

## Application of ISAK 35 to the Presentation of Financial Reports of the Manado Diocese of the Catholic Church

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### ABSTRACT

This study aims to determine the existing forms of financial reporting and to find out stages, impacts and driving factors of the process of implementing ISAK 35 on the presentation of financial reports of the Manado Diocese of the Catholic Church based on the institutional theory of the form of coercive isomorphism and the Edward III model theory, namely communication, resources, disposition, bureaucratic structure. This study uses the method descriptive qualitative where data collection was carried out by means of interviews and documentation studies. The results show that the policy for implementing financial accounting information systems is not yet fully in accordance with applicable accounting standards. The organization has not fully adhered to the standard of ISAK 35. Financial records are processed using existing financial applications. By the aspect of resources, the attitude of the implementers still shows that the implementers still have minimal/not yet adequate knowledge about the accounting system created and communication between implementing agents is not yet optimal. The indicators in the bureaucratic structure variable in the form of SOPs have been achieved well because in 2019 the Manado Diocese has created a Financial Guideline that must be implemented by every parish, although in practice it is not yet perfect. In its implementation, there are still obstacles from a practical perspective, such as human error, hardware weaknesses, software weaknesses and system weaknesses. Efforts to overcome obstacles include continuing to update applications that have been created based on the latest standards and providing regular training materials that are packaged easily so that the attitude of the application implementing agents themselves can accept the new policy and those responsible for parish finances must be wiser and adhere to diocesan policies to produce financial reports that are transparent, accountable, and trustworthy.

**Keywords:** financial accounting standards; ISAK 35; financial reports

**JEL Classification:** L30; L31

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## 1. Introduction

Non-profit organizations are different from profit organizations. The focus of non-profit organizations is to provide services to the community, such as educational foundations, NGOs, religious organizations, orphanages, and so on (Faiz, 2020). Non-profit organizations in Indonesia currently prioritize programme quality over financial management. This is despite the fact that a church religious organization's role extends beyond spiritual matters and fellowship to encompass financial reporting, which is essential for supporting the church's needs. Mahsun (2014) clearly demonstrated that the obligation of the trust holder to provide accountability, present, report and disclose all activities and activities that are their responsibility to the party giving the trust who has the right and authority to ask for accountability is also understood as a form of accountability. As a non-profit entity, the church must create a transparent financial management mechanism to create accountability and transparency and then report it to the parties who use the financial reports.

The Catholic Church in the Manado Diocese is the non-profit organization that is the object of our research. Janet et al. (2011) correctly identified that the Church is *sui iuris*, which means it has its own laws. The Church, as a non-profit organization, has a distinct financial management system that sets it apart from other organizations. Every church must implement an accounting system and financial management standards, as well as record parish financial transactions in accordance with the parish financial guidelines. This is to ensure that the management of parish assets is transparent and credible, and to implement the provisions of the Bishop of the Manado Diocese. The introduction of reporting standards will undoubtedly lead to a significant improvement in the quality of non-profit entity financial reports. The

financial management was found to be irregular once again. Despite the availability of financial application software, there are still delays in publishing financial reports to the Diocese, which should be sent no later than the 10th of every month. It goes without saying that human resources are an integral part of the financial management process. Human resources are in a constant state of flux, making the role a mere stepping stone to another desired position. Human resources are the main determinant of the effectiveness of activities and organizational success. Organizations must therefore improve the capabilities of their existing human resources to ensure the success of their operations. Financial management human resources must possess the requisite knowledge, skills, and attitudes to carry out their assigned tasks. There is still a need for improvement in the accounting information systems of the Manado Diocese Catholic Church. Human resources, accounting information systems and technology all have a significant impact on the financial management process. Technology allows us to produce financial reports in a more timely and accurate manner. Non-profit organizations must create clear guidelines and policies to ensure the financial management process runs smoothly in line with existing accounting guidelines or standards.

## 2. Literature review

Financial reports are reports that present information explaining financial conditions, which in turn will describe the company's performance (Zamzami et al., 2023). PSAK 01 states that the purpose of financial reports is to provide information regarding the financial position, performance and changes in financial position of an entity or organization that is useful for parties who need it to make good decisions, and also as a comparison material for assessing quality in a period.

