

ACCOUNTING STANDARDS IN CHURCH FINANCIAL MANAGEMENT “BRINGING FINANCIAL PRACTICE AND THEOLOGY MORE INTIMATELY INTERTWINED”

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Abstract

Purpose: This paper aims to assess accounting application in church financial reporting.

Methodology: There were two main stages of this research methodology. Firstly, an extensive literature study was to develop the framework of the relationship between religion and accounting and to find the research gap to be fulfilled in theoretical based. Secondly, the technical research method included a case study approach to examine the current application of the church financial report and the PSAK 45 accounting application.

Results: There are significant discrepancies between the Treasury Report made by the church and the financial statements made under PSAK 45. The information under PSAK 45 provides more relevant information to the stakeholders to assess how the church actualizes the theology values into its activities. Firstly, the PSAK 45 Activity Report reveals the information for the stakeholders, particularly the management, to evaluate the effect of money proportioned into church activity. Secondly, the reports show how the direct and indirect costs are allocated into services activities to assess, how much direct cost has been allocated to successfully implement the mission through the roles. Thirdly, the reports tell stakeholders how the church manages its activities effectively to serve not only the congregations but also the wider society in order to attain its vision. Finally, the balance sheet reveals the increasing or decreasing value of net assets and how the assets are effectively used – or not.

Implications: The benefits of the implementation of the accounting standard to help the church to implement their sacred mission and criticizes the opponent's views that perceive accounting as profane, and irrelevant as well as irreverent. It provides significance that accounting standards should be mandatory in Indonesia for all non-profit groups.

Keywords: *Financial Statements, Accounting in Churches, Non-profit Organization Accounting Standard, Theology Principles, Church Financial Management.*

INTRODUCTION

There have been many studies have made a contribution to the application of accounting in producing accountable financial reports in churches and other religious groups in the last few decades. However, only few studies thoroughly portray the examination of the accounting practices in church to link between the accounting application and theological values to propose that there is a strong connection between accounting, religion, and theology (Basri and Nabiha, 2010; Llewellyn, 2012; Cordery, 2015; Irvine, 1998; Jacobs 2004; Lightbody, 2000; Mutch, 2016; Parker, 2002; Tanui, et al., 2016).

Most studies related to the application of accounting standard number 45, called PSAK 45, in Indonesian Churches, have found that the churches have not yet adopted PSAK 45. To convince the churches to apply PSAK 45, several studies have made the church's financial reports in PSAK 45 structure to show the more comprehensive information provided under PSAK 45. However, the application has not even been embraced in church regulation in Indonesia. This is mostly due to the fact that their regulators have viewed the incompatibility of PSAK 45 as a profane tool to be applied religious business context (Leiwakabessy, 2015; Mamesah, 2013; Pontoh, 2013; Putri, 2013). They have viewed accounting as a secular tool that some authors also argued its inconsistent profane value to be applied in church sacred services (Laughlin, 1988; Booth, 1993). Instead, of seeing accounting as an unethical to scared approach in church, this paper argues that accounting should be perceived as a considerably complementary tool to assist churches in implementing its sacred mission (Bigoni, et al., 2013). Thus PSAK 45 should be considered by regulators to be imposed in producing church financial statements in Indonesia.

The argument presented in this paper is developed by describing how accounting applications under PSAK 45 can produce the information that reflects the churches' role at the micro-level by implementing PancaTugas of Koinonia, Merturia, Diakonia, Liturgia and Oikonomia. The theological values of creationism, agapism, stewardship, engagement, and witness embedded in churches' role also can be indicated in the reports. This creates an accounting application is as one of the important controlling tools in churches (Carmona, 2006). It also argues that when the application is effectively implemented, it will give positive contribution on the attainment of churches vision and mission and reduce the risks of inefficient management and the use of unlawful fundraising activities that at the macro level, this may have adverse impacts on society, including the incredulity of the congregation to the churches (Irvine, 2005; Parker, 2001; Parker, 2002; Quattrone, 2015).

