



Socialization of the Implementation of ISAK 335 in Orphanages in Medan City

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ABSTRACT

The purpose of this service is so that every orphanage in Indonesia, especially in Medan City, can implement ISAK 335 in preparing its financial reports, so that large donors can trust the money they donate to the orphanage. The method used in this socialization is by interviewing first, then conducting socialization of accounting records to financial reporting in accordance with the provisions in force in Indonesia. The place of this socialization was carried out at the Full Hope Orphanage located on Jl. Pembangunan, Beringin, Medan Selayang District, Medan City. And the Pelita Harapan Orphanage located on Jalan Piala, No. 21A Sei Putih Tengah, Medan Petisah. The implementation time was December 8-9, 2024. The result of this socialization was that the orphanage owners felt awkward because so far they did not know that there were special financial reporting standards for orphanages, because they only recorded their finances in the form of cash receipts and cash disbursements, and even then it was done on the notice board at the orphanage. The result of this service was that the two orphanages only recorded their finances in the form of cash inflows and cash outflows, without following the applicable standards.

KEYWORDS Socialization; Financial Report; ISAK 335

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INTRODUCTION

Many abandoned children today, can be seen at red lights, they beg from two-wheeled or four-wheeled drivers, this makes the level of safety of these children a problem, and so will the level of education also be a problem, and it can be predicted in the next 10 years what will these children become? And in general when the government does not pay attention to them, it can become a problem in the future, they will become a social disease such as the many muggers or thieves in order to meet their daily needs. Orphanages are one of the things that can accommodate these children for the sake of the child's future, but many orphanages suddenly

appear as heroes who are late in helping these children, even though their goal is only to take advantage of these children in receiving funds from the community, but there are also managers who really manage for the future of the child, but the owner of the orphanage has a lack of funds in managing the orphanage.

The results of the pre-survey that we conducted to several orphanages in Medan, they still use their financial reporting only using cash in and cash out, and many of them are done on the whiteboard in the orphanage. Meanwhile, according to the rules issued by the IAI (Indonesian Institute of Accountants), every organization that does not seek profit must implement ISAK 335 (Interpretation of Financial Accounting Standards) No. 335. The reason orphanages do not use ISAK 335 is because the donors never ask for an accountability report to the orphanage for the funds provided. The reason the donors do not ask for an accountability report is because the funds provided are relatively small and not repeated and the nature of the donation is social and religious, namely during major religious holidays, family member birthdays, and other events. The reason orphanages have never developed at this time is because one of them is that there are very few permanent donors and the amount of funds provided is relatively small, while the government through the social service is very small so that the development of orphanages is not possible with limited funds. Likewise, the poor management of orphanages is caused by the inadequate management of orphanages because they have never managed an organization and their educational background is generally high school graduates.

The socialization of the implementation of ISAK 335 is expected to help the orphanage in developing the orphanage so that in the future the orphanage will not only handle small children but will also expand to other orphanages such as nursing homes, ODGJ, street children, and others, so that the complaints faced by the community today can be met by the orphanage foundation. ISAK 335 can help donors in managing the finances of orphanages, because with ISAK 335, the financial reports of orphanages can be accounted for to donors, so that ISAK 35 can increase donors in providing funds to orphanages as part of helping the government in improving the welfare of its people, especially the underprivileged.

The results of the pre-survey conducted by the author are supported by research conducted by Abidin & Rahma (2020); Setiadi (2021); Shoimah et al. (2021); Purba et al. (2022); Anjani & Bharata (2022) and Sari et al. (2022) which states that orphanages currently only report their finances as far as cash receipts and cash disbursements, and that is done on a relatively small bulletin board that can be deleted at any time, so that documents during their existence are not completely documented. In addition, there is also research stating that other organizations such as religious organizations also do the same thing, but these religious organizations have made their documentation in books, but the nature is also the same, only the form of cash receipts and disbursements, as done by Lasfita & Muslimin (2020); Purba et al. (2022); Purba et al. (2018); Purba et al. (2021); Butar Butar & Purba (2022); Lengkey et al. (2022); Takndare et al., (2022); and Turangan et al. (2022). Other organizations besides orphanages and religious organizations include LKSA Bina Yatim, Madrasah Ibtidaiyah Sunan Ampel, among others, which are run by Zakiah & Meirini (2022); Simbolon & Purba (2022); Fitriani & Afriady, (2021) and Kwalepa et al., (2022) which revealed that their financial reports only reported cash in and cash out. But there is also research stating that they have complied with the ISAK 335 financial standards in their organization, namely that carried out by Atok et al. (2018) where the research results revealed that the APPEK NTT workshop NGO had complied with the standards applicable in Indonesia, namely ISAK 335.

In the socialization activities that have been carried out, the formulation of the problem is that basically even though the majority of orphanages in North Sumatra, there are still some

that have not implemented regulations based on ISAK 335 in implementing financial reporting standards. Now, the reports that are prepared contain information related to income and expenses that are recorded on the board. So, the series of socialization visits aims to explain how orphanages are able to prepare financial reports according to the established accounting standards, which are the same as ISAK 335. In the future, it aims to increase donors, so that the Full Hope Orphanage gets financial resources to develop this orphanage.