The presentation of financial statements of non-profit entities is prepared by financial entities in accordance with the minimum requirements for the presentation of financial statements, financial reporting structure and content of financial reports as regulated in PSAK 1 about presentation of Financial Reports. In PSAK 1 paragraph 05, non-profit entities can adjust the descriptions used for certain items in the financial statements and adjust the descriptions used in the financial statements themselves. PSAK 1 does not provide further explanation or examples of these adjustments. ISAK 35: Presentation of Financial Statements of Non-Profit Entities provides illustrative examples of financial statements of non-profit entities. The response received was that, in paragraph DK 10, "may" and "for example" are used, namely "this interpretation also applies to non-profit entities that use Accounting Standards Without Public Accountability (SAK ETAP)". This provides an opportunity for non-profit entities to maintain the net classification presentation regulated in PSAK 45: Financial reporting for non-profit entities is divided into 3 (three) categories, namely (a) permanently attached net assets, (b) temporary net worth and (c) unrestricted net worth. The Financial Accounting Standards Board of the Indonesian Institute of Accountants

does not limit entities from presenting net asset classification as long as it does not conflict with the principles in ISAK 35. The revocation of PSAK 45 and the implementation of ISAK 35 brings a number of benefits to companies and financial professionals in Indonesia. Some key benefits include:

- a. International Harmonization. With ISAK 35 which is in accordance with IFRS, companies in Indonesia will more easily operate in the global market and meet internationally recognized financial reporting requirements.
- b. Increased Credibility. Using widely accepted international accounting standards can increase an organization's credibility in the eyes of investors, lenders, and other stakeholders.
- c. Transparency and Comparability. ISAK 35 allows easier comparison between Indonesian organizations and other international companies. This provides more transparent information to stakeholders and investors. There are significant differences regarding PSAK 45 which was replaced by ISAK 35 and a series of advantages in implementing ISAK 35. This is important for every organization to implement to maintain its credibility and meet international financial reporting requirements.

PSAK 45	ISAK 35
The term "not-for-profit" is translated as "non-profit".	Become "Non-Profit" consciously because the main activity is not oriented towards making a profit, but that does not mean it does not produce a profit.
Using the terms Unrestricted Net Assets and Restricted Net Assets	Using the terms Net Assets Without Restrictions and Net Assets with Restrictions.
Report title "Activity Report"	Report Title "Comprehensive Income Report"

Judging from the form of the report, there are differences as in the table below.

PSAK 45	ISAK 35
Financial Position Report	Financial Position Report
Activity Report	Comprehensive Income Report Net Asset Change Report
Cash flow statement	Cash flow statement
Notes to Financial Reports	Notes to Financial Reports

**Stewardship theory.** Stewardship theory is a theory that describes a situation where managers are not motivated by individual goals but are more focused on their main results for the benefit of the organization (Donaldson & Davis, 1991; Schillemans & Bjurström, 2020). The implication of stewardship theory is to explain the existence of the church as an institution that can be trusted to carry out its duties and functions well to achieve the welfare of the people. Church administrators act as stewards with the function of managing resources and the congregation as principals who own the resources. Resource owners (principals) entrust the management of these resources to other parties (stewards) who are more capable. According to Saerang (2003) the dynamics of accountability for church funds vary and are influenced by religious belief systems as well as social and organizational dynamics of the church. According to Denhardt and Denhardt (2007), accountability is the way to satisfy the people as customers of public service providers. This, in turn, has implications for the role of accounting information and accounting practices in the management of church funds. Therefore, it is hoped that the church must implement a financial accountability system in the form of presenting accountable and transparent financial reports in accordance with the characteristics of financial reports, namely

relevant, reliable, understandable, and comparable.

**Theory coercive form isomorphism.** The theoretical basis used in this research is also institutional theory in the form of coercive isomorphism. According to DiMaggio and Powell (1983, 147-154), organizations or institutions will make decisions based on influences from outside the organization and will make efforts to adapt to pressures originating from outside the organization. One of them is good financial management transparency which can be achieved if the organization is able to comply with applicable regulations and standards. The main idea of institutional theory is the formation of entities that are strongly influenced by the surrounding environment (Amirya et al., 2012:345).

**Edward III Model Theory.** In the process of implementing a standard, policy implementation is a very important aspect. Apart from institutional theory, the author will also use the Edward III model of policy implementation theory as the basis for this research. According to Edward III (1980), there are 4 variables in the implementation or implementation of policies so that they can run well, including communication, human resources, disposition/attitude, and bureaucratic structure.

