

**EVALUATING THE IMPLEMENTATION OF ISAK 35 IN THE  
FINANCIAL REPORTING PRACTICES OF THE AWWAL  
FATHUL MUBIEN GRAND MOSQUE, MANADO CITY**

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**ABSTRACT**

*This study aims to evaluate the applicability of ISAK 35 to the financial reporting practices of the Great Awwal Fathul Mubien Mosque in Manado City and to reconstruct its financial statements in accordance with non-profit reporting standards. Using a qualitative case-study approach, this research employed observation, in-depth interviews with key financial officers, and document analysis. The data were analyzed using the Miles and Huberman interactive model through stages of reduction, display, and conclusion drawing. The findings reveal significant gaps between the mosque's existing cash-based practices and the requirements of ISAK 35. The current system records only cash inflows and outflows, resulting in the absence of core components such as the statement of financial position, comprehensive income, changes in net assets, cash flows, and notes to the financial statements. The reconstruction process demonstrates the presence of substantial invisible assets—primarily waqf land and heritage buildings valued at approximately IDR 17.3 billion—that had never been formally recognized. The application of ISAK 35 also uncovers the mosque's actual operational surplus and net asset position, provides clearer distinctions between restricted and unrestricted funds, and highlights structural and governance issues that hinder proper reporting. The study concludes that the mosque's existing reporting system provides social accountability but fails to meet institutional accountability required for an entity managing significant public assets. Despite the voluntary nature of ISAK 35 adoption, the mosque's historical and financial prominence creates a higher moral obligation to transition toward standardized reporting.*

**Keywords:** Implementation of ISAK 35; Nonprofit Entities; Mosques.

## INTRODUCTION

Nonprofit organizations, particularly religious entities such as mosques, bear a unique dual mandate: they function simultaneously as centers of spiritual life and as managers of publicly entrusted economic resources. When fulfilling this latter role, accountability and transparency are not merely administrative obligations but represent a fundamental expression of the principle of *amanah* (trusteeship). From the perspective of Stewardship Theory, mosque administrators (*takmir*) serve as stewards who are motivated to act in the best interest of their principals—the congregation and donors—by ensuring effective and responsible organizational governance.

Within the framework of Islamic accounting, this conceptualization is reinforced by transcendental values that situate the responsibility for managing assets (*mal*) not only in a horizontal relationship with society but also in a vertical relationship with God. This dual dimension demands a higher standard of honesty, integrity, and disclosure (Kholidah & Sulistiani, 2019; Sulistiani, 2020). Stewardship Theory therefore suggests that public trust is closely linked to the quality and credibility of financial reporting practices.

To standardize financial reporting quality across such entities in Indonesia, the Indonesian Institute of Accountants (IAI) issued Interpretation of Financial Accounting Standards (ISAK) 35 on the Presentation of Financial Statements for Nonprofit Entities. This standard provides an authoritative framework enabling nonprofit organizations to produce financial information that goes beyond recording cash inflows and outflows, capturing instead a comprehensive view of assets, liabilities, and organizational sustainability.

Despite the normative expectations set forth by ISAK 35, a substantial gap persists between the ideal standards of nonprofit financial reporting and empirical realities in the field. Recent studies (Angga Widyawardana, Fredy Setiawan, & Agus Eko Sujianto, 2024; Makrifudin, Afifudin, & Sari, 2022) consistently demonstrate that the majority of mosques in Indonesia remain entrenched in traditional cash-based or single-entry accounting practices. This phenomenon is not merely localized but constitutes a nationwide issue observed across various regions—from Java and Kalimantan to Sumatra—where the technical complexity of accrual-based accounting often becomes a major barrier for traditional mosque administrators (Fatika, 2022; Lasfita, 2020; Makmur, Facrurazi, & Kurniati, 2024). While such methods offer simplicity by recording only cash inflows and outflows, they present fundamental shortcomings for organizations that continue to expand. Cash-based recording fails to recognize non-cash assets and long-term liabilities. In the absence of accrual implementation as mandated by the standards, strategic assets such as *waqf* land, mosque buildings, operational vehicles, and equipment inventories remain unrecorded in the statement of financial position and are not subject to depreciation.

The absence of information on asset depreciation and a complete financial position poses serious governance risks. Without a valid Statement of Financial Position (Balance Sheet), stakeholders lose the ability to evaluate the organization's long-term financial sustainability. More importantly, ISAK 35 requires the segregation of net assets into two categories: "with donor restrictions" and "without donor restrictions." Current cash-based practices frequently commingle general charitable funds, *waqf* resources, and earmarked contributions (such as those intended for orphans or renovation activities). This commingling complicates the audit trail and may lead to fund allocations that diverge from donors' contractual intentions, thereby eroding public trust and potentially triggering communal disputes in the future. Recent literature emphasizes that financial reporting transparency has a significant influence on donors' trust and their continued intention (*niyyah*) to contribute funds to the managing institution (Rahayu & others, 2019; Saputra, Yulianis, & Sari, 2024).

