

Misool Baseftin Foundation's Financial Performance Doubled in Five Years

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ABSTRACT

Measuring and controlling performance within non-profit organizations can be seen as a strong tool for feedback and learning for the company and a way to evaluate impacts, results, and outputs. To determine and analyze the financial performance of nonprofit organizations at the Misool Baseftin Foundation for the 2016–2020 period, Ritchie and Kolodinsky's (2003) financial ratio analysis, which includes financial performance ratios, public support ratios, and fundraising efficiency ratios, was used. (Effectiveness of fundraising). Secondary data from the Foundation's financial accounts is what is referred to as research data. Descriptive quantitative techniques are used in the research process. The analysis's findings demonstrate that (1) total income to total assets is over 1.0, with the average ratio sitting at 2.03, indicating very high financial performance. (2) For the past five years, the ratio of total income minus total costs to total assets is 0.04. A positive value means that revenue in that year exceeded costs and that a significant percentage was saved as an asset. Therefore, the performance of nonprofit organizations improves as this ratio increases.

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1. INTRODUCTION

Organizations are typically divided into three sectors: the social sector, the public sector, and the private sector (business). Organizations categorised as private have a focus on making a profit from their operations, whereas the public sector and the social sector have the trait of not making a profit their primary objective in favor of enhancing the welfare of the society. So-called non-profit organizations are those that operate in the public and social sectors. Since the amendment of Statement of Financial Accounting Standards (PSAK) 45, IAI, the word "non-profit organization" has been replaced with "non-profit entity" (2014).

One way non-profit organizations get money is through receiving donations or gifts from resource providers, who may be a group of people or a single person. Through the established programs, these gifts will be distributed to those in need; therefore, accountability and transparency standards are required so that their application may be validated to the resource provider and properly targeted to the beneficiary [6].

As a formal regulation controlling the compilation of financial accounts for non-profit entities, the Indonesian Institute of Accountants (IAI) published PSAK 45 (2011): Financial Reporting of Non-Profit Entities. Financial statements contain statements of financial status, activity reports, cash flow statements, and notes to financial statements, in accordance with PSAK 45 (2011). based on PSAK 45, (2011). Financial statements are used to evaluate two things: (1) the services a non-profit business provides and its potential to do so in the future, and (2) the managers' performance in terms of both their duties and other areas. Financial statements can therefore be used as relevant data to assess how well nonprofit organizations are performing.

All organizations, even those with a non-profit focus, should measure their performance. Accountability and transparency are crucial since non-profit organizations have a wide range of diverse stakeholders, making it imperative that they be held accountable for their actions [7]. The evaluation of organizational performance is crucial for this reason. Measuring and controlling performance within non-profit organizations can be seen as a strong tool for feedback and learning for the company as well as a way

to evaluate impacts, results, and outputs. An established general strategy's level of success can be ascertained through effective performance measurement [1].

One way to gauge the financial performance of a business is through financial statement analysis utilizing financial ratio analysis techniques. When used on non-profit organizations that do not prioritize making a profit as their primary objective, ratio analysis approaches used on business entities such as liquidity ratios, solvency ratios, activity ratios, and profitability ratios are inappropriate [8]. The analysis of the financial performance of non-profit organizations, specifically the use of non-profit organization performance indicators based on the ratio analysis [2], which consists of financial performance ratios, public support ratios, and efficiency ratios, is one way to solve this problem. investment performance ratio, program efficiency ratio, and non-program activity efficiency ratio.

The financial performance ratio measures the effectiveness of how funds are used for the programs that are delivered while also reflecting the foundation's financial position, program efficiency, and public support ratios. The effectiveness of the efforts made to raise money for program procurement is shown by the non-program efficiency ratio. The investment performance ratio shows how much the foundation can raise on its own behalf to support its activities. Knowing the entity's performance can help boost credibility with the public and readers of financial statements, demonstrate the entity's integrity and good governance to the public, and provide the entity more negotiating leverage [3].

