

Donor Perspectives on Accountability and Transparency of Nonprofit Financial Reporting

Donor Perspectives on
Accountability

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ABSTRACT

The number of cases involving the misappropriation of donation funds given by the public to nonprofit organizations has garnered significant attention. One common issue is the ethics surrounding donation solicitation. The methods often used by certain individuals include the inaccuracy of information provided by nonprofit organizations to donors, leading to subpar services and misallocation of funds that do not align with the donation values. This research aims to reveal donors' understanding of the transparency of funds managed by nonprofit organizations, as well as their trust in how donation funds are administered. Additionally, it seeks to uncover donors' perspectives on accounting practices and the transparency of financial reports within nonprofit organizations. This study is qualitative and employs a descriptive method. Data collection was conducted through interviews and open-ended questionnaires. The data obtained were subsequently analyzed. The results indicate that donors' views on the accountability of financial reporting by nonprofit organizations in Pontianak are quite positive, as evidenced by seven accountability indicators. However, the perception of donors regarding the transparency of financial reporting in these organizations is still lacking.

Keywords: Donor Perspectives, Accountability, Transparency, Nonprofit Organization

ABSTRAK

Banyaknya kasus penyelewengan dana donasi yang diberikan masyarakat kepada organisasi publik menjadi banyak perhatian banyak masyarakat. Permasalahan yang biasanya terjadi adalah etika dalam pemungutan donasi. Metode yang biasanya digunakan oknum adalah ketidak-akuratan informasi yang diberikan organisasi nonprofit kepada donatur, akibatnya pelayanan yang kurang berkualitas serta distribusi dana tidak sesuai dengan nilai donasi. Penelitian ini bertujuan untuk mengungkapkan pemahaman seorang donatur akan keterbukaan dana yang sudah dikelola oleh organisasi nonprofit. mengungkapkan kepercayaan seorang donatur akan kepengurusan dana donasi. Serta mengungkapkan pandangan donatur akan praktik akuntansi serta transparansi laporan keuangan sebuah organisasi nonprofit. Penelitian ini merupakan penelitian kualitatif yang menggunakan metode deskriptif. Pengumpulan data dalam penelitian ini diperoleh melalui wawancara dan kuesioner terbuka. Data-data yang sudah diperoleh kemudian dianalisis. Hasil dan pembahasan Pandangan donatur akan akuntabilitas pelaporan keuangan organisasi nonprofit yang ada di kota Pontianak sangatlah baik. Karena dari 7 indikator akuntabilitas memiliki hasil yang positif dan pandangan donatur akan transparansi pelaporan keuangan organisasi nonprofit yang ada di kota Pontianak masih kurang baik.

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INTRODUCTION

Transparency and accountability play a very important role in maintaining the credibility of non-profit organizations, especially in maintaining donor support. These two aspects ensure that non-profit organizations are able to demonstrate their responsibility for managing funds received from the public. Financial reports are one of the main tools for displaying transparency and accountability, and non-profit organizations such as mosques, churches, foundations, and orphanages must show the use of donation funds clearly and responsibly. The high number of cases of misappropriation of donation funds that have occurred in several non-profit organizations has raised concerns among the public. The public is increasingly vigilant in distributing their donations because there is concern that the funds provided will not be used according to their intended use. Rosalina & Nurlaely (2023), found that one of the large foundations, Quick Response Action (*Aksi Cepat Tanggap/ACT*), was involved in collecting and distributing funds that did not correspond to the reality on the ground. Cases like this are a real example of why transparency and accountability are so important. With clear and accountable financial reports, non-profit organizations can build public trust and ensure that the funds they receive are actually used for the purposes promised. This not only helps maintain the reputation of the organization but also provides a sense of security to donors, ensuring that their donations are making a real and intended impact. As public awareness of misuse of funds increases, accountability and transparency are key to maintaining the sustainability of nonprofit organizations.