Challenges in adopting these modern accounting standards are shaped by multiple factors, ranging from internal capacity constraints to external regulatory conditions. Internally, the limited availability of human resources with competencies in nonprofit accounting constitutes a major barrier (Haching Dewi Sitara. Kaykatui, 2023). Empirical studies also demonstrate that the educational background and training experience of administrators have a strong positive correlation with the quality of financial statement presentation in mosques (Najmudin & Bayinah, 2022). Many mosque administrators serve as volunteers with non-financial backgrounds, resulting in an entrenched perception that "a simple cash balance report is sufficient." Externally, although the Indonesian Institute of Accountants (IAI) recommends the application of ISAK 35, its implementation for mosques that are not formally established as foundation-based legal entities is often perceived as optional or voluntary—unlike the mandatory tax obligations imposed on corporations. The absence of coercive regulatory pressure (*coercive isomorphism*) has slowed the transition toward modern accounting practices.

Although the literature on mosque accounting has expanded substantially, there remains a gap in analytical focus on mosques characterized by complex and historically significant assets. Prior studies tend to generalize all mosques without considering the varying levels of asset-management risk they face. In reality, historic mosques or grand mosques exhibit governance complexities that are markedly different from those of neighborhood mosques. They manage cultural-heritage assets that require high maintenance costs, possess more diversified funding sources, and are subject to heightened transparency expectations from the broader public. The issue of valuing heritage assets—many of which lack clear acquisition evidence—presents distinctive accounting challenges that require specific treatment in accordance with applicable standards (Rizki et al., 2024). For such entities, the application of standardized accounting practices is no longer optional but constitutes an urgent necessity to ensure operational sustainability.

Therefore, this study aims to conduct an in-depth analysis of the implementation of ISAK 35 at Masjid Agung Awwal Fathul Mubien, the oldest mosque in Manado City, which holds substantial historical significance and manages sizeable *waqf* assets. This research goes beyond merely describing the extent of compliance with the standard; it seeks to identify institutional readiness and the specific challenges encountered in transitioning from traditional accounting practices to the standardized ISAK 35 reporting framework. The primary contribution of this study is to provide an empirical evaluation framework for large and historically significant mosques seeking to modernize their financial governance, thereby enabling them to balance spiritual values with the professionalism required for public accountability.

## **METHODS**

This study employs a qualitative approach using an Evaluative Case Study design. In contrast to exploratory case studies that primarily aim to interpret the meaning of a phenomenon, the evaluative design is deliberately chosen to assess the effectiveness or compliance of a program or practice with a prescribed standard (Creswell & Poth, 2016). This methodological choice is reinforced by (Kurniawan, 2020), who asserts that qualitative accounting research is capable of transcending numerical limitations to capture institutional realities and managerial behaviors underlying financial reporting practices. Within the context of this study, the evaluative design is particularly relevant for conducting a compliance analysis between the mosque's existing financial reporting practices and the technical indicators stipulated in the Interpretation of Financial Accounting Standards (ISAK) 35. This approach enables the researcher not only to describe *what is happening*, but also to diagnose *why gaps occur*, through the examination of physical evidence and in-depth interviews in a naturalistic setting.

The case selection strategy in this study follows the logic of a Critical Case, as prescribed by (Yin, 2018) for single-case designs. Masjid Agung Awwal Fathul Mubien in Manado City was selected not merely for its historical significance but for its representational value. As the oldest mosque in the region—with substantial volumes of community fund transactions and a diverse portfolio of *waqf* assets, including land, heritage buildings, and equipment—it exemplifies one of the most intricate accounting environments within the mosque ecosystem. The underlying analytical assumption is as follows: *If a mosque with relatively established resources and organizational structure encounters fundamental challenges in implementing ISAK 35, it is highly plausible that mosques operating at smaller scales face similar or even more severe constraints.*

This selection is further aligned with the insights of (Susilowati, Kurniati, & Mulyani, 2023), who emphasize the need for rigorous evaluation of zakat institutions and mosques to map accounting infrastructure gaps and institutional readiness prior to standard adoption. Accordingly, the findings derived from this case carry strong analytical generalizability for urban mosque contexts.

To ensure data validity and reduce potential informational bias that may occur when relying on a single source, the study employed purposive sampling to engage a diverse set of informants. Four categories of key participants were included to generate a multi-perspective understanding of the mosque's governance and financial reporting practices. The Chairperson of the Mosque Management Board (BTM) was selected to provide information on strategic policy direction and long-term governance orientation. The General Treasurer served as the primary source for operational cash-flow information, given their responsibility for day-to-day financial transactions.

