

### Implementation of ISAK NO.35 on Non-Profit Organizations as an Evaluation of the Financial Report of the Indonesian Red Cross (PMI) of Medan City: Auditability, Transparency and Performance

Nisa Azzahra<sup>1</sup>, Hendra Harmain<sup>2</sup>, Laylan Syafina<sup>3</sup>

<sup>123</sup>Sharia Accounting, Universitas Islam Negeri Sumatera Utara

[nisa.zzhra123@gmail.com](mailto:nisa.zzhra123@gmail.com), [hendra.harmain@uinsu.ac.id](mailto:hendra.harmain@uinsu.ac.id), [laylansyafina@uinsu.ac.id](mailto:laylansyafina@uinsu.ac.id)

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*ISAK NO.35, financial reporting, auditability, transparency and performance*

#### Abstract

*This study investigates the implementation of ISAK No. 35 in the financial reporting of UDD PMI Medan City, focusing on auditability, transparency, and performance. The study was conducted at UDD PMI Medan City located in East Medan, Medan, due to its important role in the metropolitan area. Data were collected through in-depth interviews with key personnel and documentation of financial activities. The study found that the implementation of ISAK No. 35 improves the transparency and accountability of financial statements, which include the statement of financial position, statement of comprehensive income, changes in net assets, statement of cash flows, and notes to the financial statements. Compliance with ISAK No. 35 ensures that financial reporting provides a clear and accurate picture of the financial health and performance of UDD PMI Medan City, increasing public trust and facilitating better financial management and decision making. The results of the study indicate that the financial statements of UDD PMI Medan City are in accordance with ISAK No. 35, which significantly contributes to improving financial transparency and accountability.*

#### INTRODUCTION

Organizations can be understood as a place for many people to gather to achieve certain goals. Therefore, organizations become an inseparable part of community life. There are many types of organizations in Indonesia, one of which is a non-profit organization. Non-profit organizations are organizations that do not prioritize income or profit when carrying out their activities. This organization aims to prioritize the interests of the general public.(Solin et al., 2023). This non-profit organization was formed by a group of people based on social values that live in society, and supported by concern for

the fate of fellow human beings in the social, political, cultural, educational and health fields. Non-profit organizations are also the spearhead of social change, through changes from personal interests to public interests.(Goddard, 2021).

Organizations that are established without expecting profit or commonly called non-profit organizations also have financial reports. Transparency and accountability of non-profit organization financial reports are very important for users. This is needed to assess the performance of the organization and resource providers can ensure whether the resources provided are used properly. The financial reports of non-profit organizations are certainly different from the financial reports of business organizations in general.(Rizky, 2020).

Non-Governmental Organizations (NGOs) are private or private organizations that in their activities receive financial support or donors from donors or even the government with the aim of planning, studying and implementing various programs and projects with the goals of the organization. The Indonesian Red Cross (PMI) is one of the largest NGOs in Indonesia because almost all regions of this non-profit organization exist. PMI's actions as a Non-Governmental Organization are involved in accounting in managing funding sources for disaster operations(Dewi, 2021). PMI funding is obtained from various funding sources, both funds obtained from donations given by the community, government grants, or aid funds from the private sector. The amount of grant funds obtained from the government requires managers to make an accountability report as proof of the implementation of the work program carried out.(Darmawan Ervanto, 2020). In the realm of accounting, the implementation of ISAK No. 35 is an important role for NGOs in accounting practices to see the performance and potential of NGOs. NGOs in presenting financial reports can use ISAK 35 to carry out accountability to the public, especially the government.(Rustendi, 2019). Accountability of non-profit organization resource management can be seen from the performance factor in implementing, completing, and evaluating a program.(Rogers et al., 2019). In addition, accountability of NGO management can be achieved when the implementation of good corporate governance is effective and efficient.(Image & Image, nd).

According to(Financial Accounting Standards Board, 2018)Non-profit organizations get their resources from donations from partisans. The donors do not expect any profit from developing this organization.(Rezeki et al., 2023). Non-profit organizations since 1997 have been regulated by Financial Accounting Standards Statement (PSAK) No. 45 Concerning Financial Reporting of Non-Profit Organizations(IAI, 2012). However, on April 11, 2019, PSAK 45 was replaced by the issuance of Interpretation of Financial Accounting Standards (ISAK) 35 Concerning Presentation of Financial Statements of Non-Profit Oriented Entities, effective for the fiscal year period starting on January 1, 2020.(IAI, 2019). The birth of ISAK NO. 35 requires non-profit organizations to prepare financial reports and report to users of financial reports both from internal and external parties. For internal parties, the purpose of financial reporting is to find out the financial condition of the organization, while for external parties, the aim is to find out whether the available funds have been used properly and are attached to the organization's financial report.(Kwalepa et al., 2022). In fact, financial reports are a form of accountability of non-profit organizations to donors for receiving funds and distributing funds. In addition, the implementation of ISAK No. 35

has an impact on the performance of non-profit entities. This is because resource providers are satisfied with the performance of non-profit entities as reflected in the financial reports presented, thus increasing the trust of resource providers in the entity. In turn, this has implications for increasing the receipt of funds to be distributed to those in need.(Subaeda & Rosyada, 2023).

