information about the size of the institution's assets and the source of income for these assets at a certain point. The activity report covers the nonprofit entity and presents changes in net assets over a period. Changes in net assets in the activity report are reflected in net assets or equity in financial position and contain the amount of revenue and costs in one budget period.

The cash flow statement must show cash inflows and outflows at one time. The primary purpose of a cash flow statement is to present information about cash receipts and payments during a period. This period will be used in the activity report. Notes to financial statements are part of the financial statements containing detailed descriptions or accounts in the financial statements. Nonprofit organizations use the accrual basis of accounting to recognize revenues and expenses. These notes function so that readers can know all the necessary information. Based on the explanation of a compliance theory and the elements of a nonprofit organization's financial statement based on PSAK No. 45, with regard to compliance, each entity must perform financial reporting per the requirements established for each entity. From this statement, the church is one of the nonprofit entities, and it should apply financial reporting by PSAK No.45. After conducting research and interviews, the interviewees said they were following PSAK No.45.

The financial report above can be assessed as excellent, with a recording of incoming and outgoing funds, and the report is reported to the competent authorities promptly. The church financial report form mentioned above was prepared by already covering the three reports that exist in PSAK No. 45, namely the statement of financial position, where the financial position of the church can be seen from the report. In this activity report, the report describes events or activities that affect assets or financial reports. The third is a cash flow statement, where the available reports can determine the cash flow in and out of the church. The financial statements above can also be handy for church congregations, whose majority do not understand financial reporting standards for nonprofit entities. According to the three sources, the recording of financial statements at the church is per PSAK No.45. However, based on the above evidence, the financial statements are only recorded globally, namely by recording cash inflows and outflows. It differs from the very detailed standard PSAK No.45, which includes statements of financial position, activity reports, cash flow reports and notes to financial statements.

The church is one of the nonprofit organizations classified as a nonprofit organization in the middle scale because it is still relatively small in the number of congregations. It also impacts the church's cash, so the financial statements that are made are still on a simple scale. However, even though preparing financial statements is still relatively simple, it does not allow obstacles to occur in preparing these financial statements.

Based on the results of observations in this study, which have been carried out, the obstacles in the financial report preparation process were minor. One of these obstacles is the lack of church facilities to support the preparation of financial reports, such as data collection that still uses previous typewriters, so sometimes it makes reading difficult, which also impacts the length of the financial report preparation process. A solution that can be run by the church from the obstacles that occur is adding supporting facilities in the compilation of financial statements so that the process of compiling financial statements can run effectively and efficiently. In addition, this solution will minimize the impact of obstacles in compiling these financial statements, namely that there are errors in making and reading the financial statements produced by the church.

CONCLUSION AND FURTHER RESEARCH

Church is one type of nonprofit organization with standards on recording financial reporting. In carrying out good financial reporting records and under PSAK No.45, the recording of financial reporting in the church is required by the existence of a cash flow statement, a report

on financial position, a report on activities, and notes on financial statements. The purpose of this research is to find out how financial reporting is applied at the church. This research is a qualitative descriptive study in the form of a case study on the church.

Based on the research that researchers have done on implementing financial reporting based on PSAK No.45 at the church, it can be concluded as follows. The implementation of financial reporting to the church has just now been computerized. It is good because the recording of the financial statements has a very detailed flow of funds in and out of it, and the financial reports are reported promptly to the competent authority. The financial reports are also handy for church congregations, most of whom do not understand financial reporting standards for nonprofit entities. However, the implementation of financial statements to the church cannot be said to be entirely by PSAK No.45. They have not done in detail which is following PSAK No.45, which includes cash flow reports, financial position reports, activity reports as well as notes on financial statements.

Per the discussion results on the conclusions obtained, the researchers also provide suggestions that might be useful for the church. There are several suggestions for the church. The church needs to increase accuracy further in the implementation of financial reporting. The treasurer is expected to understand better what kind of financial statement application to nonprofit entities under PSAK No. 45.

The limitation of this study is the limited time spent conducting the interview process. The three interviewees are busy, making it very difficult to meet to conduct interviews. There are some future research agendas based on the research limitations described previously. There should be more supporting theories, and it is advisable to research more specific similar entities such as purity or seminary. Future researchers should conduct detailed interviews to get good information and also add the number of informants to make the information accurate.

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