In addition, the Head of the Construction/Riayah Division was deliberately included to validate fixed-asset data—particularly land and buildings—because ISAK 35 mandates asset recognition, valuation, and depreciation, aspects that are frequently omitted in cash-based treasury records. An Internal Auditor or congregation representative was also engaged to offer an independent assessment of transparency and accountability from the perspective of stakeholders. Involving informants from multiple functional areas is essential, as the quality of financial reporting in nonprofit entities is shaped not only by individual competence but also by the collective capacity and interaction of the management team (Hamzah & Suhardi, 2021).

The involvement of informants across multiple divisions is essential, considering that the quality of nonprofit financial reporting is shaped not only by individual competence but also by the collective synergy of managerial human resources (Hamzah & Suhardi, 2021).

Data collection was conducted over a three-month period (December 2023–February 2024) through procedures designed to approximate a limited-scope compliance audit. Three complementary techniques were employed to ensure the reliability of the evidence. First, in-depth semi-structured interviews were administered face-to-face, with each session lasting 60–90 minutes. The interview guide was developed to capture respondents' technical understanding of balance-sheet accounts—assets, liabilities, and net assets—and to explore operational constraints related to distinguishing restricted funds. This approach is suitable for uncovering tacit meanings embedded in informal accounting practices that may not be observable through technical inspection alone (Pratiwi & Jannah, 2021).

Second, non-participant observation was carried out to examine internal control routines and asset-management practices. Field visits focused on the weekly counting procedures of charity boxes as an indicator of control effectiveness, as well as physical inspections of mosque assets to verify the appropriateness of depreciation assessments required under nonprofit accounting standards.

Third, document review combined with evidence tracing was conducted using financial archives for fiscal years 2022–2023. The analysis covered the General Cash Book, monthly financial summaries, waqf land certificates, and supporting transaction documents such as receipts and invoices. Tracing procedures

were used to reconcile physical evidence with recorded entries. This level of documentation scrutiny is essential in nonprofit accounting case studies, where transaction processing often remains manual and susceptible to recording inconsistencies (Andrini, 2023).

In qualitative inquiry, where the researcher functions as the primary instrument, maintaining analytical neutrality presents a substantial methodological challenge. In this study, the researcher adopted an external evaluator stance, operating without any structural or familial affiliation with the mosque's management. To mitigate potential biases arising from subjectivity or inadvertent alignment with informants, all interview-based insights were systematically cross-verified against physical documentary evidence. This reflexive strategy ensured that the resulting interpretations remained grounded in verifiable data rather than personal judgement, thereby enhancing the study's evidence-based rigor.

Data analysis integrated the interactive model of (Miles, Huberman, & Saldana, 2014) with a structured Gap Analysis framework to systematically assess the alignment between existing reporting practices and ISAK 35 requirements. The analytical process began with data reduction and thematic coding, during which interview transcripts and field notes were distilled into analytically manageable segments. In addition to conventional thematic coding, a compliance-based coding scheme was applied, mapped onto the five core financial statement components mandated under ISAK 35—namely the Statement of Financial Position, Statement of Activities, Statement of Cash Flows, Statement of Changes in Net Assets, and the Notes to Financial Statements. The coded data were subsequently organized into a comparative matrix that juxtaposed current mosque practices with the corresponding ISAK 35 benchmarks. This matrix served as an analytical device to clearly identify areas of divergence, whether in asset recognition, liability presentation, or fund classification, thereby highlighting the critical gaps that typically hinder the transition from cash-basis to accrual-basis accounting, as also noted in prior studies (Nugraha & Setiawan, 2023). The final stage involved synthesizing these analytical insights to evaluate the materiality of the observed discrepancies and to interpret their implications for the credibility and decision-usefulness of financial information provided to the congregation.

The credibility of the findings was reinforced through a rigorous triangulation strategy. Source triangulation was employed to examine the consistency of information provided by the Chairperson of the Mosque Management Board, the General Treasurer, and the Head of the Construction Division. For example, statements by the treasurer regarding the mosque's "total assets" were cross-verified against the physical asset records maintained by the Construction Division. In parallel, methodological triangulation was implemented by integrating in-depth interviews with systematic physical inspections. Whenever informants claimed that the mosque possessed inventory valued at a specific amount, the researcher conducted on-site verification (vouching) to confirm the existence, condition, and usability of the reported assets. This procedure, adapted from standard audit practices, was essential for validating the accuracy and

reliability of qualitative data—particularly in the context of waqf asset reporting, where discrepancies between administrative records and actual physical conditions are common, as highlighted in prior research (Mubarok & Imam, 2021). Through this layered triangulation process, the study ensured that conclusions were grounded in empirically substantiated evidence rather than informant perceptions alone.