In general, an examination or audit is a comparison between conditions and criteria. The conditions referred to here are the existing reality or the actual state attached to the object being examined. While the criteria are a benchmark, namely what should happen.(Puron-Cid et al., 2019). The inspection is carried out in order to control an activity carried out by the UDD PMI Medan City. Therefore, the inspection is part of supervision while supervision is part of control. Supervision will produce findings that require follow-up. If all the follow-ups are carried out, then the entire work is control(Puron-Cid et al., 2019). The role of auditability here can measure the conformity of the financial report of UDD PMI Medan City with ISAK 35. The condition of the financial report in accordance with ISAK 35 can provide good performance at UDD PMI Medan City. If the audit is carried out routinely, the performance and transparency in UDD PMI Medan City can continue to be improved for the better.

Transparency means an organization's openness in providing information about public resource management activities to parties who need information.(Lestary & Muniroh, 2023). Transparency aims to build mutual trust between an organization and the public by providing information and making it easy to obtain accurate and relevant information. Transparency refers to the principles of creating an environment where all participants can access information about conditions, decisions, and actions. The principle of transparency refers to providing information in content that can be easily understood by those affected by the implementation of a decision, then the information is provided directly and can be freely accessed by the recipient of the information.(Lestary & Muniroh, 2023). Transparency can be useful for loading past data to see the development of the performance of the Medan City PMI UDD.

Performance is the achievement of what is planned, both by individuals and organizations. If the achievement is in accordance with what is planned, then the performance carried out is carried out well. If the achievement exceeds what is planned, it can be said that the performance is very good. If the achievement is not in accordance with what is planned or is less than what is planned, then the performance is poor.(Harahap & Nasution, 2019). Financial performance is a measure of performance that uses financial indicators. Financial performance analysis is basically carried out to assess past performance by conducting various analyses so that a financial position is obtained that represents the reality of the entity and the potential for performance that will continue.(Harmain et al., 2020).

Several previous studies have reviewed the implementation of ISAK NO.35 in non-profit organizations. Among them,(Dwi Krismontiyah et al., 2021)found that the financial report of the Baitul Makmur Situbondo Mosque was not in accordance with ISAK No. 35 and the preparation of financial reports at the local level was still very simple. There has been no research that has explored in depth how to implement ISAK No. 35 in larger and more structured non-profit organizations, such as PMI Medan City, especially in terms of improving the quality of financial reporting and financial management. Also in the study(Rizky, 2020), only focused on the quantitative analysis of the implementation of PSAK No. 45 at the Blood Donor Unit of the Indonesian Red

Cross (PMI) of Medan City, but did not explore in depth the qualitative impact of the implementation of ISAK No. 35 on transparency and accountability. There is no study that uses a qualitative approach to understand the experiences, perceptions, and challenges faced by non-profit organizations such as the UDD PMI of Medan City in implementing ISAK No. 35. And in the study (Solin et al., 2023) analyze the transparency and accountability of financial reports of non-profit organizations, but do not evaluate their impact on public and donor trust. There is a lack of empirical research measuring the impact of implementing ISAK No. 35 on public and donor trust in non-profit organizations such as PMI. (Ansari et al., 2023) examined the implementation of ISAK No. 35 in orphanages, but did not evaluate how the implementation of this standard affects organizational performance from a financial and non-financial perspective. There is still a lack of research on the effect of the implementation of ISAK No. 35 on the overall performance of non-profit organizations, both from a financial and operational perspective. (Kwalepa et al., 2022) also investigated the readiness of implementing non-profit organization financial statements based on ISAK No. 35, but did not discuss the effectiveness of implementing this standard in management decision making and fund management. There has been no in-depth study on how the implementation of ISAK No. 35 effectively supports fund management and strategic decisions in large non-profit organizations such as PMI.