This study will examine the financial results of the conservation-focused Misool Baseftin Foundation. Misool, Raja Ampat Regency, a private island resort enterprise, established this organization as a recognized charity [9]. The foundation's shared goal is to empower local people and give them a framework through which they may reclaim their historical ownership of coral reefs in order to maintain the most biodiverse coral reefs on Earth. The Foundation continues to take a comprehensive approach to conservation that incorporates social, environmental, and educational components. The Misool Baseftin Foundation aspires to demonstrate to hosts, authorities, visitors, and even the foundation itself that sustainable tourism may offer a better way of life than overfishing, mining, or logging.

The Misool Baseftin Sorong Foundation hasn't examined its financial statements yet to assess how well it's doing financially. Organizations should always analyze their financial records since the findings allow one to determine whether the firm is growing, retreating, or stagnating. Additionally, one of the management's decisions can be based on the findings of the examination of the financial statements [10], [11].

In order to assess the performance of the Misool Baseftin Sorong Foundation, financial statement analysis utilizing the Ritchie and Kolodinsky ratio can be utilized as an alternative, according to the theoretical debate and the findings of earlier studies [12]. The foundation can preserve and improve the credibility of the contributors by knowing how they are performing, which will encourage them to keep giving money to the foundation. The Misool Baseftin Foundation's improving organizational financial performance doubled in five years is the reason why this study's title was chosen.

2. RESEARCH METHOD

The analytical approach employed is descriptive quantitative, and the data used are numbers from financial statements for the years 2016 to 2020, specifically statements of financial condition, activity reports, and cash flow reports. Financial ratio analysis is the method of analysis employed [4],[5]. Ratio analysis of the Misool Baseftin Foundation's financial performance using Ritchie and Kolodinsky's (2003) formula is as follows:

a. Financial Performance Ratios, the following are some financial performance ratio calculations:

$$\text{Total Income to Total Assets Ratio} = \frac{\text{Total Revenue}}{\text{overall asset}}$$

$$\text{Ratio Of Total Assets to Entire Revenue Minus Total Costs} = \frac{\text{Total Revenue} - \text{Total Cost}}{\text{Overall Asset}}$$

b. Public support ratio, this ratio group's constituents include:

$$\frac{\text{Total Contribution as a percentage of Total Revenue}}{\text{Total Revenue}} = \frac{\text{Total Kontribusi}}{\text{Contribution overall}}$$

$$\text{Total Contribution to Total Cost Ratio} = \frac{\text{Contribution overall}}{\text{Total Cost}}$$

c. Ratio of fundraising effectiveness

$$\text{Ratio of fundraising effectiveness} = \frac{\text{Total Revenue} = \text{TR}}{\text{Total Fundraising Expenses} = \text{FE}}$$

3. RESULTS AND ANALYSIS

The Misool Boseftin Foundation's financial documents, which were used in this study, include statements of financial position, activity reports, and cash flow statements for the years 2016 to 2020. Table 1 provides information on each account's worth.

Table 1. shows the Misool Boseftin Foundation's financial statements from 2016 to 2020 (in thousands)

| Customer name | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-----------|------------|------------|------------|-----------|
| Cash and its substitutes | 1.824.818 | 2.773.465 | 1.346.701 | 2.212.662 | 2.611.979 |
| Program Charge | 5.863.012 | 9.223.994 | 8.000.407 | 8.180.265 | 5.718.482 |
| Additional Fee | 299.620 | 1.384.199 | 2.927.833 | 3.505.990 | 2.612.484 |
| Total Income (TR) | 6.648.538 | 10.621.045 | 11.331.557 | 11.736.574 | 8.184.128 |
| Overall Assets (TA) | 4.089.830 | 6.504.981 | 4.465.975 | 4.689.311 | 4.434.440 |
| Total Price (TE) | 6.162.632 | 10.608.193 | 10.928.240 | 11.686.256 | 8.330.966 |
| Gross Assets | 4.053.974 | 4.074.438 | 4.464.954 | 4.514.009 | 4.371.825 |
| Contribution overall (CR) | 1.027.402 | 2.895.623 | 6.333.668 | 3.856.759 | 2.272.349 |
| Total fundraising expenditures (FE) | 25.297 | 96.526 | 1.120 | 4.007 | 0 |

Data from secondary sources, 2022

Information:

- Total funding and revenue (TR : Total Revenue)
- Assets in Total (TA : Total Assets)
- Total cost and money used (TE: Total expense)
- Total involvement (CR : Contribution Revenue)
- The total cost of fundraising (FE: Fundraising Expense)

Based on Figure 1's graph, this ratio indicates a very strong financial position because, from 2016 to 2020, financial ratios were above 1.0 on average, at 2.03. According to the data, total income increased continuously from 2016 to 2019 and then declined in 2020, whereas total assets fluctuated (went up/down). The reason for this is that in 2016, total income was Rp.6,648,538 was converted to Rp.10,621,045 in 2018, and then it increased once more to in 2018.Rp 11,331,557, and then again to Rp in 2019.Total assets were Rp. 4,089,830 in 2016, Rp. 6,504,981 in 2018, Rp.9,704,368 in 2020, and Rp. 11,736,574 in 2016. In 2018, total assets decreased to Rp. 4,465,975; it climbed once again in 2019 to Rp. 4,689,311.

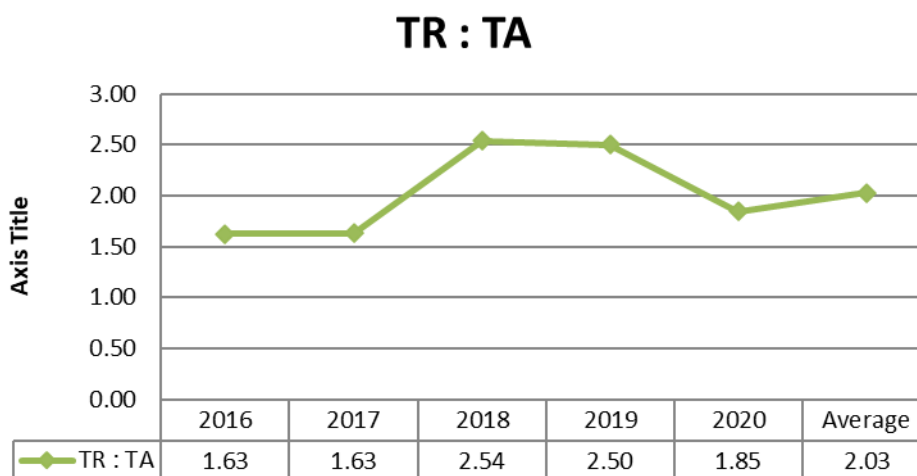


Figure 1. Shows a graph showing the ratio of total income (funds acquired) to total assets for the years 2016 to 2020. Source: Processed Secondary Data, 2022

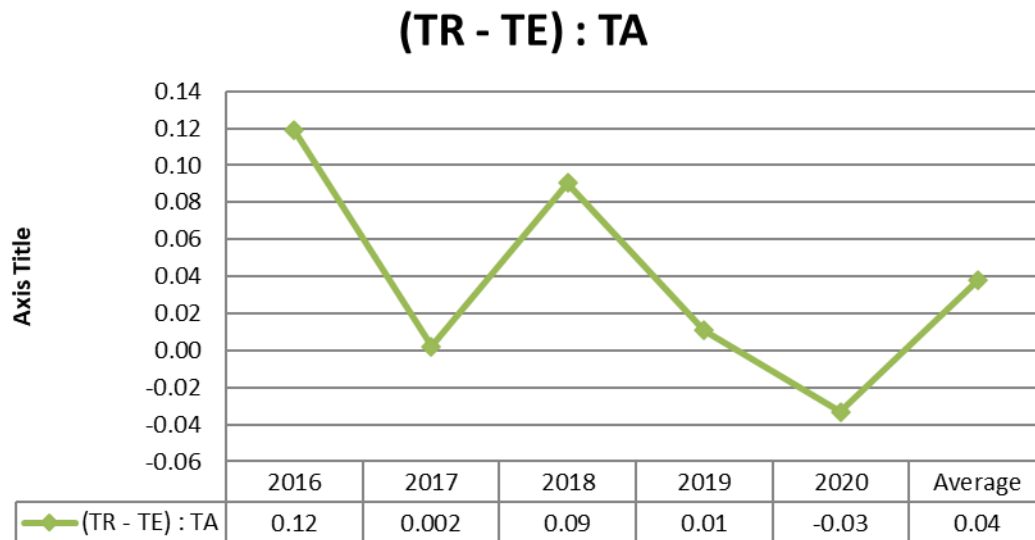


Figure 2. A graph showing the 2016–2020 ratio of total income minus total costs to total assets. Source: Processed Secondary Data, 2022