## **RESULTS AND DISCUSSION**

### **Results**

The empirical findings from Masjid Agung Awwal Fathul Mubien reveal a phenomenon that extends beyond mere technical non-compliance with accounting standards. The mosque's accounting practices demonstrate what can be characterized as a *functional dualism* within its governance structure. Field observations and in-depth interviews indicate that asset management and daily cash administration operate in parallel but disconnected silos. The General Treasurer concentrates almost exclusively on liquidity control—managing routine cash inflows and outflows for worship-related operations—while strategic assets, including buildings, land, and inventories, are overseen independently by the Construction (Riayah) Division without any centralized or integrated accounting system.

This structural separation constitutes the primary underlying reason for the non-adoption of ISAK 35, rather than simply the limited accounting competence of personnel. The resistance to implementing the standard does not stem from explicit rejection; rather, it reflects a prevailing perception among management that cash-basis accounting is the only method deemed relevant for safeguarding short-term donor funds. Consequently, the financial statements produced are limited to a summary of cash receipts and disbursements, a format that fundamentally fails to capture the mosque's broader economic position and its underlying asset wealth.

Given that qualitative research does not inherently generate numerical data, the financial figures reconstructed in this study were produced through a *Participatory Reconstruction* process supported by rigorous cross-validation (triangulation). The researcher conducted an audit-trail-based procedure by converting verbal interview data and physical evidence into measurable monetary values.

A critical example lies in the absence of a Statement of Financial Position (Balance Sheet), which required the researcher—together with the Head of the Construction Division—to conduct a systematic physical inventory of the mosque's assets. The substantial fixed-asset value of IDR 17,377,291,000 did not emerge arbitrarily; rather, it resulted from a stringent revaluation procedure. The value of waqf land was calculated by multiplying the certified land area by the current-year Official Tax Object Value (NJOP) applicable to the location, while the building value was reconstructed using historical construction cost records archived by the mosque's development committee.

This process demonstrates that the mosque's financial data were, in essence, *available yet fragmented* across disparate documents—such as land certificates, development meeting minutes, and cash books—leading to the absence of consolidated financial reporting. The researcher's role, therefore, was to aggregate these qualitative and documentary sources into a coherent financial structure aligned with ISAK 35 reporting requirements.

The reconstruction of the financial statements reveals a previously unrecognized “hidden wealth” that had not been captured in the mosque's simplified cash report. Under the prior cash-based reporting format, the year-end balance merely reflected several tens of millions of rupiah as residual cash. In contrast, the reconstructed *Statement of Financial Position* based on ISAK 35 demonstrates that the mosque administers public trust assets exceeding IDR 17 billion. Moreover, the reconstructed *Statement of Comprehensive Income* provides enhanced insights into operational performance. Whereas the previous report only conveyed a general notion of “remaining funds,” the new statement distinguishes between restricted revenues—such as designated waqf contributions—and unrestricted revenues. The analysis indicates a surplus in *Net Assets Without Donor Restrictions* for the year 2024. These findings carry important managerial implications: the mosque exhibits a sound fiscal capacity that enables the expansion of social programs rather than merely sustaining routine operational activities.

One of the distinctive insights emerging from this case study is the identification of “informal accounting policies.” Although undocumented, the management has consistently applied an underlying accounting logic. Interview evidence indicates that they intuitively differentiate between the treatment of general donation boxes (operational funds) and designated collection drums (development or social funds). This finding challenges the common assumption that traditional mosques lack accounting awareness. Rather, they possess an implicit “accounting logic” but not a standardized “accounting language.” Consequently, the implementation strategy for ISAK 35 at the Awwal Fathul Mubien Grand Mosque does not require starting from a blank slate; instead, it involves formalizing these informal practices into the *Notes to the Financial Statements*. For example, this includes institutionalizing the straight-line depreciation policy for buildings—an approach that has long existed only as an unwritten estimate among the construction committee.

### **Statement of Financial Position**

The reconstructed Statement of Financial Position of *Masjid Agung Awwal Fathul Mubien* as of 31 December 2024 provides a comprehensive depiction of the entity's economic resources, which had previously remained unreported under the cash-basis bookkeeping system. Drawing upon physical verification and documentary tracing, the mosque's total assets were valued at IDR 17,377,291,000. The asset composition is heavily concentrated in fixed assets, reflecting the

substantial volume of entrusted waqf resources under the mosque's stewardship, while liquidity remains sufficient to support routine operational activities.