UDD PMI is a neutral and independent social humanitarian institution, which was established with the aim of helping to alleviate the suffering of fellow human beings due to disasters, both natural disasters and disasters caused by humans, without distinguishing the background of the victims being helped. This organization plays a role in assisting the government in the social humanitarian field, especially the duties of the Red Cross as required by the provisions of the 1949 Geneva Conventions which have been ratified by the government of the Republic of Indonesia in 1958 through Law Number 59 (www.pmi.or.id). Based on Law of the Republic of Indonesia No. 1 of 2018 concerning the Red Cross, the fifth part concerning funding, article 30 states that funding for UDD PMI can be obtained from non-binding community donations and other legitimate sources of funds in accordance with the provisions of laws and regulations. (Appendix 72, nd). The focus of this study is to determine the suitability of the preparation of the UDD PMI Financial Report of North Sumatra Province with ISAK No. 35. This study uses an in-depth qualitative approach through interviews with key personnel and documentation analysis at UDD PMI Medan City. Different from previous studies that more often focus on small or community-based non-profit organizations, this study provides a new perspective by highlighting how the implementation of ISAK No. 35 affects large-scale non-profit organizations with complex financial structures. Most previous studies have focused on the technical aspects of the implementation of ISAK No. 35, such as the suitability of the financial report format. This study brings novelty by exploring the holistic impact of the implementation of ISAK No. 35 on three main dimensions: transparency, accountability, and organizational performance. This includes an evaluation of how this standard affects the decision-making process, public trust, and fund management.

This study aims to evaluate the effectiveness of the implementation of ISAK No. 35 in the financial reporting of UDD PMI Medan City, with a focus on increasing

transparency, accountability, and organizational performance. This study also wants to identify challenges in the implementation of this new accounting standard and its impact on financial management and public trust. The results of the study obtained from the data from this interview will provide insight into the importance of financial reporting standards for non-profit organizations and how they can support more effective and accurate fund management. The data and interview results obtained by the author came from; Dr. Harry Butar-Butar as the Head of UDD PMI Medan City and Mrs. Maya Syahlina, SE, M.Si as the Head of Accounting and Finance for Medan City. As the main decision maker, the head of UDD PMI provides views on the organization's strategy in implementing ISAK No. 35 and its impact on operational activities and as the person responsible for the preparation of financial statements, this interview reveals technical obstacles, procedures followed, and the results achieved from the implementation of this standard.

The urgent problem in this study is to review the suitability of ISAK 35 in the financial reporting of PMI Medan City and to examine whether financial reports in accordance with ISAK 35 have an impact on auditability, transparency and performance at UDD PMI Medan City.

### RESEARCH METHODS

To achieve the research objectives, this research was conducted with qualitative research. Qualitative research is defined as a research method that focuses on obtaining data through open communication and conversation. The formulation of the problem can be answered by conducting interviews, literature studies and analyzing documents on the opinions of key informants that have been determined. (Dr. Muhammad Hasan 2022).

To answer the problem formulation, this is done by describing the results of interviews and document analysis from key informants and outlining the financial reporting activities of UDD PMI Medan City which are guided by ISAK 35. Thus, this study is suitable for the descriptive qualitative research method.

This research was conducted at UDD PMI Medan City located at Jalan Perintis Kemerdekaan No. 37, Medan Timur District, Medan City. Data collection in this study was conducted by in-depth interviews, documentation (Hermawan & Wiwit Hariyanto, 2022). In-depth interviews were conducted with the Head of UDD PMI Medan City and the Head of Accounting and Finance. The in-depth interview aims to find data and understand the financial activities carried out so far and describe the form of analysis of UDD PMI Medan City activities.

The data from the informant will be supported by documentation data on the activities that have been made and also the efforts of the UDD PMI Medan City to continue to improve organizational performance. Documentation is done by searching for data on financial activity files carried out, financial documents and financial reports, and other supporting documents. Documentation is also done by viewing and analyzing various information from the UDD PMI Medan City website, both central, regional and supporting areas as well as information obtained from supporting YouTube channels.

### RESULTS AND DISCUSSION

#### **Financial Report Management Activities of UDD PMI Medan City**

UDD PMI Medan City follows the Financial Accounting Standards (SAK) for Entities Without Public Accountability (ETAP) which applies to non-profit organizations in Indonesia. SAK ETAP is a guideline issued by the Indonesian Institute of Accountants (IAI) for entities that do not have an obligation to publish financial reports to the public.(Ansari et al., 2023).