### 3. Research method

The type of research data that will be used by researchers is descriptive qualitative. According to Sugiyono (2020), qualitative methods are research that uses a philosophical basis to examine scientific conditions (experiments). This research uses research data sources, namely primary data in the form of direct interviews with the treasurer and finance team of the Manado diocese which keeps all parish financial reports and the parties involved in them. Researchers came to the research location, namely the Diocese of Manado, to make observations and collect data according to direct reality. To determine sources for this research, the technique used was purposive sampling. According to Sugiyono (2020) purposive sampling is a data sampling technique with certain considerations because It is impossible for a researcher to take all respondents for research, due to limited funds, energy and time. Therefore, researchers can use samples taken from that population. So, researchers certainly take samples that are truly representative (can represent), namely:

1. *Finance/Procuracy Section*. Researchers chose this informant because they were considered to have the authority to manage diocesan assets under the authority of the bishop.
2. *Secretariat Section*. Researchers chose this informant to obtain information from existing documents regarding the general description of the organization, organizational structure and job description.
3. *Finance Team*. The researcher chose a financial team that was formed to regularly go to churches in the Manado Diocese to carry out supervision/monitoring and examination of the management of assets and finances of existing legal entities.

4. *Parish Applicator* in charge of inputting financial data into the existing application.
5. *Episcopal representatives/vicars* consisting of 9 people to represent some of the duties and authority of the bishop in a narrower and more specific area. The following is a list of Parish names in each Kevikepan.

The steps used in this research are:

1. Study first about the object being studied in relation to the conditions that occur.
2. Collect relevant data through the interview process and compare the form of financial reports based on diocesan guidelines with financial reports based on ISAK 35.
3. Analyze the impact of implementing financial guidelines and compare them based on ISAK 35.
4. Conduct an analysis of the driving factors for implementing ISAK 35 in preparing church financial reports.
5. Analyze the factors that influence the implementation of ISAK 35 according to Edward III's Theory, namely communication, resources, encouragement, bureaucratic structure.
6. Draw conclusions on the results of implementing the guidelines for preparing financial reports managed by the Manado Diocese Catholic Church.
7. Provide input and suggestions based on the results/conclusions that obtained.

### 4. Result and discussion

In implementing ISAK 35, the Catholic Church in the Manado Diocese is under pressure from coercive isomorphism so that it applies the rules made by the local Bishop. Because the book of Canon Law of the Catholic Church does not mention explicitly and in detail the mechanism for managing parish finances. This is usually regulated in particular law, especially the statutes of the Parish Finance Council which are determined by the Diocesan Bishop with the

implementation of the financial application Accounting Information System which is based on the Parish Financial Guidelines. This system is a form of policy implemented by the Diocese of Manado. It is believed that this policy can increase the effectiveness of the parish financial management process in the Manado Diocese. However, the policy for implementing financial application accounting information systems is not yet fully in accordance with applicable accounting standards even though non-profit organizations are required to prepare financial reports in accordance with ISAK 35. The Diocese of Manado has just prepared financial reports according to the old standards, namely PSAK 45 considering that the application used was created before ISAK 35 came into effect so it is not up to date or does not comply with the latest standards published by DSAK IAI regarding financial reporting of non-profit organizations. This policy has also reaped pros and cons in various parties because some people feel it is unnecessary because they are used to the old pattern or in other words conventional. No and reluctant to adapt because it feels difficult, and but as time goes by and because of the patience, willingness and tenacity of the team, especially the bishop, until now, slowly but surely they have accepted and implemented it, because it turns out to be very helpful in utilizing finances in an orderly and directed manner. The most important thing is to empower people/people who have accounting skills. The benefits that can be obtained by users of financial reports of non-profit oriented entities are to assess how management carries out responsibility for the use of resources entrusted to them as well as information regarding the financial position, financial performance and cash flow of the entity which is useful in making economic decisions. The ability of non-profit oriented entities to use these

resources is communicated through financial reports.

Financial reports for non-profit oriented entities are different from financial reports for profit-oriented entities. PSAK 1 explains that there are four components of financial reports, while the financial reports of non-profit oriented entities consist of five components, namely: financial position report, comprehensive income report, report on changes in net assets, cash flow report, and notes to financial reports. The main purpose of non-profit financial reports is to provide information for contributors, members of non-profit oriented entities, creditors, and other parties who provide resources to non-profit oriented entities. Non-profit oriented entities need to prepare 5 types of financial reports according to ISAK 35. The Financial Reports of the Catholic Church in the Diocese of Manado are Based on Interpretation of Financial Accounting Standards No. 35:

1. *Comprehensive Income Report.* Non-profit entities should use the latest concept, namely Interpretation of Financial Accounting Standards No. 35, which is useful for improving the entity's financial reports. A comprehensive report in accordance with ISAK 35 is a report that shows the profit and loss report for a period of financial performance during that period. This report also provides information presented on the income statement, such as the entity's income and expenses over time. Table 1 presents the format of a comprehensive report on the Catholic Church in the Diocese of Manado. The comprehensive income report displays total income which is then reduced by expenses incurred during the current period. The comprehensive report is divided into two, namely without restrictions on resource providers and with restrictions on resource providers.