The resulting financial position exhibits a fully balanced structure, whereby the entirety of these resources is financed exclusively through net assets, with no outstanding liabilities or obligations to external parties. This reconstructed presentation underscores the economic magnitude of the mosque's mandate—one that was not captured in prior cash-based financial records.

The mosque's asset structure comprises two primary categories: current assets and fixed assets. Current assets amounted to IDR 332,905,000, consisting of Cash and Cash Equivalents of IDR 247,055,000 and Supplies valued at IDR 85,850,000. The cash balance was determined through a reconciliation between the treasurer's ledger and a physical cash count, whereas the value of supplies was derived from a physical inventory (stock opname) of consumables and worship-related equipment, measured at acquisition cost. The availability of these current assets indicates that the mosque maintains a sufficiently robust working capital position to support routine operational activities without experiencing liquidity constraints.

The most substantial component of the mosque's economic resources is reflected in its Fixed Assets, which recorded a net book value of IDR 17,044,386,000. This balance represents the aggregation of three strategic asset categories. First, Waqf Land was valued at IDR 2,395,000,000, based on certified land area and the estimated fair value implied by the local taxable property assessment. Second, the Mosque Building, which serves as the central locus of congregational activity, was valued at IDR 15,000,000,000, drawing on historical replacement-cost estimates. Third, Supporting Equipment amounted to IDR 10,786,000. All fixed assets are presented on a net basis, reflecting deductions for accumulated depreciation applied to assets with finite useful lives. This approach ensures that the reported carrying amounts approximate their fair and recoverable values as of the reporting date.

On the liabilities side, the mosque's capital structure is derived entirely from community-contributed funds, all of which are classified as Net Assets. As the entity carries no short-term or long-term liabilities, the Total Net Assets balance is fully equivalent to total assets, amounting to IDR 17,377,291,000. The entirety of this balance is presented as Net Assets Without Donor Restrictions. This classification reflects the fact that the core waqf assets (land and building) have been fully placed in service for religious functions, and the available cash resources are not subject to specific donor-imposed constraints on future use. This position underscores the mosque's exceptionally strong solvency and its financial self-sufficiency in supporting congregational and community programs.

## **Statement of Comprehensive Income**

Under ISAK 35, the Statement of Comprehensive Income replaces the *Statement of Activities* previously adopted under PSAK 45. At present, Masjid Agung Awwal Fathul Mubien prepares only a simple statement of cash receipts and disbursements generated at the end of each reporting period. Within the ISAK 35 framework, however, the Statement of Comprehensive Income provides a more granular depiction of revenues and expenses associated with the mosque's operational activities, including the distinction between restricted and unrestricted funds as well as the extent to which donor resources are utilized without stipulations. This report thereby enhances the informational value of financial disclosures by capturing the full spectrum of economic events beyond mere cash movements.

Based on the reconstructed statements prepared in accordance with the ISAK 35 format for the period ending 31 December 2024, the Mosque's financial performance can be articulated with greater precision. As presented in the table above, the Mosque's primary revenue stream is derived entirely from Infaq and Sadaqah income, which includes weekly Friday contributions and individual congregational donations. The total unrestricted revenue recognized for the reporting period amounts to IDR 365,210,000.

These revenues were utilized to finance all routine operating expenses of the mosque, which amounted to IDR 240,965,000 for the reporting period. The principal expense category consists of Compensation Expense for the Mosque Management Board, totaling IDR 175,560,000. This is followed by Other Operating Expenses, including Cleaning Services of IDR 32,165,000, Electricity and Water Charges of IDR 22,340,000, and Operational Support for the Children's Qur'anic Learning Center (TPA) amounting to IDR 10,900,000.

Based on the difference between total revenues and total expenses, the report indicates that the Awwal Fathul Mubien Grand Mosque recorded a surplus—or total comprehensive income—amounting to IDR 124,245,000 for the 2024 fiscal year. This figure provides a transparent depiction of the mosque's financial capacity to generate revenues that exceed its operating expenditures within a single reporting period.

## **Statement of Changes in Net Assets**

The statement of changes in net assets comprises two categories: unrestricted net assets and restricted net assets. This statement provides information that reflects whether a surplus or deficit in net assets occurred within a given reporting period. As presented in the table, the Statement of Changes in Net Assets for 2024 specifically illustrates the movements within the Unrestricted Net Assets—From Operating Resources category. The statement begins with an opening balance of IDR 32,064,000 as of 1 January 2024.

This opening balance subsequently increased substantially due to the current-year surplus of IDR 124,245,000. This surplus corresponds directly to the total comprehensive income generated during 2024, indicating that the mosque's revenue base remained sufficient to cover all operating expenses incurred throughout the period. Following this increment, the ending balance of unrestricted net assets as of 31 December 2024 rose to IDR 156,309,000. The statement further confirms that no transactions were recorded under Other Comprehensive Income, resulting in total net assets at year-end amounting to IDR 156,309,000.

