

# *Improving Financial Transparency In Nonprofit Organizations: A Digital-Based Financial Management Model For Mosques*

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**Abstract:** This study explores a digital-based financial management model to strengthen transparency and accountability in non-profit organizations, particularly mosques. As central community institutions, mosques are expected to manage financial resources obtained from the community in a transparent and accountable manner. However, many mosques still rely on manual systems that lack structured documentation. The implementation of digital solutions supported by ISAK 335 accounting standards can significantly improve financial management in these organizations. This study was conducted at the An-Nashir Mosque in Yogyakarta, involving four main stages: initial needs assessment, training based on ISAK 335 standards, development of Excel-based financial templates, and ongoing guidance for mosque administrators. Using a descriptive qualitative approach, this study found improvements in financial record-keeping, classification of net assets, and the preparation of standard financial reports, including the Balance Sheet, Activity Report, and Cash Flow Statement. The use of digital tools enables more efficient, accurate, and timely reporting, in line with accountability principles. Additionally, this initiative has increased the trust of congregants and donors, demonstrating that digital transformation in mosque financial management can play a crucial role in maintaining public trust. This model offers a replicable framework for similar religious nonprofit organizations across Indonesia.

**Keywords:** Digital Financial Management, Mosque Accounting, Transparency, Accountability

## INTRODUCTION

Mosques are central institutions in Muslim communities, serving not only as places of worship but also as centers of education, social welfare, and cultural preservation (Gazalba, 1994; Ayub, 2001). With these multifunctional roles, mosques naturally manage various financial activities, including donations from zakat, infaq, waqf, and sadaqah. These donations are crucial for supporting religious programs, infrastructure maintenance, and community services.

As a non-profit religious institution, mosques are required to maintain public trust by managing funds transparently and accountably. However, many mosque administrators still rely on traditional and manual accounting systems that are not standardized. This often leads to inefficient data handling, delayed reporting, potential errors, and a decline in trust among donors and congregants (Sarwenda et al., 2023).

Financial transparency and accountability are crucial in maintaining the legitimacy of nonprofit institutions. According to Mardiasmo (2006), transparency is a fundamental principle in public sector governance. In the context of mosques, failure to apply these principles can hinder community participation and limit funding opportunities. Additionally, as emphasized by Amalia & Widiastuti (2020), when financial information is not well documented or difficult to access, this risks damaging stakeholder trust.

Despite skepticism toward formal accounting in religious settings, integrating modern accounting practices demonstrates professionalism and ethical management (Ahyaruddin et al., 2017). Accurate and timely financial reporting improves both internal decision-making and external accountability. In Indonesia, ISAK 335—published by the Indonesian Institute of Accountants (IAI)—provides specific guidance for financial reporting in non-profit entities, with a focus on fund classification, asset disclosure, and accrual-based accounting (IAI, 2022).

To improve financial management, many mosques are beginning to transition to digital accounting systems. Tools such as Excel-based templates and cloud-based applications support more efficient transaction recording and easier report generation. Studies by Zamroni & Fahana (2021) and Sarwenda et al. (2023) highlight the value of digitalization in improving reporting accuracy and organizational legitimacy.

This study presents a digital-based financial management model specifically designed for mosque operations, based on ISAK 335 guidelines. This model aims to standardize financial documents, improve accountability, and promote transparency through the use of digital tools. In addition, this model also aims to provide best practices that can be replicated by other non-profit religious institutions in Indonesia seeking to modernize their financial systems.

## LITERATURE REVIEW

### 2.1. The Role of Mosques in Society

Mosques have historically functioned as not only places of worship but also as centers for various community activities, encompassing spiritual, educational, social, and even economic dimensions. In the Islamic tradition, mosques play a foundational role in fostering collective identity, social cohesion, and moral development within the ummah (community). As noted by Gazalba (1994), the mosque is not just a place for ritual prayers but a cultural institution that serves a wide spectrum of public interests. Similarly, Ayub (2001) outlines the mosque's capacity to provide religious education, spiritual guidance, charitable assistance, conflict mediation, and empowerment through micro-economic initiatives such as cooperatives and zakat management.