The income obtained without restrictions comes entirely from collections, actions and donations from the people, honoraria, devotional receipts and business results from the church. The surplus or deficit that occurs comes from income minus expenses incurred during the current period. Income with restrictions comes from receipts for certain purposes, namely APP receipts for the parish and donations for social purposes where these receipts have a predetermined purpose of use. Furthermore, the expenses used during the process of

church operational activities include expenses without limitation (apostolic work costs, routine church needs costs, pastoral and employee labor costs, parish household costs, repair and maintenance costs, administration costs, divisional costs, business costs and other costs) as well as costs with limitations (expenses for a specific purpose) are reduced by the church's income so that it will produce a surplus or deficit figure during the current year.

**Table 1. Format of comprehensive income report**

Catholic Church in the Diocese of Manado		
Comprehensive Income Report		
For the Year Ending 2022		
<b>Without restrictions from the resource provider</b>		
<b>Income Without Restrictions</b>		
<b><u>Ordinary Collection</u></b>		
Collection of Mass/Sunday worship in the Parish	xxxxxx	
Regular Day Mass Collection at WR/KK Station	xxxxxx	
Special Mass Collection	xxxxxx	
Weekday Mass Collection in the Parish	xxxxxx	
Ordinary Day Worship Collection at Stasi/WR/KK	xxxxxx	
Second Collection of Sunday Mass/worship	xxxxxx	
Other Ordinary Collections	xxxxxx	
<b><u>Rosary Collection</u></b>		
WR/KK Rosary Prayer Collection in the Parish	xxxxxx	xxxxxx
Rosary Prayer Collection in Institutions		
<b><u>People's Actions and Contributions</u></b>		
ActionForProgram Work Certain (People's Self-Help)	xxxxxx	
Community Action at Stasi/WR/KK	xxxxxx	
Parish News Print Contribution	xxxxxx	
Actions and Contributions of Other People	xxxxxx	
<b><u>Stipendium and Honoraria</u></b>		
Stipendium	xxxxxx	
<b><u>Reception of Devotionalia</u></b>		
Devotional Candle Donation	xxxxxx	
<b><u>Company results</u></b>		
Hall Results	xxxxxx	
Bank Interest Yield	xxxxxx	
Other Business Results	xxxxxx	
<b>Total Income Without Limitation</b>		<b>xxxxxx</b>
<b>Unrestricted Expenses</b>		
<b><u>Cost of Apostolic Work</u></b>		
Apostolic Work- Catechesis	xxxxxx	
Apostolic Work- Liturgy	xxxxxx	
Apostolic Work- Sekami	xxxxxx	
Apostolic Work- Categorical	xxxxxx	
Apostolic Work- OMK	xxxxxx	
Apostolic Work of Mass Organizations	xxxxxx	
Apostolic Work-Ecclesiastical Organization	xxxxxx	
Apostolic Work- PSE	xxxxxx	
Social Commission Apostolic Work	xxxxxx	
<b><u>Costs for Routine Church Needs</u></b>		
Host and Wine Fees	xxxxxx	