### **Statement of Cash Flows**

The mosque's transaction-recording process is based on a cash basis, whereby the management and treasurer recognize only cash transactions. The presentation of the statement of cash flows adopts the direct method, which systematically classifies cash flows into operating activities and investing activities. For Operating Activities, the statement reports total cash receipts from infaq income amounting to IDR 365,210,000. These funds were subsequently utilized to finance various operating cash outflows, including employee payments of IDR 175,560,000, purchases of supplies totaling IDR 85,850,000, and operational expenditures for the Children's Qur'anic Learning Center (TPA) amounting to IDR 11,900,000. After accounting for all operating cash inflows and outflows, the mosque generated a positive net cash flow from operating activities of IDR 91,900,000.

Within Investing Activities, the statement records cash outflows related to the acquisition of equipment supporting mosque operations—such as microphones and prayer furnishings—amounting to IDR 10,786,000. As no cash inflows were generated from investing transactions during the period, net cash used in investing activities reflects an overall outflow of IDR 10,786,000.

Taken together, the combined effects of operating and investing activities resulted in a net increase in cash and cash equivalents of IDR 81,114,000 for the year 2024. Starting with beginning cash of IDR 20,500,000, the mosque closed the period with cash and cash equivalents of IDR 101,614,000 as of 31 December 2024, indicating a healthy improvement in liquidity over the reporting period.

### **Notes to the Financial Statements of Masjid Agung Awwal Fathul Mubien**

Based on the reconstructed financial statements, several accounting policies are applied and serve as the basis for financial reporting within the mosque.

Note A: Revenue recognized and recorded in the cash book and financial statements is derived from three primary sources: *infaq*, *general alms (sedekah)*, and *Friday alms (sedekah Jumat)*. *Infaq* refers to voluntary contributions made by congregants from their personal assets, either in the form of cash—whose use may be temporarily restricted—or non-cash assets such as Qur'ans, air conditioners,

lighting equipment, or construction materials. *General alms (sedekah)* represent a broader category of contributions from congregants, also typically subject to temporary restrictions on their use. *Friday alms* constitute weekly contributions collected during Friday prayers, which are designated to finance mosque activities and operational needs. Unlike *infaq* and *general alms*, Friday alms are considered *unrestricted in use* for ongoing operational purposes.

Note B: Expenses represent operational costs incurred by the mosque using cash sourced primarily from Friday alms. In this context, expenses arise because the mosque does not implement regular or recurring programs. Consequently, costs that would otherwise be classified as program expenses under ISAK 35 are instead recognized as operating expenses (cash outflows). The expenses recognized by the mosque consist of salary expenses for the Mosque Management Board (BTM), electricity and water expenses, and operational costs of the children's Qur'anic learning center (TPA), all of which are paid on a monthly basis.

Note C: The fixed assets recorded and presented in the mosque's financial statements are measured at acquisition cost rather than current market value, as these assets were previously neither recognized nor documented in the cash book. In addition, the mosque has adopted an annual depreciation system—applying a straight-line approach—based on agreements between the mosque administrators and the financial management team. The resulting depreciation charges are reflected in the statement of financial position.

Note D: The mosque's equity presented in the statement of financial position arises from the absence of any liability accounts within its financial transactions. Consequently, equity is reported in place of liabilities.

## **Discussion**

The empirical evidence of this study reveals an undeniable and persistent gap between the accounting practices implemented at the Awwal Fathul Mubien Grand Mosque and the requirements of contemporary accounting standards, specifically ISAK 35. De facto, this historic mosque remains anchored in a traditional cash-based accounting paradigm, relying solely on a single-entry cash basis system. As reflected in the existing financial statements, the reports prepared by the management merely comprise a simple recap of cash inflows and outflows.

This condition is consistent with cross-regional findings in Indonesia, which indicate that the majority of mosques continue to face substantial challenges in transitioning to an accrual basis due to technical constraints and perceptions regarding the complexity of the standard (Fatika, 2022; Makmur et al., 2024). Consequently, the current reporting framework only captures short-term liquidity positions and fails to provide a comprehensive depiction of the mosque's actual assets, obligations, and overall organizational performance.

The current practice of simplified reporting reflects a form of *social accountability* that is largely oral and communal in nature. Transparency is interpreted by the mosque's management as a moral obligation to verbally disclose cash balances through a loudspeaker every Friday. Although this mechanism provides immediate information to congregants who are physically present, such an approach does not meet the requirements of *institutional accountability*, which necessitates written, standardized, and auditable forms of reporting.