These broader responsibilities make it necessary for mosques to adopt more formal organizational structures and administrative mechanisms akin to those found in modern nonprofit institutions. This includes establishing financial systems, internal control structures, and reporting mechanisms that ensure accountability, particularly in managing funds derived from public trust. With the increasing complexity of activities and financial transactions, mosques require competent human resources, technological tools, and institutional frameworks to function effectively and credibly within society. Thus, the integration of structured financial practices into mosque operations is not only relevant but essential to support their multifaceted mission in a modern context.

### 2.2. Nonprofit Accounting Principles.

Nonprofit organizations including mosques, are distinct from for-profit entities in their goal orientation. The primary aim is to deliver social or religious value rather than generate profit. Consequently, accounting in nonprofit organizations emphasizes accountability over profitability. According to the Indonesian Institute of Accountants (IAI), nonprofit entities are required to apply standards that reflect the unique nature of their activities, such as the reliance on donations, use of volunteer labor, and the presence of both restricted and unrestricted net assets.

ISAK 335 are the key standards that provide the foundation for nonprofit financial reporting in Indonesia. ISAK 335, in particular, focuses on ensuring transparency and accountability in the reporting of entities engaged in religious, educational, health, and similar nonprofit sectors. It prescribes the presentation of financial statements such as the Statement of Financial Position, Statement of Activities, Statement of Changes in Net Assets, Statement of Cash Flows, and Notes to Financial Statements. These are designed to improve comparability, clarity, and the decision-usefulness of the information provided to stakeholders (IAI, 2022).

The IAI emphasizes that financial reporting for nonprofit organizations should aim not only to fulfill regulatory

compliance but also to support stewardship, promote good governance, and strengthen public confidence. In the context of mosques, the adoption of ISAK 335 serves to institutionalize financial practices that meet both religious values and modern accounting standards.

### 2.3. Financial Transparency and Accountability

Transparency in nonprofit finance involves open access to financial records and clarity in the use of funds, while accountability involves a commitment to ethical, responsible stewardship of public and donor resources. These principles are key to sustaining community trust and engagement. Mardiasmo (2006) emphasizes that financial statements must provide reliable information to stakeholders to reflect performance and support decision-making. The lack of transparency may result in decreased donor contributions and reduced organizational effectiveness (Amalia & Widiastuti, 2020).

A study by Jorge, Nogueira, and Oliveira (2021) in the *International Journal of Public Administration* highlights that financial transparency in nonprofit organizations is positively correlated with increased stakeholder trust and donor retention. The study underscores that standardized financial reporting, public disclosure of financial activities, and the use of third-party audits enhance organizational legitimacy and promote ethical governance practices.

Moreover, Saxton and Guo (2020), in their work published in *Nonprofit and Voluntary Sector Quarterly*, assert that proactive financial disclosure and the use of digital transparency tools (such as websites and online reports) not only improve donor engagement but also increase operational efficiency. They emphasize that stakeholders, including donors and beneficiaries, are more likely to support organizations that visibly demonstrate accountability and transparency through their financial practices.

### 2.4. Digitalization in Mosque Financial Management

Digitalization in the financial management of mosques involves using technology to record, process, and report financial transactions. Tools such as Excel-based accounting templates, mobile donation platforms, and financial dashboards can greatly improve efficiency, reduce human error, and increase transparency. Sarwenda et al. (2023) found that mosques transitioning to digital systems were better able to provide structured, timely, and accurate financial reports, leading to greater trust among congregants.

According to Manes-Rossi et al. (2021), in their Scopus-indexed study on transparency in nonprofit organizations, the adoption of digital tools plays a crucial role in fostering public accountability. The researchers emphasize that integrated digital systems enhance the traceability of funds, facilitate timely reporting, and support stakeholder engagement through data visibility. In the context of religious nonprofits, such as mosques, this can be pivotal in enhancing legitimacy and trust among congregants and donors.

Furthermore, digitalization can also support the implementation of internal controls and audit trails that are essential in ensuring the integrity of financial practices. The presence of real-time dashboards, automated classifications, and cloud-based reporting systems can reduce the risk of errors or fraud. As organizations increasingly rely on digital infrastructure, digital literacy among administrative personnel becomes equally important to ensure sustainable implementation of these innovations.