**Table 1. Format of comprehensive income report**

Catholic Church in the Diocese of Manado Comprehensive Income Report For the Year Ending 2022		
Cost of Altar Candles, Incense and Flowers	xxxxxx	
Parish News Printing Costs	xxxxxx	
Costs for Worship Equipment and Liturgical Books	xxxxxx	
Pocket Money and Assistance	xxxxxx	
<b><u>Pastoral Labor and Employee Costs</u></b>		
Salary/Benefits and THR	xxxxxx xxxxxx	
Medical costs and BPJS /Employee	xxxxxx	
Other Labor Costs		
<b><u>Parish Household Expenses</u></b>		
Pastoral Consumption Costs	xxxxxx xxxxxx	
Equipment Costs	xxxxxx xxxxxx	
Electricity Costs Telephone Costs	xxxxxx xxxxxx	
Vehicle Fuel Costs	xxxxxx	
Transportation and Accommodation Costs	xxxxxx xxxxxx	
Cost Tax, permits, levies and insurance	xxxxxx	
Library and Magazine Fees		
Cost of newspapers, TV and Internet costs		
BPJS Health Costs & Pastor Treatment		
Sustentatio		
<b><u>Repair and Maintenance Costs</u></b>	xxxxxx xxxxxx	
Perb & Building and Infrastructure Pemih	xxxxxx	
Vehicle Repair & Maintenance		
Inventory Repair & Maintenance		
<b><u>Administrative costs</u></b>		
Office Stationery Costs	xxxxxx xxxxxx	
Photocopying and Printing Fees		
<b><u>Parish Pastoral Council Fees</u></b>		
Recollection Meeting/Workshop Fees	xxxxxx	
Guest Entertainment Fees	xxxxxx	
Donations and gifts	xxxxxx	
Subsidy Expenditures	xxxxxx	
all around	xxxxxx	
<b><u>Devotional Fees</u></b>		
Purchasing Devotion Candles	xxxxxx	
<b><u>Business costs</u></b>		
Hall Fee	xxxxxx	
<b><u>Miscellaneous expense</u></b>		
Other Fees	xxxxxx	
<b>Total Load Without Limitation</b>		xxxxxx
<b>Unrestricted surplus (deficit) with restrictions on resources</b>		xxxxxx
<b>Income With Restrictions</b>		
<b><u>Acceptance for Specific Purposes</u></b>		
APP Reception For Parishes	xxxxxx xxxxxx	
Acceptance of Donations for the Purpose		
Social		
<b>Total Income with Restrictions</b>		xxxxxx
<b>Total income</b>		xxxxxx
<b>Loads with Limitations</b>		
<b><u>Expenditures for Specific Purposes</u></b>		
APP Fund Allocation Expenditures	xxxxxx xxxxxx	
Expenditure of Social Assistance Funds		
<b>Total Expense</b>		xxxxxx
<b>Surplus (Deficit) With Restrictions</b>		xxxxxx
<b>Other Comprehensive Income</b>		
<b>Total Comprehensive Income</b>		xxxxxx



2. *Net Asset Change Report.* The Catholic Church in the Diocese of Manado Prepares a report on changes in net assets in accordance with ISAK 35, the aim of which is also to complete the elements of financial reports to make it easier to identify the surplus (deficit) of church assets in the current year. Based on the preparation of financial reports based on the interpretation of

financial accounting standard number 35, the net assets report presents the current state of net assets without restrictions from resource providers and net assets with restrictions from resource providers. Table 2 presents the format for the net assets report based on ISAK 35.

**Table 2 Report format for changes in net assets**

Catholic Church in the Diocese of Manado		
Net Asset Change Report		
For the Year Ending 2022		
<b>NET ASSETS WITHOUT LIMITATION</b>		
<b>FROM THE RESOURCE PROVIDER</b>		
Beginning balance	-	
Surplus Year Walk Without Restrictions	XXXXXX	
<b>Final Balance of Net Assets Without Restrictions from the Resource Provider</b>		XXXXXX
<b>ASSET NET WITH LIMITATIONS</b>		
<b>FROM THE RESOURCE PROVIDER</b>		
Beginning balance	-	
Surplus (Deficit) Current Year	XXXXXX	
<b>Balance End Asset Clean with Restrictions From Resource</b>		XXXXXX
<b>Total Net Assets</b>		XXXXXX

3. *Cash flow statement.* The cash flow report is a report that shows the inflow and outflow of cash and cash equivalents during a certain period classified based on operational, investment and financing activities. This report is useful for users of financial reports as a basis for assessing the church's ability to generate cash and cash equivalents as well as assessing the needs of users of financial reports. One of the requirements for a non-profit entity's financial report based on the Interpretation of Financial Accounting Standards is that there be a cash flow report prepared by the non-profit entity. Table 3 presents the cash flow report format for the Catholic Church in the Diocese of Manado based on Interpretation of Financial Accounting Standards No. 35. By the cash flow report, the following information is obtained:

- *Operating activities* are to record cash for church operational activities during one operational year. Where cash receipts in the form of donations are recorded, cash from the collection of devotional receipts, results of church efforts. Apart from that, routine expenses made by the church are also recorded, such as repairs and maintenance (buildings, facilities, inventory), rectory consumption costs, equipment costs, electricity costs, telephone costs, vehicle fuel costs, transportation and accommodation costs, tax costs, library costs. and magazines, newspaper and internet costs, sustentatio, host and wine purchase costs, altar candle and incense costs, parish news printing costs, employee salaries, employee and priest medical costs, other employee costs, office stationery

- costs, photocopying costs, hall costs and other costs.
- *Investment activities* are the total of receipts and expenditures related to investments made by the church. In this case, the church makes expenditures for the purchase of equipment, namely the purchase of worship equipment and liturgical books.
- *Funding activities* are cash expenditure and income activities that are used for the sustainability stage. However, in this case the church does not make any expenditure or income in this funding activity.