Specifically, the conceptual framework of the relationship between religion and accounting is developed in the literature review section. The methodology section describes technical research methods of a case study approach in the descriptive quantitative analysis by exposing secondary data in ECCT Kota Baru Kupang, one of the largest ECCT churches in East Nusa Tenggara (ENT). Result and discussion present the comparison of the church's current financial reports and the church financial statements developed under PSAK 45. They reveal some missing information in ECCT Kota Baru church current reports of not applying PSAK 45 and examine how actually PSAK 45 application can provide relevant information to stakeholders. Overall, the findings aim to particularly convince the regulator body of ECCT churches to embrace the imposing of PSAK 45 in ECCT churches in ENT.

LITERATURE REVIEW

Perspectives of Applying Accounting in Churches

Social Context Perspective

During decades, there have been two main perspectives of applying to account in churches, which are a social context perspective and a theological context perspective. A social context view was embraced by [Laughlin \(1988\)](#) and supported by [Booth \(1993\)](#). Indeed, the studies have given prominence to an alleged "sacred-secular divide" paradigm in which they argue that there is a clash between religious (sacred) values and profane practices such as accounting.

By employing previous studies of Durkheim (1976) and Eliade (1959) (cited by [Corderly 2015](#)), they stated that accounting practices were associated with the profane or secular as opposed to the sacred. This strong distinction was significantly taken to keep the secular aspects of accounting separate from the sacred centers and activities of the Church. [Laughlin \(1988\)](#) showed that applying to account is important but it needs to consider technical practices of accounting in a social context.

By applying the Habermasian critical theory approach in the accounting system in the Church of England, Laughlin found that accounting and budgeting were irrelevant mostly in each aspect in the "ongoing life of the parish" and had more damaging intrusion to church spiritual values. He reviewed a historical financial pattern in the Church of England in three sites of the parish, the diocese, and the Central Board of Finance. He revealed that the systems at parish level played only a small portion of relevancy in the life of the parishes because of the increasing financial stress on major units of the church through a greater dependence on the giving of the members. At the diocese level, the sophisticated accounting systems were insignificant in ordering and developing diocese activities since this stress is not uniform across units. At the center of Bodies, the accounting systems were more exposed only for income generation and expenditure containment, and these were related to the increased roles of the Central of the Bodies, simultaneously increasing the demand for funds of these bodies. He argued that this portrays that accounting might be used but it is not always explaining the actual use of accounting. In fact, all systems were not directly having impacts on the church's activities.

Laughlin's divide is used by some churches as the main reason for the resistance of applying to account in church. He also argued that in a belief system, there is "a spiritual control system" that when it is effectively implemented, each member reinforces itself to practice a good spiritual life that promotes good practices in each aspect of church management. Thus, the sacred is over the secular and no need for profane controlling tools, such as an accounting control system. For example, giving is related to spiritual awareness and not required expenditure to encourage people to contribute their giving in church and therefore budgeting becomes irrelevant as a control planning device. This belief system was then proposed by [Booth \(1993\)](#) in his study of the Australian Uniting Church.

Their studies resulted in the concept of the sacred-secular divide that has set the basic context for much of the subsequent criticizing argument of applying to account in religious organizations. This is also adopted in most churches in Indonesia. Instead of applying accounting to produce financial statements, most Indonesian churches in denominations of Evangelical Churches in Minahasa, Western Indonesia, Timor (ECCT) and Pentecostal churches only produce a treasury report that contains of a unclassified list of cash inflow and outflow items ([Leiwakabessy, 2015](#); [Mamesah, 2013](#); [Pontoh, 2013](#); [Putri, 2013](#)).

Theological Perspective

The social context perspective is increasingly being confronted by most notably studies in Christian communities that they found accounting can be part of the sacred sphere of life and be considered as an essential part in the management process to ensure the accountability in religious organization ([Irvine, 2005](#); [Irvine, 2011](#); [Lightbody, 2000](#); [Jacobs, 2004](#); [Kreander, 2004](#); [Quattrone, 2015](#); [Funnell, 2015](#)).