Mediana (2021), one of the main problems is the inaccuracy of information conveyed by the organization to donors. This can result in poor quality service and distribution of funds that do not match the value of the donation given. Putri (2023); Tria (2023), added that the fundraising department sometimes faces difficulties, either due to donor errors when transferring funds or internal errors in determining the nominal for program distribution. This indicates problems in fund management in several organizations. Previous studies have focused heavily on transparency and accountability in the public sector, especially regarding village fund management. For example, research by Rahman (2020) examined the transparency of village management in Sigi Regency. The results of this study indicate that transparency in the village is quite good, but there are still obstacles, namely the lack of understanding of the general public about the importance of transparency in fund management. Transparency, accountability, and proper fund management are important issues in fund management, both in the non-profit and public sectors (Mardiasmo, 2021; Kuntadi, 2023; Gurendrawati et al., 2024). Although some organizations demonstrate good levels of transparency, there are still many challenges to be faced to ensure ethical and targeted fund management, including increasing public understanding of the importance of such transparency.

Haryanti & Kaubab (2019) highlighted transparency and accountability in the financial reports of mosques in Wonosobo Regency. The study results found that most mosques still use traditional financial reporting methods, such as writing reports manually and posting them on bulletin boards. In the context of accountability, these mosques tend to rely on the values of trust and honesty that have been built among managers and congregations. Although this system is based on a relationship of mutual trust, more systematic and transparent reporting practices are needed to improve accountability. Furthermore, research by Pratiwi & Iliyini (2023) examined accountability and transparency at the At Tafakur Orphanage Foundation. Based on the results of their research, it was found that the orphanage did not yet have an adequate recording system regarding the receipt and expenditure of donations, both in the form of goods and food provided by donors. This lack of neat recording creates potential risks in

terms of accountability due to the lack of clear documentation regarding the flow of goods and food received or distributed by the orphanage (Arwani & Priyadi, 2024). These two studies show the importance of implementing a more transparent and accountable system in financial management, both in mosques and orphanages. Trust-based reporting without clear documentation supports the risk of reducing the level of accountability. Therefore, reforms are needed in the financial management of religious and social organizations so that they can be more transparent and reliable, especially in terms of recording and reporting in accordance with applicable accounting standards (Radiansyah et al., 2023; Masfufaheta et al., 2023; Prasetio, 2024).

This study focuses on the importance of understanding donors' views on transparency and accountability in nonprofit organizations. The main reason why donors' views are the focus is the lack of research that explores this aspect. The researcher hopes that by revealing donors' views, nonprofit organizations can improve their transparency and accountability in managing funds. This aims to attract more donors and maintain their trust, so that donors feel safe and confident that their funds are being managed well. The formulation of the research problem is to determine the extent of transparency and accountability of nonprofit organizations in reporting their finances from the perspective of donors. This study also seeks to understand the accuracy and completeness of the information provided by nonprofit organizations in achieving their program goals. In addition, this study wants to find out how donors view the organization's openness in preparing the budget for the program to be implemented. The purpose of this study is to reveal donors' understanding of openness in managing funds by nonprofit organizations. This study also seeks to explore the level of donor trust in the management of donation funds and how donors view accounting practices and the transparency of financial reports prepared by the organization. Thus, this study is expected to provide deeper insight into the relationship between donors and nonprofit organizations regarding fund management and financial reporting.

METHODS

This study uses a qualitative approach with a descriptive method (Noor, 2011; Roosinda et al., 2021). This approach focuses on the presentation and analysis of facts found in the field. In the descriptive method, researchers not only describe the data obtained but also analyze the data to gain a deeper understanding (Rusli, 2021). The data collected is not only reported as it is but also analyzed to understand the patterns or relationships that may exist in it. The use of descriptive methods in this study allows researchers to provide a detailed description of the phenomenon being studied while providing an adequate explanation of the meaning behind the phenomenon. The initial step of this method is data collection through interviews and open-ended questionnaires. Interviews provide researchers with the opportunity to dig up in-depth information from respondents, while open-ended questionnaires allow respondents to provide more free and in-depth answers so that researchers can get a broader picture of the topic being studied (Agusta, 2003). After the data is collected, the researcher then analyzes the data. This analysis aims to find patterns, relationships, and hidden meanings in the data. The results of this analysis not only provide a descriptive picture of the phenomenon being studied but also provide new insights that can be used to understand the phenomenon more comprehensively. Thus, the descriptive method in this study serves not only to describe but also to provide a deeper explanation and understanding.