### 2.5. Theoretical Framework and Conceptual Model

The theoretical framework for this study integrates stakeholder theory and accountability theory, both of which provide essential perspectives on the governance and financial management of nonprofit organizations, including religious institutions such as mosques. Stakeholder theory, as proposed by Freeman (1984), emphasizes that organizations must be responsive to the needs and expectations of various stakeholders who are affected by or can affect the organization's operations. In the context of mosques, these stakeholders include donors, congregants, religious authorities, and the broader community. Effective financial transparency ensures that each stakeholder group is adequately informed about how their contributions are used, thereby fostering trust and engagement.

Accountability theory complements stakeholder theory by focusing on the responsibility of organizations to provide explanations for their actions and decisions, especially in the use of public and donor funds. Ebrahim (2003) argues that accountability in nonprofits extends beyond compliance and includes value-based dimensions such as legitimacy, ethical conduct, and stewardship. When mosques adopt standardized financial reporting mechanisms such as ISAK 335, they align themselves with global accountability practices that emphasize transparency, consistency, and comparability in financial disclosures.

## METHODOLOGY

This study employs a descriptive qualitative approach through participatory action research in the context of community service. The objective is to design, implement, and evaluate a digital-based financial management model aligned with ISAK 335 for mosques. The primary site of this study is Masjid An-Nashir in Yogyakarta, Indonesia.

### 3.1. Research Design

The research was conducted in three stages: (1) needs assessment, (2) model development and training, and (3) implementation and evaluation. Data collection was carried out using a combination of observation, interviews, document analysis, and feedback surveys.

### 3.2. Participants and Context

Participants included mosque administrators (takmir), treasurers, and selected congregation members involved in financial management. The intervention was implemented over a two-month period with weekly mentoring sessions.

### 3.3. Instruments and Tools

The tools used included pre- and post-training assessments, standardized Excel templates based on ISAK 335, and checklists for financial transaction documentation. A digital financial recording system was introduced, focusing on journal entries, classification of net assets, and generation of financial statements such as the Statement of Financial Position and Statement of Activities.

### 3.4. Data Analysis

Data were analyzed using content analysis and comparison of financial documentation before and after implementation. Improvements were measured in terms of completeness, timeliness, and clarity of financial reporting. Participant feedback and audit trails were used to validate the effectiveness of the digital financial model.

This methodological framework was designed not only to measure the technical feasibility of implementing digital financial systems in mosques, but also to understand behavioral and organizational changes triggered by improved accountability mechanisms.

## RESULTS AND DISCUSSION

The implementation of the digital-based financial management model was evaluated through actual financial reports collected over a one-month period. These reports were assessed for structural accuracy, compliance with ISAK 335 standards, and improvements in transparency and usability.

### 4.1. Financial Report Overview

The financial reports demonstrated a total income of IDR 35,688,555 sourced from various donation channels, including regular donor contributions, Friday alms, daily alms, and targeted fundraising events. This reflects a healthy diversity of income streams, which is crucial for nonprofit sustainability as emphasized by Jorge et al. (2021), who highlighted the role of diverse and traceable revenue in enhancing financial legitimacy.

Expenditures, amounting to IDR 22,363,300, were allocated for operational utilities, program-related expenses, and

honoraria for religious leaders. The surplus generated during the reporting period indicates a well-managed fund allocation strategy that preserved liquidity while meeting programmatic needs. This outcome is consistent with Saxton and Guo's (2020) findings, which suggest that effective fund management and periodic disclosure can significantly improve stakeholder confidence.

Moreover, the presence of both cash on hand and bank balances demonstrates adherence to the ISAK 335 directive to record all assets accurately, enhancing both reliability and audit readiness. Compared to previous studies such as Yuliarti (2021), which found inconsistencies in how mosques report their assets and income, this model reflects progress toward standardized and accountable reporting.

In summary, the financial report overview highlights both structural clarity and compliance with nonprofit accounting best practices. The digital system in place not only supports real-time transaction monitoring but also facilitates easier preparation of formal statements that meet the expectations of modern donors and regulatory bodies alike.