[Quattrone's \(2015\)](#) presented a study of accounting application in the Jesuits Order that is known in English as the Society of Jesus and a Roman Catholic Order. Quattrone revealed that in the sixteenth and seventeenth centuries accounting was exposed as an important tool in the Jesuits community to manage economic resources, and utilized to coordinate a unitary and hierarchical structure of the Order in Jesuits House. Indeed, the Jesuit financial practices combined the spiritual self-accountability, administrative accounting, and recordkeeping. They were intertwined in all the procedures that dominantly represented the actual facts of the Jesuit services in answering the various situation in

society. The information provided continuously studied to find the most effective courses of action to be taken by the Order to bring its positive values in society.

Moreover, [Bigoni, et al. \(2013\)](#) found that secular accounting and accountability practices were not seen as antithetical to sacred religious values but were essential to the success of major reform by Pope Eugenius IV of the Roman Catholic Church in the fifteenth century. Accounting was mainly exposed as an attempt to arrest the moral decay of the clergy and reinstate the Church's authority. Their finding proved that accounting played a complementary role in implementing church's religious reform.

The arguments above provide the view that the way of accounting system exposed in churches can be diversely interpreted depending on the churches' understanding based on their teachings and beliefs ([Irvine, 2005](#)). Their understanding might be changed because of immersed dynamic processes shaped by their historical experiences that might introduce unexpected nuances and expectations to attain accountability processes in church activities ([Hardy and Ballis, 2005](#)). This interpretation is the main point of this paper to convince the regulators of ECCT to apply PSAK in ECCT Churches. Indeed, because of dynamic changes, churches are expected to provide more comprehensive and relevant financial reports that reflect their accountable services in which accounting application is existed to produce the reports. For this reason, the relationship between accounting and religion should be perceived by the regulators from a wider context instead of static positions of the sacred-secular divide. Accounting should be considered as a complimentary church management tool to produce an accountable report to God and the congregation and the society where they are held. They do have a strong connection as an account of the influence of dynamic processes at micro and macro levels ([Lightbody, 2000](#); [Irvine, 2005](#)). The connection is described in how the theological values are embedded in the accounting application that this paper argued under the arguments of [Niebuhr \(2001\)](#), [Hardy and Ballis \(2005\)](#), and [Kreander, et.al. \(2004\)](#).

Niebuhr Theory and Its Application on Accounting

Instead of taking two extreme positions of sacred and secular divide preferred by [Laughlin \(1988\)](#) and [Booth \(1993\)](#), this paper strongly agrees with the theory of H. Richard Niebuhr, the writer of the book *Christ and Culture*. [Niebuhr \(2001\)](#) embraced the relationship of Christ and Culture into five possible interpretations that are: (1) Christ against culture, there is a strong opposing position between them; (2) Christ of culture, where they are at equal position; (3) Christ above the culture, where there is always a search for harmony between them; (4) Christ and culture in paradox, fostering a symmetry differentiating between the sacred and secular; and (5) Christ the transformer of culture that pursues to promote religion that answers to the needs of the society.

The first typology of "Christ against culture" was described by Niebuhr that Christians are considered as "a new people with a new law". This group of Christians has a strong influence on every aspect of life. The monastic life in the medieval times showed the example of this group of which they sold their belongings and gave to the poor as their main proof of their faith of love. Yet, this faith cannot be simply interpreted in such ways since men had to eat and be clothed and sheltered even in poverty and therefore they needed to connect to the new economic culture that provided ways and means of acquiring and distributing goods. For this reason, an internal profane order, such as accounting practices, as needed.

The second Niebuhr' typology, "Christ of culture", is characterized by a group of people with an effort to resolve the antipathy of society and religion by incorporating social values and reconstruing into Christian beliefs ([Hardy and Ballis, 2005](#)). Gnostics organizations in medieval times represented this typology. They attempted to reconcile philosophy with religion by portraying Jesus Christ as the great wisely enlightener and teacher, who through His teaching, persuades all human beings in culture to have wisdom lives ([Niebuhr, 2001](#)). They consider accounting and management techniques as a means to improve society and religion, and therefore they perceived Church and cultural communities at an equal position ([Niebuhr, 2001](#)).