**Table 3 Format of cash flow report**

Catholic Church in the Diocese of Manado		
Cash flow statement		
For the Year Ending 2022		
<b>OPERATIONAL ACTIVITIES</b>		
Cash from ordinary collections	xxxxxx	
Cash from the rosary collection	xxxxxx	
People's actions and contributions	xxxxxx	
Stipendium and honoraria	xxxxxx	
Acceptance of devotionalia	xxxxxx	
Company results	xxxxxx	
Interest received	-	
Miscellaneous receipts	-	
Interest paid	-	
Repair & Maintenance of Buildings and Infrastructure	(xxxxxx)	
Vehicle Repair & Maintenance	(xxxxxx)	
Inventory Repair & Maintenance	(xxxxxx)	
Pastoral Consumption Costs	(xxxxxx)	
Equipment Costs	(xxxxxx)	
Electricity cost	(xxxxxx)	
Telephone Costs	(xxxxxx)	
Vehicle Fuel Costs	(xxxxxx)	
Transportation and Accommodation Costs	(xxxxxx)	
Tax fees, permits, levies and insurance	(xxxxxx)	
Library and Magazine Fees	(xxxxxx)	
Cost of newspapers, TV and Internet costs	(xxxxxx)	
Sustentatio	(xxxxxx)	
Host And Wine Costs	(xxxxxx)	
Cost of Altar Candles, Incense And Flowers	(xxxxxx)	
Parish News Printing Costs	(xxxxxx)	
Costs for Worship Equipment and Liturgical Books	(xxxxxx)	
Salary/Benefits and THR	(xxxxxx)	
Medical Costs and BPJS Employees	(xxxxxx)	
Pastor's Medical Costs and BPJS	(xxxxxx)	
Other Labor Costs	(xxxxxx)	
Office Stationery Costs	(xxxxxx)	
Photocopying and printing costs	(xxxxxx)	
Hall Fee	(xxxxxx)	
Miscellaneous expense	(xxxxxx)	
<i>Net Cash from operating activities</i>		xxxxxx
<b>INVESTMENT ACTIVITIES</b>		
Purchase of worship equipment and liturgical books	xxxxxx	
Acceptance and sale of investments	-	
Investment Purchases	-	
<i>Net cash used for investing activities</i>		xxxxxx
<b>FUNDING ACTIVITIES</b>		
Reception from donation Which restricted:	-	
Investments in endowment funds		
Building investment	-	
Other funding activities:		

**Table 3 Format of cash flow report**

Catholic Church in the Diocese of Manado		
Cash flow statement		
For the Year Ending 2022		
Interest is limited to reinvestment	-	
Payment of long-term liabilities	-	
<b>Net cash used for activities funding</b>		-
<b>The increase (decrease) net cash and cash equivalents</b>		XXXXXX
<b>Cash and cash equivalents at initial period</b>		XXXXXX
<b>Cash and cash equivalents at the end of the period</b>		XXXXXX

4. *Financial Position Report.* Table 4 presents a financial position report or report that aims to show the entity's financial position, which contains information regarding the entity's assets, liabilities, and net assets in the current year. The financial position report displays the total assets and total

liabilities owned by the Church. The assets owned by the church are cash, bank, fund management at station/WR/KK, prepaid expenses, non-fixed assets and buildings under construction. The Church has no liabilities in the current year.

**Table 4 Format for the report on the financial position**

Catholic Church in the Diocese of Manado		
Financial Position Report		
For the Year Ending 2022		
<b>ASSETS</b>		
<b>Current assets</b>		
<b>Cash</b>		
Parish Cash	XXXXXX	
Rectory Cash	XXXXXX	
<b>Bank</b>		
North Sulawesi Bank	XXXXXX	
Bank BNI	XXXXXX	
Bank BRI	XXXXXX	
<b>Prepaid expenses</b>		
Advance Payment for Asset Purchase	XXXXXX	
<b>Total Current Assets</b>		XXXXXX
<b>Non-Current Assets</b>		
Buildings and Infrastructure	XXXXXX	
Inventory	XXXXXX	
BDP Church Building	XXXXXX	
<b>Total Non-Current Assets</b>		XXXXXX
<b>Total Assets</b>		XXXXXX
<b>Liabilities</b>		
<b>Short-term liabilities</b>		
<b>Total Short Term Liabilities</b>		-
<b>Long Term Liabilities</b>		-
<b>Total Long Term Liabilities</b>		-
<b>Total Liabilities</b>		-
<b>Net Assets</b>		
Without restrictions from the giver	XXXXXX	
With restrictions from the source provider	XXXXXX	
<b>Total Net Assets</b>		XXXXXX
<b>Total Liabilities and Net Assets</b>		XXXXXX