In the results of an interview with the Head of Accounting & Finance of the UDD PMI Medan City, Mrs. Maya Syahlina, SE, M.Si stated that there is a mission from the organization in implementing ISAK NO.35 regarding financial reports:

1. Increasing accountability to management, stakeholders, and the community. By implementing consistent accounting standards, UDD PMI Medan City can ensure that they provide transparent, accurate, and accountable financial reports.
2. Ensure compliance with accounting standards; prepare financial statements with applicable accounting standards, including the principles set out in SAK-ETAP and ISAK NO.35.
3. Improve the quality of Financial Reports by presenting relevant and useful information for stakeholders.
4. Ensure transparency and clarity by preparing reports that provide a clear picture of the financial position and results of activities, as well as how the funds received are used.
5. Manage financial risks by identifying and managing risks that may arise from the management of funds and financial reports.

With this mission, UDD PMI Medan City carries out financial activities to achieve compliance with ISAK NO.35, including:

1. Annual budget: prepare an annual budget that includes all activity plans and estimated income and expenses.
2. Financial planning: creating detailed financial plans, including allocation of funds for various programs and operations.
3. Bookkeeping: recording all financial transactions accurately in a ledger.
4. *Software*accounting: using appropriate accounting software to facilitate recording and reporting (SWIFT ACCOUNTING).
5. Bank Reconciliation: perform regular bank reconciliations to ensure that internal financial records match bank statements.
6. Cash control: managing cash carefully, ensuring there are control procedures in place to prevent misuse.
7. Report preparation: prepare financial reports such as balance sheets, activity reports, and cash flow reports. These reports must be prepared following the format in accordance with SAK-ETAP and ISAK NO.35 guidelines.
8. External auditor: involves external parties to examine and audit financial reports.
9. Annual report: prepare an annual report that includes financial statements.
10. Transparency: ensuring financial reports and related information are accessible to management and stakeholders to demonstrate accountability and transparency.
11. Staff training: conducting training for staff related to financial management and accounting so that they can understand and apply applicable standards properly.
12. Periodic evaluation: conducting periodic evaluations and reviews of financial procedures and reports to ensure compliance and effectiveness.

### **Compliance with ISAK No. 35 in the Presentation of Financial Reports of UDD**

### PMI Medan City (Transparency)

In accordance with Government Regulation No. 18 of 1980 and the regulation of the Minister of Health of the Republic of Indonesia No. 478/Mankes/Peraturan/X/1990, the Medan City Indonesian Red Cross Blood Donor Unit has a self-financing system in its operations with the unit's duties (Dr. Harry Butar-Butar 2024).

UDD PMI Medan City continues to make improvements related to the accounting system. These improvements are carried out transparently to provide public trust in the management of UDD PMI Medan City by Management (Dr. Harry Butar-Butar 2024).

ISAK (Interpretation of Financial Accounting Standards) No. 35 regulates the presentation of financial statements of non-profit organizations. The application of ISAK No. 35 in the presentation of financial statements of UDD PMI Kota Medan is very important to ensure transparency and accountability which includes financial position statements, comprehensive income statements, net asset change statements, cash flow statements and notes to financial statements (Financial Accounting Standards Board, 2018).

The following are the results of the conformity analysis regarding the application of ISAK No. 35 regarding financial reports of non-profit organizations:

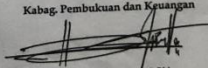
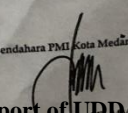
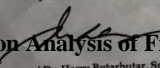
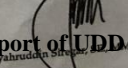
LAPORAN POSISI KEUANGAN Per 31 Desember 2022 dan 2021 (Jumlah dinyatakan dalam Rupiah)		STATEMENTS OF FINANCIAL POSITION As December 31, 2022 and 2021 (The amount is stated in Rupiah)	
	31-Des-2022	Catatan/ Notes	31-Des-2021
<b>ASET</b>			
<b>Aset Lancar</b>			
Kas dan Setara Kas	8.663.370.312	2d, 3	5.720.633.522
Piutang Usaha	3.019.519.000	2e, 4	4.601.141.000
Piutang Hubungan Istimewa	417.451.000	2e, 5	444.803.000
Piutang Pegawai	53.567.900	2e, 6	67.942.900
Piutang Lain-lain	459.669.082	2e, 7	341.934.252
Persediaan	228.110.800	2g, 8	669.137.125
Asuransi	577.427.829	9	577.427.829
<b>Jumlah Aset Lancar</b>	<b>13.419.315.923</b>		<b>12.423.019.628</b>
<b>Aset Lancar</b>		2h, 10	
Aset Tetap	6.353.019.179		6.166.348.934
Harga Perolehan	(3.961.988.917)		(3.736.359.719)
Akumulasi Penyusutan	2.391.030.262		2.429.989.215
Nilai Buku			
<b>JUMLAH ASET</b>	<b>15.810.146.185</b>		<b>14.853.008.943</b>
<b>KEWAJIBAN DAN ASET BERSIH</b>			
<b>Kewajiban</b>			
Utang Usaha	6.837.386.237	2j, 11	7.539.650.682
Utang Hubungan Istimewa	53.102.900	2j, 12	131.446.846
Utang Lain-lain	313.744.910	2j, 13	281.143.004
<b>Jumlah Kewajiban</b>	<b>7.204.233.447</b>		<b>7.952.240.532</b>
<b>ASET BERSIH</b>		14	
Aset Bersih Awal	6.893.440.880		6.445.337.585
Penyesuaian	-		-
Kenaikan/ penurunan aset	1.712.477.949		455.436.795
<b>Jumlah Aset Bersih</b>	<b>8.605.918.829</b>		<b>6.900.774.380</b>
<b>JUMLAH KEWAJIBAN DAN ASET BERSIH</b>	<b>15.810.152.275</b>		<b>14.853.014.911</b>
Lihat catatan atas laporan keuangan yang merupakan bagian tidak terpisahkan dari laporan keuangan secara keseluruhan		See accompanying notes to financial statements which are an integral part of these financial statements	
Disusun oleh : Kabag. Pembukuan dan Keuangan  (Maya Syahlina, SE, M.Si.)		Disetujui Oleh : Bendahara PMI Kota Medan 	
Kepala UDD PMI Kota Medan  (Dr. Harry Butarbutar, Sp. B)		Sahradu 	

Table 1 Classification Analysis of Financial Position Report of UDD PMI Medan City

NO	Classification of Financial Position	Annex	Information
	Picture 1 Financial Position Report of UDD PMI Medan City		

	Report (Balance Sheet)	ate or not appropriate	
1.	<p><b>ISAK NO.35:</b>                      Presented as a collection of assets and liabilities, liquidity information is provided in the following manner:</p> <ol style="list-style-type: none"> <li>1) Presents assets based on liquidity order, and liabilities based on due date.</li> <li>2) Group assets into current and non-current, and liabilities into short-term and long-term.</li> <li>3) Disclose information regarding the liquidity of assets or the maturity of liabilities including restrictions on the use of assets in the notes to the financial statements.</li> </ol>	In accordance	The difference lies in the mention of asset classification. ISAK No. 35 classifies assets into current assets and non-current assets. While UDD PMI Medan City classifies them into current assets and fixed assets. Regarding the type of goods in fixed assets, there is one fixed asset that is not depreciated and its value increases.

Assets are classified into current assets and fixed assets. Current assets consist of cash and cash equivalents, accounts receivable, receivables from related parties, employee receivables, other receivables, inventory, and insurance. For fixed assets, the type of goods is not attached to the financial position report and only the acquisition price and the amount of depreciation are presented. However, the type of goods for fixed assets is explained in the notes to the financial statements. Liabilities are not classified into current and non-current liabilities because there are no non-current liabilities (long-term).

LAPORAN AKTIVITAS  
 Untuk periode yang berakhir pada tanggal 31 Desember 2022 dan 2021  
 (Jumlah dinyatakan dalam Rupiah)

STATEMENTS OF ACTIVITIES  
 For the period ended December 31, 2022 and 2021  
 (The amount is stated in Rupiah)

	31-Des-2022	Catatan / Notes	31-Des-2021	
Pendapatan Tidak Terikat	23.172.959.194	2k, 15,16	20.017.547.469	Revenue Non Restriction
Beban dan Kerugian	21.460.481.211	2l, 17	19.562.110.709	Expenditures and Losses
Perubahan Aset Bersih Tidak Terikat	1.712.477.983		455.436.760	Net Assets Change Non Restriction
Saldo Awal Aset Bersih	6.893.440.880	14	6.445.337.585	Net Asset Initial Balance
Penyesuaian	-		-	Adjustment
Saldo Akhir Aset Bersih	8.605.918.863		6.900.774.345	Net Asset Ending Balance

Lihat catatan atas laporan keuangan yang merupakan bagian tidak terpisahkan dari laporan keuangan secara keseluruhan  
 See accompanying notes to financial statements which are an integral part of these financial statements

Diusun oleh :  
 Kabag. Pembukuan dan Keuangan  
 (Maya Syahlini, SE, M.Si.)

Disetujui Oleh :  
 Kepala UDD PMI Kota Medan  
 (Dr. Harry Butarbutar, Sp. B.)