RESULTS

Implementation of Accountability According to Donors' Views on Nonprofit Organizations

Decisions made by the management of non-profit organizations must be prepared in writing, in accordance with ethical standards, applicable values, and correct administrative principles (Salusu, 2004). The decision document must be available to parties who need the information. Based on the results of the interview, almost all non-

profit organizations reported the programs to be implemented and provided financial reports transparently. This is also supported by the statement of one donor who said that information regarding incoming and outgoing funds was conveyed during the service. Most donors have indeed been informed about the programs and policies implemented by the organization. Athifah et al. (2018); Fauziyyah (2023), showed that donors generally know the identity of the organization and believe that the programs implemented are in accordance with the vision and mission of the organization. However, the study also showed a decrease in the level of donor understanding of the published information. The results of this study are in line with previous research, where each non-profit organization conveyed its programs in detail to donors. Almost all donors interviewed also positively assessed the accuracy of the organization in conveying information related to the programs being run. Thus, donors have a fairly detailed understanding of the information published by the non-profit organization.

Interviews with donors show that trust in nonprofit organizations is a major factor in fund disbursement. Donors entrust funds because there is evidence of real activities and the organization's good reputation in the community. Some donors are even involved in the decision-making process. For example, donor Yan stated that donors are always involved in decision-making, while donor Jo stated that he was only involved if the decision was relevant to him or needed. This interview also describes how nonprofit organizations manage their programs, from compliance with the plan to service and program sustainability. Some donors feel that the organization's activities are in accordance with the plan that has been prepared. However, many donors feel less confident about the transparency of the use of funds. They believe that the organization is running the program according to plan but do not have certainty or detailed information about the use of funds. For example, donor Rin admitted that she was not too sure because she did not know in detail how the funds were used. Overall, this interview highlights the importance of transparency and donor involvement in decision-making as factors that can increase donor trust in nonprofit organizations. Good program management and clear information regarding the use of funds can help strengthen the relationship between the organization and donors.

This study discusses transparency in non-profit organizations, especially regarding the dissemination of information on the use of funds through mass media, which can be accessed by anyone. The majority of donors obtain information through social media such as Facebook and WhatsApp groups, indicating that this transparency indicator has been well implemented by non-profit organizations. Several donors, such as Olivia and Angelia, stated that they obtained information through WhatsApp and other social media. However, most donors stated that they were not involved in organizational decision-making. However, almost all non-profit organizations are considered quite open in their performance. Some organizations even provide complaint services that can be accessed directly. Most donors prefer to submit complaints personally to the organization's management, either directly or via WhatsApp messages. For example, a donor named Tia stated that her complaint was submitted directly to the management of the house of worship if necessary. In addition, a management information system and results monitoring were also implemented to detect and stop acts of misuse of funds or authority. This study shows that the majority of donors have been involved in meetings with the organization's management to discuss certain problems. This indicates an effort by the organization to involve donors in discussions related to decision-making or program evaluation.

The Application of Transparency According to Donors' Views on Nonprofit Organizations

Mais & Palindri (2020); Windasari (2024), transparency is the right of all interested parties to access information. In the context of nonprofit organizations, transparency plays an important role in ensuring that all organizational activities are carried out according to established procedures so as to prevent misuse of funds (Setiawan, 2023;

Hehanussa, 2024; Kusmaeni & Syahrenny, 2024). Transparency regarding programs run by nonprofit organizations is part of their responsibility to donors. This is reflected through the disclosure of financial reports and accountability reports, which are very important for building trust. Based on the results of the interviews, it was seen that nonprofit organizations provide access to information to donors when requested. However, the majority of donors tend not to ask for information related to the budget. One donor, Sally, said that no donor had ever asked for a report. This shows that, although access to information is available, donor awareness and initiative in requesting the report are still low. Another indicator of transparency is the announcement of budget policies. Organizational administrators are expected to clearly inform about the income and expenditure of funds used. From this study, it can be concluded that nonprofit organizations in Pontianak have met this transparency indicator, although information on budget policies is only conveyed through bulletin boards or voice notifications. Donors such as Salia, Aral, Abdi, and Ririn get budget information through the bulletin board. Thus, although there are efforts for transparency, there are still challenges in how to convey information to donors to be more effective and informative.