Moreover, "Christ above culture" is identified as Christian value as more peace-making in society that occupies and enlighten the society and not destroys or condemns it. Thomas Aquinas was a great example of a man in this typology. He had rejected the secular world but he was a faithful Catholic monk as expressed by Niebuhr as "the guardian of culture, the fosterer of learning, the judge of nations, the protector of the family, the governor of social religion". This peace-making category raised the Catholic Church to lead in many areas, including management and accounting of which Luca Pacioli, a father of accounting, existed ([Hardy and Ballis, 2005](#)).

"Christ and culture" paradox perceives a dualistic perspective of man, which man is identified living in an imperfect world but at the same time always in God's protection and portrayed by Niebuhr as "forgivers of sins, the lovers of men, secure in their own possession of the true religion rather than dependent on a Lord who possesses them". In the context of accounting application in churches, [Hardy and Ballis \(2005\)](#), described how [Lightbody \(2000\)](#) depicted a case study in Uniting Church where its accountants viewed themselves as performing accounting practices as a tool to attain its church's mission.

Niebuhr's final typology, "Christ the transformer of culture", depicts the alteration of religious organizations of not seeking to create a new culture but instead transforming the culture as consistent as religious beliefs ([Niebuhr, 2001](#)).

Niebuhr described this in the life of St Augustine, a leader of the great historical movement in the Roman Empire, who led the conversion from a Caesar-centred community into medieval Christendom. This view perceives that human thought, such as mathematics, logic, and natural science, the fine arts, and technology, may all become both the beneficiaries of the conversion of man's love and the instruments of that new love of God". [Hardy and Ballis \(2005\)](#) stated that the Iona Community exemplified this conversion approach in the application of accounting in religion. Instead of perceiving the sacred and secular are distinguishable, actually, this typology enlightens us that accounting is a complementary tool to manage and create order in the sacred community in the process of transformation ([Jacobs, 2004](#); [Hardy and Ballis, 2005](#)).

Overall, it can be seen that the understanding of the relationship between religion and accounting is diversely interpreted depending on how the religion perceives the relationship in which typology based on the churches' understanding of their teachings and beliefs ([Irvine, 2005](#)). This paper adopts the final typology to support the argument of a need to apply to account in church management in ECCT Kota Baru Church. This paper asserts that Christ the transformer of culture typology is relevant to be adopted in ECCT Kota Baru Church since the vision of this church is to answer the needs of the society through its five services, called "PancaTugas", which comprises of Koinonia, Merturia, Diakonia, Liturgia and Oikonomia ([ECCT Kota Baru Kupang, 2016](#)). This is based on principle theological values of creationism, witness, agapism, engagement and stewardship ([Kreander, 2004](#)). Transforming Christian values should be embedded in the church budget and program executions ([Parker, 2001](#); [Parker, 2002](#); [Benu, 2017](#); [Tumiwa et al., 2015](#)). The church's responsibility is not only related to human beings but also the environment. This should be depicted in Diakonia activities.

Theological Values in PancaTugas Activities in ECCT Kota Baru

The Panca Tugas is divided into three main activities, called Tri Tugas of Koinonia, Merturia and Diakonia, and two supporting activities of Liturgia and Oikonomia. Koinonia is related to fellowship activities that are not limited only in the church communities, such as the church families and congregations, but also all creations in society including all humans, environments and various religions. The basic theological principle in this activity is creationism that God has created the world and that we are, "living in God's world" and this should be considered in church activity to maintain all the God creation including the physical environment and individual human beings ([Kreander, 2004](#)).

Merturia is associated with being a witness through preaching, singing and other activities that show love and passion of Jesus Christ to the rest of humanity. Yet, the main witness is ethically distinctive by living in God's values and priorities. This also shows our responsibilities of being God's people to the rest of the world. The theological value underlying this activity is engagement that can take two forms: a "Prophetic ministry of denunciation," where the church stands outside and speaks out against injustice; and pragmatic engagement with a view to seeking practical solutions. Instead of merely denouncing injustice, practical engagement seeks to encourage economic justice through participation ([Kreander, 2004](#)). This value is also the main principle of Diakonia activity that is connected with assistance and support activities to the weak, the poor, and the marginalized people in the church and society. This is a symbol of Christ, who came to the world for those who are disadvantaged. This is based on agapism value that has two key interconnected components: first, the love and worship of God and second, the service of the disadvantaged. This is reflected in the words of Jesus in Matthew 22:37-40.