LAPORAN PERUBAHAN ASET BERSIH  
 Untuk periode yang berakhir pada tanggal 31 Desember 2022 dan 2021  
 (Jumlah dinyatakan dalam Rupiah)

STATEMENTS OF CHANGES IN NET ASSETS  
 For the period ended December 31, 2022 and 2021  
 (The amount is stated in Rupiah)

	31-Des-2022	Catatan / Notes	31-Des-2021	
Aset Bersih Terikat Temporer	-	14	-	Temporary Restriction Net Assets
Aset Bersih Terikat Permanen	-	14	-	Permanent Restriction Net Assets
Aset Bersih Tidak Terikat Awal	-	14	(25.398.736)	Beginning Non Restriction Net Assets
Penyesuaian	6.893.440.880		5.186.318.434	Adjustment
Saldo Awal Aset Bersih	6.893.440.880		5.160.919.696	Beginning of Net Assets
Jumlah Aset Bersih	6.893.440.880		5.160.919.696	Total Net Assets
Aset Bersih Tidak Terikat Periode Berjalan	14		14	Non Restriction Net Assets Current Period
Pendapatan Tidak Terikat	23.172.959.194		20.017.547.469	Revenue Non Restriction
Beban dan Kerugian	(21.460.481.211)		(19.562.110.709)	Expenses and Losses
Kemungkinan (Penurunan) Jumlah Aset Bersih Tidak Terikat	1.712.477.983		455.436.760	Increase (Decrease) in Total Non Restriction Net Assets
Aset Bersih Akhir	8.605.918.863	14	5.616.356.457	Net Assets at the Ending

Lihat catatan atas laporan keuangan yang merupakan bagian tidak terpisahkan dari laporan keuangan secara keseluruhan  
 See accompanying notes to financial statements which are an integral part of these financial statements

Diusun oleh :  
 Kabag. Pembukuan dan Keuangan  
 (Maya Syahlini, SE, M.Si.)

Disetujui Oleh :  
 Kepala UDD PMI Kota Medan  
 (Dr. Harry Butarbutar, Sp. B.)

Table 2 Classification of Activity Reports and Net Asset Change Reports of UDD PMI Medan City

Picture 4 PMI UDD Activity Report for Medan City

Picture 3 Report on Changes in Net Assets of UDD PMI Medan City



as increases to unrestricted net assets, unless their use is restricted by the donor, and presents expenses as decreases to unrestricted net assets. Contributions are presented as increases to unrestricted net assets, permanently restricted, or temporarily restricted, depending on whether or not there are restrictions. In the case of restricted contributions whose restrictions no longer apply in the same period, unrestricted contributions may be presented as long as they are presented consistently and disclosed as an accounting policy. The statement of activities presents gains and losses from investments and other assets (or liabilities) as increases or decreases to unrestricted net assets. Unless their use is restricted.

classification of changes in unrestricted net assets.

The activity report presents:

- 1) The activity report presents the amount of unrestricted income as well as expenses and losses in a period that affect changes in the amount of net assets.
- 2) Unrestricted income as an addition to net assets. This activity report only presents unrestricted income accounts and does not present what types of income are included in it but are explained in the notes to the financial statements.
- 3) Expenses and losses as a reduction in net assets. The activity report does not present any expenses and losses but is presented in the notes to the financial statements.

Table3 Classification Analysis of Cash Flow Report of UDD PMI Medan City

**NO Classification of Cash Flow Statements Appropriate or not appropriate Information**

**1. ISAK NO.35:**

In accordance

The cash flow report is presented in accordance with PSAK NO.2 concerning cash flow reports with the following additions:

1) Funding Activities

- a. Cash receipts from donors whose use is restricted for the long term.
- b. Cash receipts from donations and investment income whose use is restricted to the acquisition, construction and maintenance of fixed assets, or the increase of endowment funds.
- c. Interest and dividends are restricted to long-term use.

Disclosure of information regarding non-cash investment and financing activities; donations in the form of buildings or investment activities.

Based on the activities of UDD PMI Medan City. The cash flow report presents:

1. Cash flows from operating activities include:
  - 1) Cash inflows consist of depreciation expenses, employee receivables, trade payables and other payables.
  - 2) Cash outflows consist of trade receivables, receivables from special relationships, other receivables, inventory, insurance, and payables from special relationships.
  - 3) Cash flows from investing activities include cash outflows from fixed assets.

Cash flows from financing activities include cash outflows from the correction of initial net assets.