According to Figure 2, where this ratio has a negative value of -0.03, the financial performance based on it faced an unfavorable condition in 2020. Because the overall expenditure (use of funds) exceeds the total income in 2020, the ratio is negative. The entire cost (use of money) declined by 71% from Rp. 11,686,256 in 2019 to Rp. 8,330,966 in 2020, and the total income (receipts of funds) decreased by 70%, going from Rp. 11,736,574 in 2019 to Rp. 8,184,128 in 2020, according to the real statistics. The increase in overall expenses (funding) was due to non-program expenditures, which rose annually, whereas program costs fluctuated in all categories of grants from 2016 to 2020.

The 2020 ratio is considered realistic despite being negative since the costs it refers to differ from the notion of costs used in commercial organizations. The Misool Boseftin Foundation uses the term "cost" (or "use of money") to refer to the sum of all grant distributions, including linked and unbound grants used to finance program activities and non-program activities used to support the functioning of the organization. Therefore, even though total revenue (reception of money) is less than total expense (use of funds) in 2020, the Misool Boseftin Foundation uses monies from the prior year to make up the difference. This is corroborated by the data, which indicates that the Misool Boseftin Foundation's total assets fell in 2020.

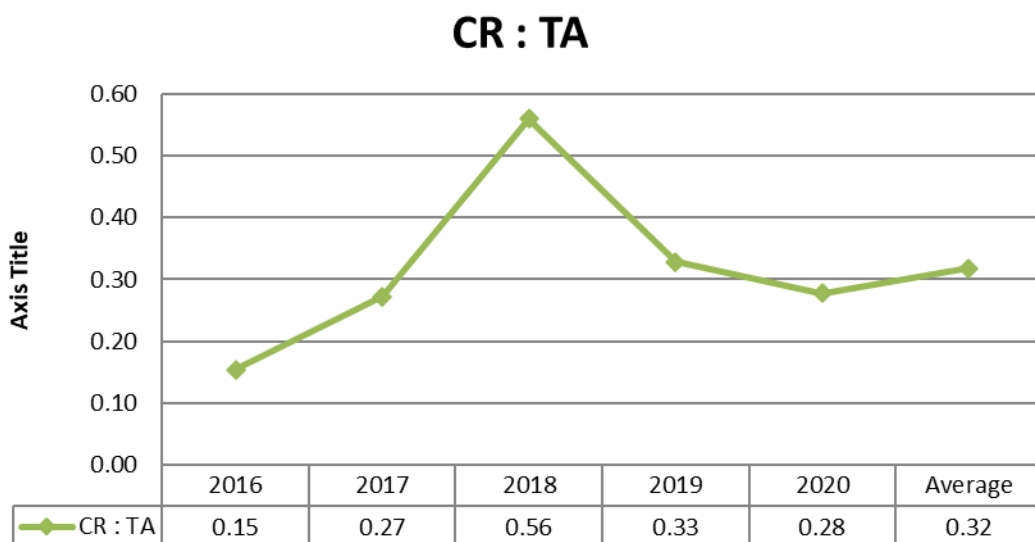


Figure 3. An illustration of the 2016–2020 period's contribution-to-revenue ratio. Source: Processed Secondary Data, 2022

Figure 3's graph shows that the value of the ratio tends to climb from 2016 to 2018 and to drop in 2019 and 2020. The ratio rose beyond 0.50 in 2018, signaling that volunteer funding is the organization's primary source of income. This was the year with the largest growth, reaching 56%. As a result, rather than as a result of the foundation's activities, the Foundation got a larger source of money in 2018 through voluntary

aid funds. The ratio was 15% in the first year under study, 2016, which was also the lowest. Then, in 2018, 2019, and 2020, there were essentially no differences, varying by 27%, 28%, and 33%, respectively.