Liturgia (Liturgy) is one of the important supporting activities that are the services of worships carried out for the worshipping God in churches and in families, congregations, and society to support Tri Tugas. Worshipping (liturgia) emphasizes the vertical dimension of carrying out the mission of the church. Having experienced God's existence in prayer and worship determines the success of the church mission.

Another important supporting activity is stewardship (oikonomia) that comprises of the church's internal arrangement including the church administration and discipline, organization and management, personnel management, improvement congregation income, as well as financial management, and other church property. This is where accounting application is positioned to support the accountability of the whole Panca Tugas. Stewardship is grounded in the doctrine of creation. The world is God's and we are entrusted with it, not to exploit it, but to care for it. Humans have the privileges by having intelligence as God-given dominion and at the same time have the responsibility to exercise this given dominion through stewardship. This is shown in churches function by sharing the earth's resources with others, showing special concern for the poor, caring for living creatures and conserving the environment for future generations.' At the core of this belief lies an accountability relationship that transcends all others through church activities by fruitful use of economic resources.

How PSAK 45 Can Reflect The Panca Tugas and Theological Values in Financial Statements.

Accounting can be perceived as a controlling tool to provide information to stakeholders to show how churches can converse man's love through the church's three main services into God's love in fulfilling the society's needs. This can be implemented through the function of stewardship. PSAK 45 is an Indonesian accounting standard for nonprofit entities (NPEs) in which churches are one of NPEs.

Studies in the last few decades have shown that this standard has not yet applied in all the churches to produce their financial reports (Leiwakabessy, 2015; Mamesah, 2013; Pontoh, 2013; Putri, 2013). In ECCT, the way they report their financial activities is very simple by only providing the information of members giving and the churches spending items. They call this report as Treasury Report. The form of the report has been established in ECCT regulation authorized by the Synodal of ECCT. The Treasury Report model is described in the following figure.

Table 1: Treasury Report Structure

No	Reported Items	Jumlah
1	Regular Income	
	Main Worship Givings	XXX
	Regular Main Hari Raya Givings	XXX
	Thanksgiving	XXX
	Household Worship Givings	XXX
	Holy Communion Givings	XXX
	Holy Marriage Givings	XXX
	Regular Sub Unit Service Givings	XXX
	Holy Baptism Service Givings	XXX
	Christmas Eve / End of Year Service Givings	XXX
	First Communion Service Givings	XXX
	Specific Prayer Givings	XXX
	Natzar Givings	XXX
	10% Household Givings	XXX
	Auction	XXX
	Other Congregation Givings	XXX
	Miscellaneous Givings	XXX
	Total Regular Income	XXXXXX
2	Expenditure	
	Regular Expenditure	
	Salary Expense	XX
	Office Expense	XX
	Transportation Expense	XX
	Diakonia Expense	XX
	Meeting Expense	XX
	10% Sinodal Mandatory Expense	XX
	Church Operational Expense	XX
	Subsidization Expense	XX
	Miscellaneous Expense	XX
	Total Regular Expense	XXX
	Sub Unit Service Expenditure	
	Sub Unit A Expenditure	XX
	Sub Unit B Expenditure	XX
	Sub Unit C Expenditure	XX
	Total Sub Unit Expenditure	XXX
	Total Expenditure	XXX
	Total Balance (1 - 2)	XXX

It can be seen that the structure of the treasury report has only a few information regarding the complex activity of the churches. Overall, the information is only related to the cash inflow and outflow without even categorizing in operational and non-operational activities that are relevant for the stakeholders. Indeed, from this report, the stakeholders have no information regarding the church Panca Tugas.

In the Indonesian church's perspective, it is not compulsory for the Indonesian churches to expose PSAK 45 in producing their financial reports since this standard is viewed as worldly concerns and not suitable to be applied in sacred concerns and therefore not embraced to be considered in church regulation.