**Table 4** Classification Analysis of Notes to the Financial Report of UDD PMI Medan City

NO	Classification of Notes to Financial Statements	Appropriate or not appropriate	Information
1.	<b>ISAK NO.35:</b> Notes to the financial statements include explanations of revenue sources, program expenses, and administration. In addition, information on commitments and transactions with related parties, as well as explanations of the main programs being run.	In accordance	Unrestricted loss expense is reported in the notes to the financial statements.

Notes to the financial statements present: General explanation, accounting policies, information on cash and cash equivalents on hand and cash in the bank, information on

accounts receivable to BPPD Hospital, receivables from related parties, employee receivables, other receivables, inventory, insurance, fixed assets, debt, revenue, and unrestricted loss expenses.

The process of preparing financial statements has followed all guidelines and provisions set out by ISAK No. 35. This includes the application of significant accounting policies consistently. Every entity, including non-profit organizations, has an obligation to record and report the results of its activities in order to evaluate performance during a certain period. For non-profit organizations such as UDD PMI Kota Medan, which receive resources from donations or donors, maintaining the trust of resource providers is very important. Financial statements are prepared transparently and accurately, covering all organizational activities, including financial information.

Transactions that occur at the UDD PMI Medan City include cash receipts and expenditures originating from various sources such as in the author's interview with Dr. Harry Butar-Butar, Sp. B as the Head of UDD PMI Medan City stated that UDD PMI only relies on Blood Processing Replacement Costs (BPPD) which is assistance from the community who need blood components and UDD PMI does not receive routine assistance from the government. Expenditures are used to support operations, purchase of medical equipment, and community services.

All transactions conducted by UDD PMI Kota Medan are recorded systematically and arranged in accordance with Interpretation of Financial Accounting Standards (ISAK) No. 35. By following the guidance of ISAK No. 35, financial reports become more detailed and provide a clear picture of the financial position, performance, and cash flow of the organization. The financial report of UDD PMI Kota Medan consists of several main components:

1. Statement of Financial Position, which presents detailed information about our assets, liabilities and net assets.
2. Comprehensive Income Statement, which provides information on all revenues and expenses incurred during the reporting period.
3. Statement of Changes in Net Assets, which aims to show changes in net assets, including surplus or deficit, in the current year.
4. Cash Flow Statement, which presents information about cash inflows and outflows and our ending cash balance.
5. Notes to the Financial Statements, which support and further explain the information presented in the main statements.

### **Implementation of ISAK NO.35 in Transparency of Audit of Financial Report of UDD PMI Medan City**

ISAK NO.35 provides clear guidance on accounting treatment for certain transactions and events. The implementation of ISAK NO.35 encourages UDD PMI Medan City to improve its financial reporting practices by focusing more on the accuracy and precision in presenting estimated information. By implementing this standard, UDD PMI Medan City ensures that accounting treatment is carried out consistently and in accordance with applicable provisions and also improves documentation in preparing financial

statements. This makes it easier for auditors to understand and evaluate the accounting treatment applied, thereby increasing transparency in the audit process. External auditors can also easily verify and assess whether the disclosures are adequate and in accordance with the standards. By adopting ISAK NO.35, UDD PMI Medan City ensures that financial statements are prepared consistently on a periodic basis. This consistency makes it easier for auditors to compare financial statements and evaluate changes or shifts that may occur, increasing transparency in the audit process. UDD PMI Medan City prepares an annual financial report and then submits the audited financial statements to the management of UDD PMI Medan City to get feedback.

In the interview process, the Head of Accounting & Finance made a statement in ensuring transparency in presenting financial information to the management, UDD PMI Medan City implemented the following steps:

1. Preparation of Routine Financial Reports: preparing detailed and comprehensive periodic financial reports.
2. External audit: conducting regular external audits by independent auditors to ensure that financial statements are prepared in accordance with applicable accounting standards and are free from material errors.
3. Use of a trusted accounting system: implementing accounting systems and software that can monitor and record financial transactions accurately, and ensure the security of financial data.
4. Publication of financial reports: publishing financial reports to management.
5. Clear and detailed information delivery: providing clear and easy-to-understand information about how funds are used, including details about major expenditures, funding sources, and how the funds contribute to the organization's mission and goals.
6. Staff training and development: train staff in financial management and transparency so they can manage finances well and communicate financial information effectively to management.
7. Receiving and responding to feedback: implementing mechanisms to receive feedback from management on financial reports and financial policies, and responding to such input to enhance transparency.