As a result, a significant information asymmetry emerges: congregants may know the amount of cash collected in the donation boxes, yet they remain unaware of the mosque's overall financial health. This discrepancy underscores the limitations of informal reporting practices in conveying a complete and reliable financial picture of the organization.

One of the most critical implications of the absence of ISAK 35 implementation is the emergence of *invisible assets* within the financial reporting system. In the manual cash reports prepared by the mosque's management, the organization's wealth appears to be limited solely to the cash balance on hand. However, through the reconstructed Statement of Financial Position conducted in this study, material evidence reveals that the mosque actually oversees total assets amounting to IDR 17,377,291,000.

This substantial figure has remained absent from formal accountability mechanisms due to the limitations inherent in cash-based recording methods, which do not recognize non-cash assets. The presence of unrecorded assets represents a chronic issue among religious institutions and poses significant governance risks, particularly concerning the long-term traceability of waqf assets (Sulistiani, 2020).

The substantial informational discrepancy identified in this study introduces significant governance risks. In the absence of a Balance Sheet (Statement of Financial Position) that records the value of waqf land and buildings—amounting to IDR 17.3 billion—the mosque lacks a valid *accounting trail* for its assets. Consequently, the organization does not possess a reliable basis for estimating long-term maintenance costs associated with its heritage structures.

Moreover, the absence of fixed-asset recognition exposes the mosque to potential disputes over future ownership of waqf assets, driven by weak legal documentation within its financial reporting. Administrative and legal irregularities related to waqf management frequently trigger land conflicts that ultimately disadvantage the community (Rizki & others, 2024). The reconstruction undertaken in this study demonstrates that adopting ISAK 35 constitutes a vital instrument for safeguarding religious property (*hifdz al-māl*).

The limitations of traditional reporting practices are also evident in their inability to accurately measure organizational performance. For years, both management and congregants have tended to equate the *cash balance* with *net income*. In reality, cash represents a measure of liquidity rather than performance.

Through the reconstruction of the Statement of Comprehensive Income, this study differentiates revenues and expenses on an accrual basis. The results indicate that, for the 2024 reporting period, the mosque recorded an operational surplus of IDR 124,245,000.

The information regarding the IDR 124 million surplus provides managerial insight that is substantially more strategic than a mere disclosure of cash balances. When relying solely on the cash balance, management may hesitate to initiate new programs out of concern for depleting available funds. However, by recognizing the existence of an actual operational surplus—calculated after deducting all salary, electricity, and educational program expenses—the management gains a more reliable analytical basis for planning community-oriented program expansions. This information enables the mosque to shift from a mere *survival mode* toward a *growth-oriented* organizational posture. For instance, the surplus can be allocated to educational scholarships or facility improvements without jeopardizing operational stability.

The application of ISAK 35 also provides clarity regarding the mosque's solvency position and overall financial independence. The reconstructed Statement of Changes in Net Assets reveals that the accumulated net wealth of the mosque now amounts to IDR 156,309,000 (excluding fixed assets). This figure serves as a financial health indicator that was entirely absent in the previous manual cash reports. By presenting Net Assets, the mosque is able to demonstrate to donors that their contributions have accumulated into prudently managed communal equity rather than being expended without trace.

An in-depth analysis of the mosque's internal organizational dynamics indicates that the obstacles to standard adoption stem not merely from individual competency gaps but from structural issues. The mosque's organizational design formally delineates responsibilities across the Idarah, Imarah, and Riayah divisions. However, functional fragmentation persists: the Treasurer focuses exclusively on recording cash flows, while the Riayah Division (Development and Maintenance) manages physical assets independently with no integrated data system.

This fragmentation reinforces existing arguments that human resource competencies and internal control structures exert a significant influence on the quality of financial reporting in mosques (Najmudin & Bayinah, 2022). The absence of a centralized accounting function has resulted in building assets managed by the Riayah Division never being incorporated into the Treasurer's records, thereby preventing the Statement of Financial Position from forming organically.

Although formal standards have not yet been adopted, this study uncovers an interesting finding: the mosque's management possesses an intuitive form of *accounting logic*. As outlined in the Notes to the Financial Statements (CaLK) produced through the reconstruction process, the management informally distinguishes between different purposes of funds: *Friday alms* are treated as

flexible operational resources, whereas certain types of *infaq* are regarded as restricted funds.

This finding challenges the notion that traditional mosque administrators are “accounting illiterate.” Instead, it reflects a form of local financial wisdom in managing communal resources that has not yet been formalized within established accounting standards (Lasfita, 2020). The management demonstrates an understanding of the substance of fund accounting, but lacks the technical competencies and instruments—the “language of accounting”—necessary to translate this understanding into the standardized reporting format required by ISAK 35.