This paper aims to show that actually PSAK 45 is compatible to be adopted in Indonesia churches. Because the reports, such as balance sheet, activity report, cash flow report can be used to depict the theological values in pancatugas activities of the churches. All the explanations can be reflected in notes to financial statements. In fact, the purpose of PSAK 45 is to regulate the financial reporting of non-profit entities (NPEs). Thus, these standard reporting guidelines can assist the NPEs, such as churches to provide financial statements that can be more easily understood, relevant and

highly comparable (Ikatan Akuntansi Indonesia, 2015). Thus, it can be derived that the information under PSAK 45 provides relevant information to meet the interests of resource providers, such as the congregations who do not expect repayment but they expect that the church management can manage the fund in PancaTugas and produce accountable as showing theirs to God and the congregations.

Table 2: Information under PSAK 45

No	Item of Financial Statements	Purpose of the Report	Purpose for Stakeholders
1	Balance Sheet	Provide the information about the churches assets, liabilities and net assets and information about the relationships between these elements at a given time	1). Assessing how much of the assets are funded by church loans, grants, and giving from its services 2). Assessing how the net assets and assets change at a given time that indirectly depicts the performance of the church to provide the service through Panca Tugas in general
2	Activity Statement	a. Effect of transactions and other events that change the amount and nature of net assets b. Relationship between transactions and other events; and c. How to use resources and implement various programs or services d. provide information about the effects of transactions and other events that change the amount and nature of net assets, the relationship between transactions, and other events, and how to use resources in the implementation of various programs or services	1) evaluating the performance of church management in providing services through Panca Tugas in a period 2) assessing the efforts, capabilities, and sustainability of the church and providing services 3) assessing the implementation of the manager's responsibilities and performance 4). Assessing the church activity performance in specific to describe the changes in the number of net assets during a period that are reflected in net assets or equity in the statement of financial position
3	Cash Flow Statement	provide information about cash inflow and outflow of Panca Tugas as regular activities and other irregular activities and in a period	1). Assessing how the church management manages the inflow and outflow of cash in church services in panca tugas in operational and financing activities, and other activities in investment activities.
4	Notes of Financial Statements	Provide the information in specific of the list of accounts in each financial statement report (balance sheet, activity statement,	1). Analyzing the change of each account in a financial statement that indirectly giving insights into how the church management manages the panca tugas services in order to implement the theological values.

and cash flow statement).

Source: PSAK 45 interpreted by the writer in church adoption

It can be derived from table 2 that PSAK 45 can give more information related to the church services activities, particularly in the Activity report. This report is not specified in the Treasury Report in Tabel. 1. In addition, any change of the accounts can be more traceable in order to evaluate the service performance as each account information is provided in notes to the financial statement. Cash management also can be more observable from PancaTugas services as the main services that are depicted in operational and investment and financing activities. Overall, the Balance Sheet provides the information in general from activity reports and cash flow statements. This report, in general, provide the information of a need to Apply PSAK 45 in Churches in Indonesia Assessing how much of the assets are funded by church loans, grants and giving from its services and Assessing how the net restricted, temporary restricted and unrestricted assets change at a given time that indirectly depicts the performance of church in provide the service through Panca Tugas in general. This argument is depicted in the following figure.