On April 11, 2019, the Financial Accounting Standards Committee of the Indonesian Institute of Accountants approved ISAK 335 (Interpretation of Financial Accounting Standards) which regulates the presentation of financial statements of non-profit companies, and is effective starting this fiscal year. Effective January 2020, the Statement of Financial Accounting Standards 45 Revised 2017 (PSAK 45), which previously applied to non-profit organizations, became effective and is now ISAK 335. There are differences between PSAK 45 and ISAK 335, the fundamental difference is that net assets combine net assets that are permanently restricted and net assets that are temporarily restricted (restricted) That's the classification. Reduces complexity and unlimited net worth. Increased net asset value and better understanding for users of non-profit financial statements provide significant benefits (Diviana et al., 2020).

Based on the provisions of Law No. 16 of 2001 concerning foundations, a foundation is a legal institution that includes assets that are separated or designated for certain purposes for the social sector, for example for humanitarian and religious purposes. Likewise, foundations have administrators, trustees, and supervisors, and it is prohibited to distribute business results to three parties. Foundation managers are obliged to produce written financial reports that describe at least reports on the condition, activities of the foundation and financial reports (Kadek et al., 2022). If receiving assistance from the state, abroad, or other parties more than 500 million or having assets that are not part of the waqf assets of more than 20 billion, it is mandatory to carry out an audit based on Law No. 28 of 2004 concerning amendments to Law No. 16 of 2001. The foundation must make financial reports in accordance with applicable Financial Accounting Standards and the report must/must be reported in the newspaper. The Income Tax Law positions the foundation as one form of body in the tax subject format.

The novelty of this service is, as far as the author's observation has not yet been carried out socialization of the latest ISAK 335 in realizing accountability to donors, because in the contents of ISAK 335, every non-profit organization is required to present 5 financial reports, including 1) comprehensive reporting 2) net asset report 3) financial position report 4) cash flow report and 5) notes to the financial statements. with complete reporting in accordance with applicable accounting standards, it is hoped that organizations in Indonesia, especially in Medan City, can grow and develop in realizing social justice for Indonesia

METHOD

This Community Service Method uses qualitative methods by means of direct interviews with the owners of orphanages, before the interview was conducted, it was first started with a short prayer at the Full Hope and Pelita Harapan Orphanages, followed by playing with the children at the Orphanage to get to know and understand them better. Furthermore, interviews with the orphanage were conducted with the aim of providing an interpretation of the procedures for how the registration and financial reporting methods take place. The next step is to provide an understanding and increase awareness of orphanage managers about ISAK 335 similar to financial reports that comply with standards. On December 8-9, 2024, this socialization activity was carried out for two days at the Full Hope Orphanage located on Jl. Pembangunan, Beringin, Medan Selayang District, Medan City. The achievement of the

socialization activity was then measured by acceptance of the owner of the financial information system to comply with regulations. As well as the Pelita Harapan located on Jalan Piala, No. 21A Sei Putih Medan Petisah. The effectiveness of this socialization was measured by the approval orphanage owner to the financial reporting accordance with applicable regulations.



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The equipment we used were stationery, projectors, and laptops. After conducting socialization activities, we donated daily necessities to the orphanage as part of our social participation. In the last session, we had the opportunity to take pictures with the owner of the orphanage and the children who were cared for in the orphanage to document the activities we had done and capture the moment.

RESULT AND DISCUSSION

In Figure 1, we explain to the orphanage owner how to prepare financial reports in accordance with ISAK 335, and we also explain the benefits of preparing financial reports. The benefits of preparing financial reports for orphanages are so that external parties or donors can trust the orphanage for the funds given to the orphanage. With financial reports that comply with applicable standards, it is hoped that donors can donate their funds sustainably, so that orphanages can develop into other orphanages, such as nursing homes, orphanages, and others. Initially, the management of the orphanages (Pelita Harapan Orphanage and Penuh Pengharapan Orphanage) were still confused about how to do it so that the orphanage could prepare financial reports in accordance with ISAK 335. So we conducted socialization starting from recording transactions to financial reporting with the help of the Microsoft Excel application to facilitate recording and reporting.



Figure 1. Explains the preparation of financial reports in accordance with ISAK 335 for orphanage administrators.

we researchers conducted a Q&A with the owner of the orphanage. The questions we asked included: (1) when was the orphanage established and what was the motivation for establishing the orphanage. (2) the number of children being cared for and where did they get the children from? (3) what is the funding system, are there regular donors and is there any assistance from the government? (4) do the donors who donate their funds ask for financial reports as a form of accountability? (5) are there donors who provide fixed assets? (6) what form of financial reporting is currently being carried out by the orphanage, is it in accordance with ISAK 335? (7) what are the obstacles faced by the orphanage in recording financial reports? (8) what are the next programs that will be carried out by the orphanage management?



In Figure 2,

Figure 2. Interview activities with the management of the Yayasan Penuh Pengharapan Orphanage and the Pelita Harapan Orphanage

After we conducted a short service and interviewed and conducted outreach to the orphanage owners, we provided social assistance to the two orphanages in the form of daily necessities, after which we took a group photo with the participating orphanages and the orphanage children.