The absence of ISAK 35 implementation currently poses the risk of blurring the boundaries between restricted and unrestricted funds. Under a cash-based system in which all receipts are pooled into a single account, there exists a sharia-related risk whereby donations intended specifically for physical development may inadvertently be used to pay staff salaries or utility expenses, and vice versa. ISAK 35 provides a clearer delineation of these fund categories through its structured financial reporting format.

Such clarity offers protection for mosque administrators against allegations of fund misappropriation and assures donors that their designated contributions are honored in accordance with the intended purpose of the underlying *akad*. Empirical evidence further suggests that transparency in the management of restricted funds enhances the trust of *muzakki* toward the institution (Saputra et al., 2024).

From the perspective of Stewardship Theory, the management of Masjid Agung Awwal Fathul Mubien has fulfilled its role as steward through the honest handling of cash resources. However, in the context of a modern organization that administers assets valued in the tens of billions of rupiah, *personal honesty* alone is insufficient. *Professional accountability* is required to sustain public trust. The theory underscores that accountability in organizations managing zakat and infaq is two-dimensional: vertically oriented toward God and horizontally oriented toward the public as a means of maintaining legitimacy (Kholidah & Sulistiani, 2019).

The absence of standardized reporting generates a legitimacy gap: although congregants may trust the individuals serving as administrators, they lack objective documentation to independently verify the performance of communal fund management. Prior studies also demonstrate that accountability and transparency in financial reporting exert a significant positive influence on congregants’ willingness to donate (Rahayu & others, 2019).

The analysis of the overall findings indicates that the transition to ISAK 35 for Masjid Agung Awwal Fathul Mubien extends beyond mere administrative compliance and instead reflects the need for a broader strategic governance transformation. Although the application of this standard to religious entities remains largely voluntary under national regulations—distinct from the mandatory

reporting obligations imposed on corporate bodies—the mosque's status as a historical landmark confers a heightened moral obligation to the public.

The financial statement reconstruction undertaken in this study demonstrates that, substantively, the mosque already possesses a sufficient data foundation to prepare reports in accordance with the standard. This potential suggests that the primary challenge is not the absence of data, but rather the need for a technical bridge to transform long-standing informal practices into formal, standardized, and accountable accounting procedures.

## CONCLUSION

This study concludes that the financial reporting practices of Masjid Agung Awwal Fathul Mubien reflect a paradox of accountability. On one hand, the mosque successfully upholds *social accountability* through honest cash management and verbal transparency to congregants. On the other hand, the traditional cash-basis system employed proves insufficient to meet the demands of *institutional accountability* for an entity that manages highly complex asset structures.

A critical finding of this study is the identification of invisible assets—material wealth in the form of waqf land and heritage buildings valued at more than IDR 17.3 billion that remain unrecorded in formal accountability mechanisms. This underscores that the traditional reporting system fails to provide adequate safeguarding and long-term documentation of communal assets.

In addressing the normative context of its application, this study recognizes that the adoption of ISAK 35 by religious entities in Indonesia remains voluntary and has not yet attained the status of a legally binding mandate. Nevertheless, the findings of this study underscore that the historical stature of the Awwal Fathul Mubien Grand Mosque, coupled with its management of substantial public funds, generates a form of *moral obligation* and a *substantive accountability demand* that extends beyond the minimum thresholds of regulatory compliance. The reconstructed financial statements presented in this study demonstrate that the application of ISAK 35 is both relevant and urgent for transforming fragmented financial data into strategic information—such as the measurement of the true operational surplus and the entity's solvency position—which are critical for ensuring organizational sustainability.

Practically, this study contributes by revealing the presence of an 'informal accounting logic' already embedded within mosque management practices, such as the intuitive separation between operational funds and restricted funds. The implication is that the transition toward ISAK 35 does not have to begin from a zero baseline; rather, it can be undertaken by formalizing these existing informal policies. Theoretically, the findings enrich the literature on Stewardship Theory in the nonprofit sector by demonstrating that public trust cannot indefinitely rely on the personal credibility of individual administrators (personal trust), but must

progressively shift toward the reliability of the reporting system (institutional trust) to ensure intergenerational sustainability

This study acknowledges several limitations. First, the single-case study design constrains the generalizability of the findings to other mosques that may exhibit distinct cultural and organizational characteristics. Second, the ISAK 35-based financial statements presented herein are the result of the researcher's reconstruction using available data, rather than a systemic, internally adopted implementation by the mosque administrators. Accordingly, future research is encouraged to employ an Action Research approach to directly accompany the implementation process, or to conduct comparative studies across multiple mosques to map the readiness of accounting infrastructure on a broader scale

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