5. *Notes to Financial Reports.* A complete financial report is a financial report in which there are notes to the financial report, where these notes contain useful information to support

existing financial reports and are an inseparable series of financial reports that have been regulated in the interpretation of financial accounting standard no. 35. Notes to this financial

report provide a detailed explanation regarding information not included in the previous four reports, namely, comprehensive report, net assets report, cash flow report and financial position report. The Catholic Church in the Diocese of Manado has not prepared notes on financial reports. To

make the financial report complete, the entity must make notes on the financial report which are useful to support the financial report that has been made and are an inseparable part of the financial report.

**Note A:** *The Manado Diocese Catholic Church presents donations tied to four accounts, namely receipt of APP for the parish, receipt of donations for social purposes, expenditure of APP allocation funds, and expenditure of social assistance funds. APP receipts for the parish are the result of funds collected by the congregation during the Lenten season to be distributed as social action. Acceptance of donations for social purposes is acceptance aimed at social actions carried out by the church. Parish APP fund allocation expenditure is the expenditure of funds for community socio-economic empowerment activities allocated from APP funds for the parish. Expenditure of funds for social assistance is the expenditure of funds to distribute social assistance, the funds for which come from receiving special donations for social assistance.*

**Note B:**

*Recording when receiving funds:*

APP Acceptance	XXXXXXXX	
Donations for social purposes	XXXXXXXX	
Parish Cash R/K KM- APP Funds		XXXXXX
Parish Cash R/K KM- Donations for social purposes		XXXXXX

*On disbursement of funds:*

Parish Cash R/K KM- APP Funds	XXXXXX	
Parish Cash R/K KM- Donations for social purposes	XXXXXX	
APP Fund Allocation Expenditures		XXXXXX
Expenditure of Social Assistance Funds		XXXXXX

NO	INFORMATION	ISAK NO. 35	CATHOLIC CHURCH	CONCLUSION
1.	Comprehensive Income Report	Requires making a comprehensive income report, a report that shows the profit and loss statement for a period of financial performance during that period. This report also provides information presented on the income statement, such as the entity's income and expenses over time.	The Manado Diocese Catholic Church has not yet made a comprehensive income report, because the parish financial report still follows the parish financial guidelines issued by the diocese. In its implementation, this guideline is applied in an application that still focuses on PSAK 45, so that this comprehensive report has been combined into an activity report made by the church.	It is not in accordance with
2.	Change Report Net Assets	Requires making report on changes in net assets, because it presents the current state of net assets without restrictions from resource providers and net assets with restrictions from resource providers.	The Manado Diocese Catholic Church has not yet made a report on changes in net assets, because reports regarding changes in net assets have been directly reported in the statement of financial position, namely in the Net Assets post.	It is not in accordance with
3.	Cash flow statement	Requires making cash flow reports	The Manado Diocese Catholic Church has created a cash flow statement.	In accordance
4.	Financial Position Report	Requires making a financial position report.	The Manado Diocese of the Catholic Church has made a financial position report.	In accordance
5.	Notes Over	Requires making notes on	The Manado Diocese Catholic	It is not in

Financial  
Reports

financial reports, because they are useful to support existing financial reports and are an inseparable series of financial reports that have been regulated in the interpretation of financial accounting standard no. 35.

Church has not prepared notes on financial reports because the church does not really need additional notes on the reports that the church makes, and if at any time notes on these financial reports are needed then there must be approval from the parish priest.

accordance  
with

## 5. Conclusion

The format of financial reports at the Manado Diocese Catholic Church is not in accordance with ISAK 35. The presentation of financial reports at the Manado Diocese Catholic Church only follows the 2019 Manado Diocese Parish Financial Guidelines book. Therefore, the Manado Diocese Catholic Church is expected to be able to apply the Interpretation of Financial Accounting Standards No. 35 by development of financial application systems that have been created. This research also aims to examine and explain the system of implementation procedures and implications of the Accounting Information System for financial management using parish financial applications. According to Edward III's model theory, among others:

- a. The policy for implementing financial application accounting information systems is not fully in accordance with applicable accounting standards. Even though every non-profit organization is required to prepare financial reports in accordance with ISAK 35. The Manado Diocese has just prepared financial reports according to the old standard, namely PSAK 45. This policy has also reaped pros and cons in various parties because some people feel it is unnecessary because they are already used to it. old pattern or in other words conventional. No and reluctant to adapt because it feels difficult, and but as time goes by and because of the patience, willingness and tenacity of the team, especially the Bishop, until now, slowly but surely they have accepted and implemented

it, because it turns out to be very helpful in utilizing finances in an orderly and directed manner. The most important thing is to empower people/people who have accounting skills.