#### 4.2. Classification of Income and Expenses

Following the ISAK 335 framework, income within nonprofit religious institutions is categorized into unrestricted and restricted contributions. Unrestricted contributions refer to general donations such as daily and weekly alms (infaq), which can be utilized for operational needs at the discretion of the management. Restricted contributions, on the other hand, are earmarked for specific purposes like infrastructure development, social assistance programs, or religious festivals.

The empirical data in this study demonstrates the practical application of this classification. The financial records revealed that income streams were properly identified and labeled according to their designated use. This accurate classification enabled improved planning and fund allocation aligned with donor intent a principle emphasized by Ebrahim (2003) in the context of nonprofit accountability theory.

On the expenditure side, expenses were grouped into several categories: operational utilities (electricity, water, cleaning), religious honoraria (payment for religious leaders), and community/social programs (food distribution, public events). Such categorization supports the clarity of financial reporting and ensures that financial statements reflect the organization's stewardship over different funding sources.

When compared with previous studies (Yuliarti, 2021; IAI, 2022), this model showcases enhanced transparency by strictly adhering to ISAK 335 classification standards. The process also aligns with stakeholder theory, where clarity in fund utilization serves to strengthen stakeholder trust, particularly among donors and congregants who expect a high degree of accountability.

Overall, the classification system used in the digital-based model proves essential for ensuring that nonprofit religious institutions meet both their operational needs and their responsibility to report fund usage clearly and ethically.

#### 4.3. Application of ISAK 335 Format

The restructuring of financial records was carried out to align with the principles outlined in ISAK 335, which mandates clear and systematic financial disclosures for nonprofit organizations. ISAK 335 emphasizes the classification of net assets into restricted and unrestricted categories, the recognition of contributions, and disclosure of resource usage in line with donor-imposed conditions (IAI, 2022).

In this study, financial statements were reformatted into three primary components:

- **Statement of Financial Position**, which clearly outlines assets—particularly cash and bank balances—while demonstrating the financial health and liquidity of the institution.
- **Statement of Activities**, which presents income and expenditure classified based on restrictions, reflecting how funds were utilized according to donor intent.



- **Notes to Financial Statements**, which provide contextual explanations about significant donations, the use of restricted funds, and accounting policies applied.

This format mirrors recommendations from nonprofit accounting literature such as those by Tinkelman and Donabedian (2007), who emphasize that structured reporting frameworks increase financial transparency and donor confidence. Furthermore, the incorporation of these structured statements supports the operationalization of accountability theory, as it allows stakeholders to assess the organization's stewardship over financial resources.

The improved financial documentation not only fulfills reporting obligations but also facilitates better internal management, enabling regular performance evaluations and decision-making processes. It also demonstrates alignment with the digital and regulatory standards necessary for modern financial governance in nonprofit religious organizations.

- A Statement of Financial Position (assets: cash and bank)
- A Statement of Activities (classified income and expenses)
- Notes to Financial Statements (detailing restricted funds and their utilization)

#### 4.4. Benefits of Digital Implementation

The transition to a digital financial management system brought notable improvements over the previous manual methods. Prior to digitalization, financial data was recorded using paper-based ledgers or unstructured spreadsheets with limited categorization and no standardized reporting format. This often led to delays in reporting, difficulty in tracking funds, and a lack of clarity in classifying donations and expenses. These conditions mirror the challenges identified by Saxton and Guo (2020), who noted that manual financial systems in nonprofits can contribute to inefficiencies and a lack of donor confidence.

Post-implementation, the digital reporting template enabled real-time data entry, automated calculations, and generated monthly financial statements in line with ISAK 335 standards. Fund inflows and outflows were more easily monitored, and categorized data provided a clear snapshot of financial health. Digital records also facilitated more frequent internal reviews and external transparency, helping institutions meet both operational and accountability goals.

Moreover, this transition empowered the management team with improved decision-making tools. Financial summaries and visual dashboards enabled faster evaluations, more strategic planning, and responsive program budgeting. These benefits align with Manes-Rossi et al. (2021), who emphasized that digital tools enhance public sector and nonprofit transparency through timely reporting and structured documentation.

In summary, digital implementation addressed previous inefficiencies and significantly improved reporting accuracy, operational efficiency, and stakeholder trust—core principles aligned with both stakeholder theory and accountability theory as discussed in the literature review.