Figure 3. Group photo with the children from the orphanage participating in the orphanage owner before we went home.

Figure 3 Group photo that we took with the orphanage children and the owner of the orphanage as a form of documentation of our community service. The structure of financial reports, especially for non-profit organizations in accordance with ISAK 35, must present the following financial reports:

1. Comprehensive model report

Table 1 is an example of a comprehensive model report that should be made by the orphanage in preparing financial reports in accordance with ISAK 335, because so far the orphanage has only made cash in and cash out, and even then it is made on the notice board.

2. Report on Changes in Net Assets

In table 2 we make an example of how the financial reporting model is from the perspective of changes in net assets in accordance with ISAK 335 which contains net assets without restrictions given by donors and reports net assets with restrictions given by donors.

3. Financial Position Report

In table 3 we provide an example of how to prepare a financial position report (or balance sheet) that must be made by an orphanage in accordance with accounting standards, namely ISAK 335, which must report assets, liabilities and net assets as a form of accountability of the orphanage to donors.

4. Cash Flow Report

In table 4 we provide an example of a cash flow reporting model that must be carried out by an orphanage in reporting its cash flow in accordance with the ISAK 335 standard, where the orphanage must report 3 activities, namely operational activities, investment activities and financing activities as an evaluation to the orphanage and also to donors.

Orphanages must prepare their financial reports as their accountability to donors and must comply with the current accounting standards, namely the ISAK 335 accounting standards, but the problem is that orphanage owners do not understand how to make financial reports in accordance with applicable standards because their basic education is not accounting, so it is very difficult to apply it. If looking for new employees, especially accounting graduates, it is very difficult in terms of funding, so the current reporting model is only a very simple model, namely recording incoming and outgoing cash and a list of donations that provide donations to the orphanage. This is in line with the dedication made by Hargen et al. (2022); Purba, Sihombing, et al. (2023) which was done at the orphanage. Not only the church, the Ubudiyah Aulawiyah PTPN II Mosque, the Al-Ikhlas Mosque, and the Shalatul Falah Mosque Mursidah et al. (2023); Diviana et al. (2020); (Ula et al., 2021) They still do simple recording, namely only recording income and expenses. However, research findings by (Atok et al., 2018) in 2018 stated that the NGO Bengkel APPEK NTT had implemented ISAK 335 in its financial reports. As a result, the orphanage was motivated to improve its quality by preparing financial reports in accordance with applicable accounting standards, especially by implementing the principles of ISAK 335. It is hoped that this will attract support from new donors. In 2018 stated that the NGO Bengkel APPEK NTT had implemented ISAK 335 in its financial reports. As a result, the orphanage was motivated to improve its quality by preparing financial reports in accordance with applicable accounting standards, especially by implementing the principles of ISAK 335. It is hoped that this will attract support from new donors.

The socialization activities that we carried out at the orphanage experienced obstacles, including the orphanage did not have an accounting education background, so it was very difficult to do socialization only once, so it was hoped that socialization could be carried out many times until the orphanage could apply accounting records to financial reporting in accordance with ISAK 335, after we conducted interviews and socialization, the orphanage was very interested in our explanation, because the orphanage wanted to develop with other orphanages, but had difficulty in funding, because the donors were still in the form of individuals. It is hoped that in the future the donors will come from large companies, so that the funds donated are relatively large, thus the orphanage can develop according to its ideals in helping the underprivileged. So to be able to realize it, the orphanage must be able to carry out financial reporting in accordance with applicable standards, so that the donors can trust the reports presented by the orphanage. If donors believe in the financial reports from the orphanage, it is hoped that donors can develop not only from Indonesia, but can also get

donors from abroad, so that the orphanage can develop not only in Medan but can establish orphanages in other cities that are in great need of assistance for the underprivileged.

CONCLUSION

The results of the socialization that we conducted at the Pelita Harapan and Penuh Pengharapan orphanages were that these orphanages still recorded their accounting by writing on the bulletin board, namely cash in and cash out, and recording in the guest book, a list of people who visited the orphanage. After we conducted interviews and socialization, we encountered obstacles because the orphanage did not have an educational background in accounting, so it was very difficult to apply accounting recording and reporting in accordance with the current accounting standards, namely ISAK 335. After we explained what the benefits were for the orphanage if they recorded and reported their accounting in accordance with ISAK 335, they said that this socialization should not only be done once, but should be done many times so that they could learn how to record and make financial reports in accordance with the standards that have been determined. The interest from the orphanage made us excited to conduct socialization to other orphanages, because on average they cannot prepare financial reports according to applicable standards, so that if you look at the orphanages that have been established, none have developed by creating other orphanages, this is because the donors are the same, so that developing other orphanages is very difficult due to limited funds. So in the future we will create a socialization program in the form of a soft copy of Microsoft Excel so that the orphanages can apply it easily because we have created an automatic format in the software. With the soft copy, it is hoped that the orphanage can develop into other orphanage units, such as OJG or nursing homes or others.

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