Budget documentation is an important tool for organizational administrators to ensure that program implementation is in accordance with reality. With documentary evidence, administrators can show donors that every activity carried out is measurable and transparent. All donors who have been interviewed received documentation in the form of photos that were distributed through social media, such as Facebook, or WhatsApp groups, so that they could see the activities being funded directly. The purpose of conveying information about actual spending is to compare the collection and distribution of funds in detail. This is important so that the distribution of funds can be carried out on target. From the results of interviews conducted with donors, organizational administrators often provide information about deficiencies in the program before asking for further donations. For example, Ririn received an explanation about the education program for children in orphanages, while Utami received verbal information about the urgent needs of the orphanage. This statement shows that transparency in fund management is key to building trust between organizations and donors. Organization administrators must be open about any deficiencies that exist, so that donors feel more confident and willing to provide support. In conclusion, this indicator of openness of information only appears when organizational administrators have certain obstacles that need to be conveyed to donors. This openness not only creates trust, but also allows donors to better understand the needs at hand, so they can contribute in a more effective way.

In the context of donations, there are significant differences in the level of donor attention to the transparency of nonprofit organizations' financial reports. Some donors, as expressed by Sally and Juvita, show a deep trust in the organizations they support, without feeling the need to ask for financial reports. This suggests that trust in the mission and integrity of an organization can be a major factor in donation decisions. Although donors believe that nonprofits should be transparent in their financial reports, the reality is that many organizations do not provide this information to donors. Public participation in the budgeting process can increase donor confidence in the use of funds provided. With transparency in the management of funds, donors feel more confident that their contributions are being used effectively and efficiently. However, many nonprofit organizations have not done this well. The results of the questionnaire filled out by respondents such as Utami, Salia, Abdi, Ririn, Juvita, Agus, Cen, and Oktavia showed that the majority of donors were not involved in organizational decision-making. In other words, the indicator of donor involvement in the decision-making process has not been met by most nonprofit organizations. The existence of open financial reports and active donor participation in fund management are very important to increase trust. However, the lack of transparency in financial reporting and lack of donor involvement in decision-making reflect the challenges faced by many nonprofits.

Therefore, greater efforts are needed to increase transparency and participation in fund management to build stronger trust between nonprofits and donors.

CONCLUSION

Donors' views on the accountability of financial reporting of non-profit organizations in Pontianak City are very good. This can be seen from seven accountability indicators which include: first, a written decision-making process by the organization's management and available to those who need it, with decisions taken in accordance with applicable ethical standards and values, as well as correct administrative principles. Second, the accuracy and completeness of information on how to achieve program objectives. Third, the clarity of the organization's management in conveying policy targets to donors, as well as the consistency and feasibility of operational targets. Fourth, the dissemination of information about decisions through social media such as Facebook or WhatsApp groups. Fifth, public access to information after a decision is made, including the existence of a public complaint mechanism. And finally, the existence of a management information system and monitoring of results. All of these indicators provide positive results in the eyes of donors. However, donors' views on the transparency of financial reporting of non-profit organizations in Pontianak City are still unsatisfactory. Of the six indicators, only four show positive results, while the other two are negative. Positive indicators include openness in the budget framework, announcement of each policy, documentation that includes several fiscal indications, and transparency regarding actual spending. Meanwhile, two negative indicators are the lack of openness of financial report information and low public participation in the budgeting process. Thus, transparency in non-profit organizations in Pontianak needs to be improved so that donors can feel more confident and safer in distributing funds. In addition, non-profit organizations must ensure the accuracy and completeness of the information provided as a form of responsibility so that they can attract more donors in the future.

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