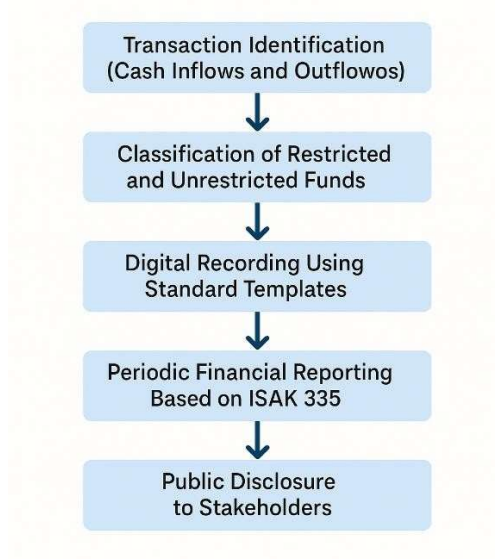
#### 4.5. Alignment with Theoretical Framework

The model aligns with stakeholder theory by addressing the informational needs of key stakeholders—donors, congregants, and mosque managers—through the provision of timely, accurate, and accessible financial reports. This supports Freeman's (1984) principle that organizations must be responsive to the expectations of those who are affected by their operations. Digital financial tools ensure that all stakeholders have access to relevant financial data, thus promoting inclusive and informed decision-making.

From the perspective of accountability theory, the model reinforces organizational legitimacy through the application of standardized practices such as ISAK 335, which mandates transparency in recognizing and reporting income, expenditures, and net asset classifications. Ebrahim (2003) emphasized that accountability in nonprofits must go beyond legal compliance to encompass ethical stewardship and transparent communication with the public. The model's structured

format—Statement of Financial Position, Statement of Activities, and Notes—enables such accountability.

To visually represent the framework, Figure 1 illustrates the Digital-Based Financial Management Model for Mosques. It begins with income identification and classification, followed by digital transaction recording, then report compilation based on ISAK 335, and culminates in public disclosure to stakeholders. This sequential flow supports internal control and stakeholder satisfaction while ensuring regulatory alignment.



*Figure 1: Digital-Based Financial Management Model for Mosques*

This model includes five sequential components:

1. **Transaction Identification (Cash Inflows and Outflows):** Capturing all financial transactions related to donation income and program or operational expenses.
2. **Classification of Restricted and Unrestricted Funds:** Differentiating between donations that have designated uses and those that are general-purpose, consistent with ISAK 335 and nonprofit fund accounting.
3. **Digital Recording Using Standard Templates:** Inputting transactions into structured digital formats or software aligned with ISAK 335 guidelines.
4. **Periodic Financial Reporting Based on ISAK 335:** Generating monthly or quarterly reports that reflect the Statement of Financial Position, Statement of Activities, and Notes.
5. **Public Disclosure to Stakeholders:** Sharing financial summaries with the community, donors, and regulators to strengthen transparency and accountability.

This framework is designed to be replicable across Indonesian mosques and integrates key concepts from stakeholder theory and accountability theory, as well as the technical standards of nonprofit financial reporting provided by IAI.

## CONCLUSION AND RECOMMENDATIONS

This study presents a digital-based financial management model tailored for nonprofit religious institutions, with specific application to mosque operations. By integrating ISAK 335 standards and digital recording tools, the proposed model enhances transparency, accuracy, and accountability in financial reporting.

The results show that transitioning from manual to digital systems provides numerous benefits, including improved

fund classification, more accurate reporting, and enhanced stakeholder trust. The model also offers a structured reporting mechanism that aligns with theoretical frameworks such as stakeholder theory and accountability theory.

Given the growing public demand for transparency and accountability, this digital model is not only applicable to mosques but may also be adapted by other nonprofit religious entities. It is therefore recommended that:

1. Mosque management teams across Indonesia adopt this model using user-friendly digital tools.
2. Training programs be established to enhance capacity in digital accounting and ISAK 335 compliance.
3. Further research be conducted to evaluate the long-term impact of digital financial practices in diverse mosque contexts.

By embedding these practices, nonprofit religious institutions can fulfill their fiduciary responsibilities more effectively and strengthen their legitimacy in the eyes of the public and donors.

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