In the activity of achieving the mission to fulfill transparency and auditability of financial reports, UDD PMI Medan City has obstacles or challenges in implementing ISAK No. 35 including:

1. Accounting understanding and knowledge: lack of understanding and knowledge of ISAK NO.35 among accounting staff and management is a major challenge because the implementation of new accounting standards requires in-depth training and learning to ensure that all parties understand and apply the standards correctly.
2. Resource availability: resource limitations, both in terms of budget and manpower, can hinder efforts to implement ISAK No. 35 effectively. These limitations can

impact the ability to conduct routine audits or adopt adequate accounting systems.

3. Compliance and oversight: Maintaining compliance with accounting and auditability standards requires close oversight. Organizations may face challenges in ensuring that all transactions are recorded correctly and in accordance with standards. It is better to establish a financial oversight body or internal audit specifically for finance if possible.
4. Operational complexity: UDD PMI Medan City faces complexity in operational activities that require detailed recording and reporting. This can complicate the financial management process and ensure compliance with ISAK NO.35.
5. Monitoring and Evaluation: establishing mechanisms for effective monitoring and evaluation is also a challenge. Ensuring that all processes and policies are followed consistently requires a strong oversight system.

### **The Role of ISAK NO.35 in the Financial Performance of UDD PMI Medan City**

ISAK NO.35 helps ensure that the financial statements of UDD PMI Kota Medan meet applicable accounting standards and regulations. This compliance is important to maintain the reputation and integrity of the organization. In organizational performance, there are 2 benchmarks for UDD PMI Kota Medan, namely Financial Performance Measurement and Non-Financial Performance Measurement:

1. Financial Performance Measurement  
Financial Statements: using financial statements such as balance sheets, income statements, and cash flow statements to assess the financial health of an organization. Analysis of financial ratios such as liquidity ratios, solvency ratios, and profitability ratios provides insight into financial performance.
2. Non-Financial Performance Measurement
  - 1) Quality of service: measuring the quality of service provided by UDD PMI Medan City, such as the satisfaction of blood donors and recipients. Satisfaction surveys, interviews and feedback from service recipients can provide an overview of the quality and effectiveness of the service.
  - 2) Donor count: monitor the number of active donors and the frequency of blood donation. This data shows the success of the blood donation program and can help in planning more effective donor campaigns.
  - 3) Operational efficiency: assessing the efficiency of operational processes, such as the time required to process and distribute blood. These measurements may include analysis of cycle time, error rates, and resource utilization.
  - 4) Compliance with Standards and Regulations: evaluates the extent to which the organization complies with relevant standards and regulations, including blood safety and quality standards. Internal and external audits and inspections can be used to measure compliance.
  - 5) Impact and program achievements: measuring the impact of programs implemented, such as success in increasing public awareness of the importance of blood donation or the effectiveness of education programs.

This benchmark becomes a mission to influence the organizational value of UDD PMI Medan City. If an organization has good financial performance and in the long term

continues to increase and there is an increase in asset value every year, then the quality of the organization will have a good impact on operational sustainability in the long term.

### CONCLUSION AND SUGGESTIONS

The implementation of ISAK No. 35 in the financial reporting of non-profit entities, especially in UDD PMI Medan City, has made a significant contribution to increasing transparency, auditability, and overall organizational performance. This study shows that by adopting ISAK No. 35, UDD PMI Medan City can prepare more structured and comprehensive financial reports, covering all important aspects such as financial position reports, cash flow reports, and notes to the financial statements.

Increased transparency occurs because financial reports prepared in accordance with ISAK No. 35 are easier to understand by stakeholders, be they the public, donors, or internal parties of the organization. This is important for building and maintaining trust, which is a crucial element for non-profit organizations that rely heavily on external support.

In terms of auditability, the implementation of ISAK No. 35 facilitates the audit process, because this standard ensures that all financial transactions and records are well documented and traceable. This not only facilitates the auditor's work in assessing the compliance and accuracy of financial statements, but also ensures that the organization remains within a good governance framework.

In addition, the implementation of ISAK No. 35 also has a positive impact on organizational performance. With more accurate and transparent financial reports, management has a stronger basis for making the right strategic decisions, allocating resources efficiently, and increasing the effectiveness of programs being run. This ultimately contributes to the long-term sustainability of the organization, as it allows for better management of the funds and resources it has.

Overall, the results of this study underscore the importance of compliance with established financial reporting standards, such as ISAK No. 35, to improve the quality of governance and performance of non-profit entities. Recommendations from this study also indicate the need to increase capacity and understanding among management and financial staff to ensure that the implementation of these standards can be carried out optimally, in order to achieve higher transparency and accountability.

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