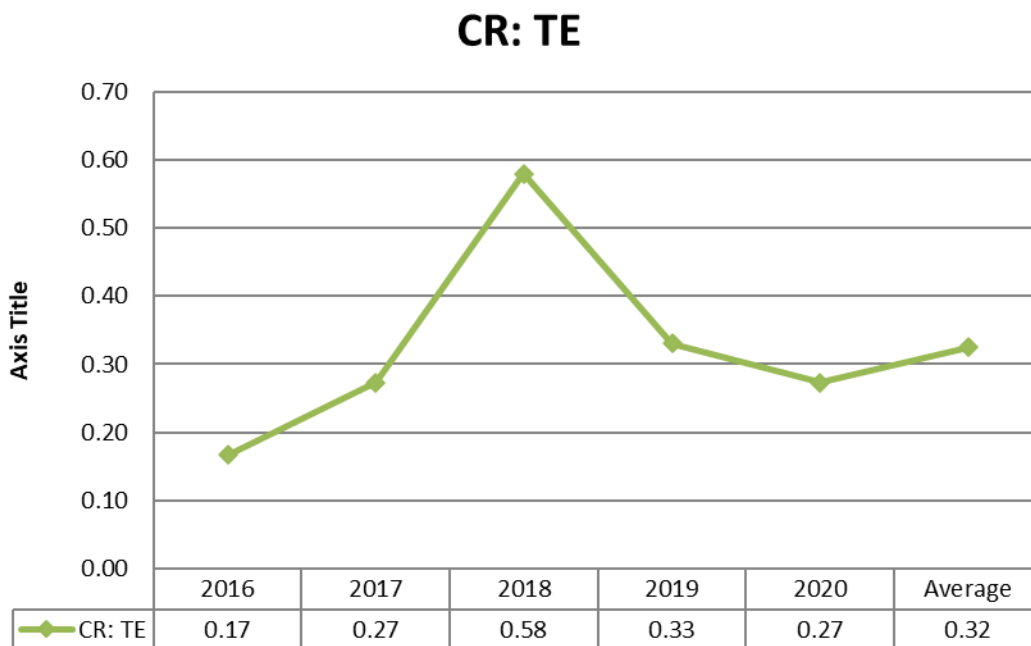


Figure 4. A graph showing the contribution to cost ratio from 2016 to 2020.

Source: Processed Secondary Data, 2022

Graph 4 shows that the value of the ratio tends to climb from 2016 to 2018 before tending to drop in 2019 and 2020. Between 2016 and 2020, this ratio as a whole is less than 1.0. According to the rule, if the ratio is less than 1.0, it means that the contribution is more than the expense. The ratio reached its highest point in 2018, when the rise was 0.58. The ratio was at its lowest point in 2016, the first year under study, at 0.17. The average ratio was 0.32 when the research data were taken as a whole. Because it is still below the benchmark of 1.0, overall financial performance as measured by this ratio is deemed to be good.