- b. Resources, implementing agents through interviews conducted with Vikep representatives who were deemed to have full knowledge of the existence/condition of each Kevikepan, it was found that there were still applicants who did not have adequate knowledge about the system being created. Apart from that, the salary factor is not suitable, which causes the applicants not to last long and makes this job just a stepping stone to get another job they want. And the role of the local priest as person in charge of the parish is still not optimal and feels indifferent.
- c. Communication. Based on the theory of the Edward III model, communication and activities between parishes and the diocese continue to operate using social media technology, but in some places there is no good communication between implementing agents, in this case the parish priest, parish financial board, treasurer and applicator. Apart from that, there is also a slow delivery of information or response from the diocese to the obstacles experienced by the parish.
- d. Disposition/attitude, trend variable according to the Edward III Model theory, the firm attitude and enthusiasm of each human resource in overcoming problems related to implementation is an indicator of implementation success. According to

the results of the data analysis carried out for some parishes, they are starting to be orderly in implementing this system, but there is also a poor response from implementers regarding the implementation of this application because they still need to adapt and practice more.

- e. Bureaucracy. The indicators in the bureaucratic structure variable in the form of SOPs have been achieved well because in 2019 the Manado Diocese has created a Financial Guideline that must be implemented by every parish, although in practice it is not yet perfect. Meanwhile, clarity of authority and division of tasks and authority has not been achieved properly because there are several parish priests themselves who are involved in handling the process of inputting data into the application. There are still obstacles from a practical perspective, such as human error, hardware weaknesses, software weaknesses and system weaknesses.

Limitations in this research are:

- Researchers were unable to conduct interviews with Catholic Church Leaders in the Manado Diocese, in this case the Bishop. Because everything related to financial management is already regulated by the financial council.
- Researchers did not specifically examine the impacts that occurred in each parish because the Manado Diocese area was very large. So the researcher only conducted interviews with the person in charge in each region, as well as representatives of the pastor, team and applicator.

### Suggestion

As for the obstacles that have been explained in the discussion section and emphasized again in the conclusion section, the suggestions that researchers

can give in answering these problems are as follows:

- a. Policy, expected all pastors, applicators, DKP and all treasurers can learn about parish financial applications. The person responsible for parish finances is the parish priest, wise to adhere to diocesan policy. And for parishes that do not comply, the diocese must take firm action as far as humanly possible.
- b. Resources: It is hoped that the Diocese can carry out regular/periodic training programs for agents implementing financial applications with training materials that are packaged easily so that the attitude of the application implementing agents themselves can accept the new policy. Apart from that, it is hoped that the parties involved can think about the future fate of the applicators they use so that they can continue working because they feel that their future lives are guaranteed, for example by providing decent wages and assignment decrees with agreements.
- c. Communication, utilizing existing technology to be able to communicate well with one another so that the goals to be achieved can be carried out well.
- d. Disposition, it is hoped that all servants of the people will always be wise, not hedonistic, obey the hierarchy, prioritize the pastoral service of teachers, prophets and kings in accordance with applicable guidelines.
- e. Bureaucracy, regulations are regulated as much as possible so that there is no misunderstanding of duties and functions, there are no duplicate functions. Apart from that, it is necessary to develop people's understanding of the aims and objectives of implementing the Financial Accounting Information System and all agents involved must understand what supporting factors each parish needs to have to be able to

implement this financial application well in terms of communication. human resource development and the most important thing is the attitude of the implementers as well as the commitment of leaders and supervision from the authorities. So that it is able to produce quality, integrated financial information and financial reports can be presented in a timely and reliable manner

- f. In terms of problems in terms of software and hardware, the solution that can be provided requires commitment from the Diocese of Manado and the team designing the Parish Financial Application system. As is the case with this Parish Financial Application. is carrying out system improvements, the Diocese provides notification when the system improvements are carried out, so that parishes can also notify all implementing agents in the parish. This is necessary so that the implementation of financial management can run quickly, precisely and accurately.

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