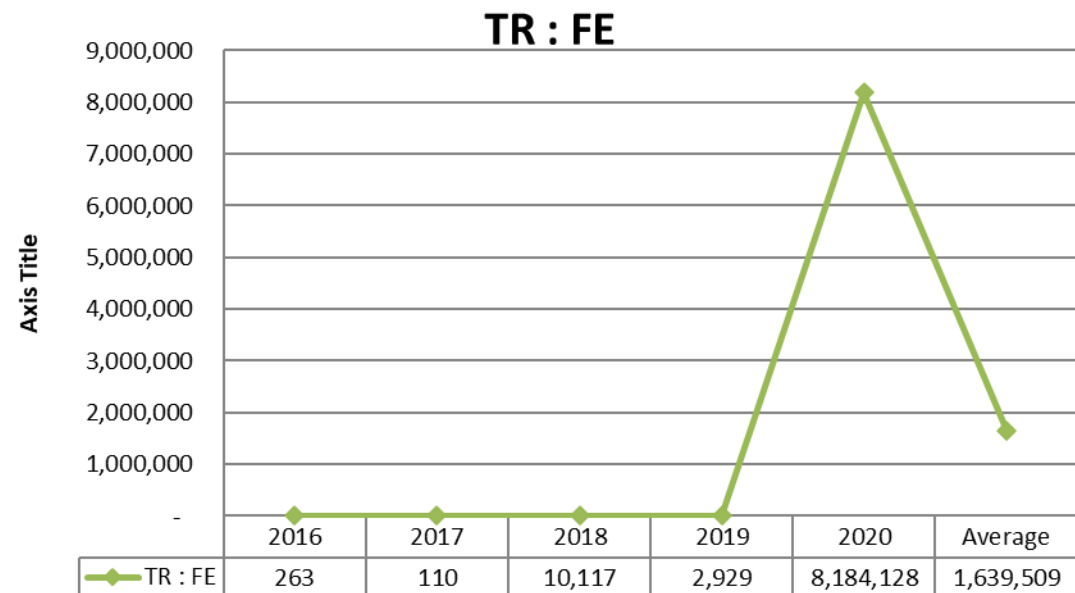


Figure 5. Ratio of total revenue to total fundraising expenses as a graph.

Source: Processed Secondary Data, 2022

According to the graph in Figure 5, 2020 had the highest ratio. The Misool Foundation receives an income of Rp. 8,184,128 for every Rp. 1 spent on fundraising expenses thanks to the ratio of 8,184,128. Despite the fact that fundraising efforts in 2020 were lower than they were in the year before (2019), Misool Foundation was nevertheless able to raise Rp. 8,184,128 in cash. This was made possible by the Misool Foundation's diligent marketing and outreach efforts from the previous year, which made individuals interested in contributing to the Misool Foundation in 2020. In 2020, this ratio will rise as a result of the absence of fundraising expenses in relation to income (funding).

The ratio of the cost of raising funds demonstrates that the Misool Foundation's income is higher than the cost of raising funds when using Sanders' (2008) scale of measurement, which has an average value of 1,639,509.47. This is deemed advantageous since it will result in positive feedback for any marketing and outreach expenses made by the Misool Baseftin Foundation.

The analysis's findings demonstrate that during the previous five years, the Misool Baseftin Foundation's financial performance has greatly improved. Exceptional financial success is indicated by a high ratio of total income to total assets. Similarly, a positive ratio shows that income surpasses expenses and the majority is retained as assets when total income less total costs is divided by total assets. With a little dependence on voluntary contributions, the public support ratio also demonstrates the Foundation's effectiveness in its fundraising endeavors. The Foundation's ability to generate income above fundraising expenses is also demonstrated by a high fund and fundraising expense ratio. The Foundation's financial health is described by the results of financial ratio analysis, which include average values. Graphs are used to visualize these results.

4. CONCLUSION

The Misool Baseftin Foundation's overall financial performance is excellent as evidenced by its strong financial condition and position as determined by the five analytical methods for the years 2016 to 2020. This condition can be observed using the following five analytical tools based on Ritchie & Kolodinsky's (2003).

In the first ratio, the Misool Baseftin Foundation was able to earn an average of Rp.2.03 over the course of five years by dispersing Rp. 1 in the form of assets that belonged to the foundation; The second ratio then reached an average ratio value of 0.04, indicating that the Misool Baseftin Foundation has a bigger proportion of assets that are replayed to raise money each year than it does funds. A positive value means that revenue in that year exceeded costs and that a significant percentage was saved as an asset. With an average ratio value of 0.32 in the third and fourth ratios, it is clear that very little money is actually acquired from contribution funds. This demonstrates that the Misool Baseftin Foundation is capable of independently raising cash and managing its initiatives without depending on voluntarily given gifts. The fifth ratio is at 1,639,509, and it demonstrates that every Rp. 1 spent on fund-raising efforts (marketing and socialization) has a favorable impact on the success of obtaining money from the Misool Baseftin Foundation.

An comprehension of the financial performance of nonprofit organizations is greatly enhanced by sound findings regarding the Foundation's integrity and governance, as well as by successful negotiations. It might be thought of including more details in future writing about how the Foundation's initiatives and goals are affected by its financial performance, along with ideas or recommendations for advancement

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