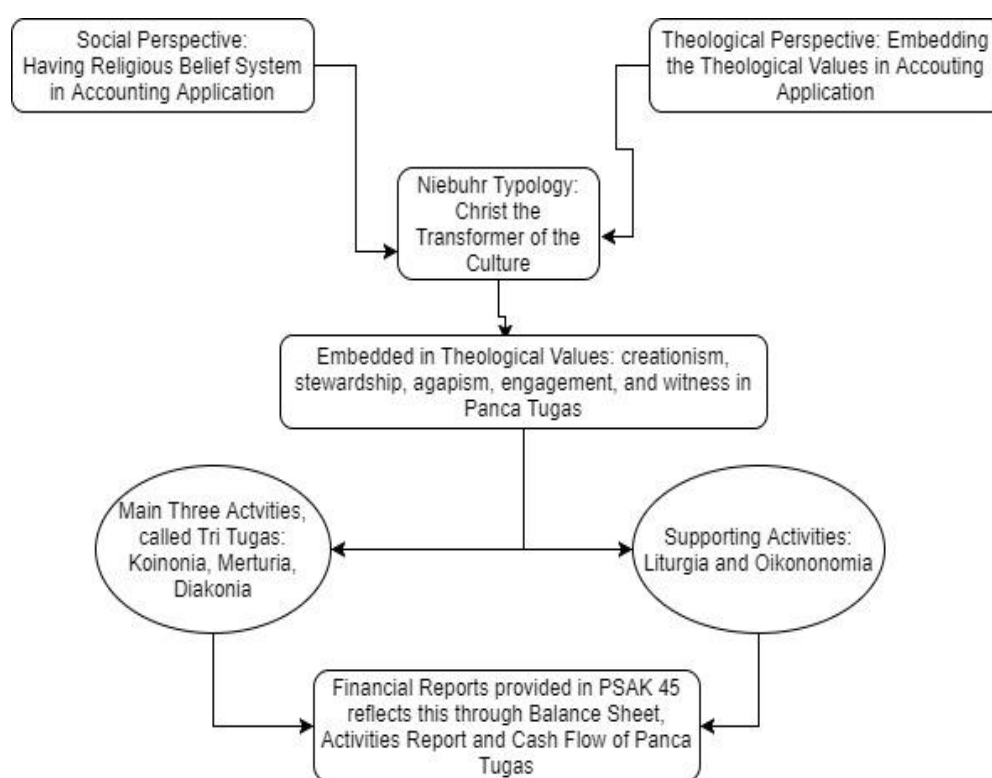


Figure 1: Conceptual Framework – Accounting Application in Church

METHODOLOGY

To reveal the existing report of financial activities in ECCT churches and compare with PSAK 45 application, this study exposed a case study approach in ECCT Kota Baru, one of the largest ECCT churches in Kupang, East Nusa Tenggara. There were two main stages of this research methodology. Firstly, an extensive literature study was to develop the framework of the relationship between religion and accounting and to find the research gap to be fulfilled in theoretical based. This was done through readings scientific publications such as journal articles, books, relevant official reports and news from selected media. Secondly, the technical research method included a case study approach to examine the current application of the church financial report and the PSAK 45 accounting application. This was done by studying the existing report and analyzing how the existing report can provide limited information to stakeholders. The second phase was collecting the church financial data, producing a financial report based on PSAK 45 and analyzing how the financial report produced can provide more relevant information to the stakeholders. Finally, a comprehensive comparison study is provided to ensure that PSAK 45 can be exposed by the church as a controlling tool to execute theological values in its activities and link it into its financial reports.

Result

The Financial Practices in ECCT Kota Baru Church

The Evangelical Christian Church in Timor (ECCT) Kota Baru Church was officially established on January 15, 1989. ECCT Kota Baru. It currently has a total of 550 households with a total of around 2,300 people in the congregations. The church organizational structure is chaired by a pastor called the Chairperson of the Church Assembly and assisted by two other pastors and senior elders. This church is in "Christ the Transformer of the Culture" typology. Indeed, its vision is as a missionary church through the thought of Christ can bring more values to the world for both human beings and the environment. To attain its vision it has several missions of executing Panca Tugas by connecting the theology values, God power and accountably managing the church fund. It has 12 subunits to implement the Panca Tugas of koinonia, merturia, Diakonia, liturgia and oikonomia.

Table 3: Sub Units in ECCT Kota Baru under Panca Tugas Function

No	Sub Unit Name	Group of Activity
1	Child and Teenager Fellowship	Koinonia
2	Youth Fellowship	Koinonia
3	Male Fellowship	Koinonia
4	Women Fellowship	Koinonia
5	Bible Study Service before Holy Communion	Koinonia
6	Choir/Vocal Group Worship	Liturgia
7	Prayer Fellowship	Merturia
8	Treasury Sub Unit	Oikonomia
9	System and Multimedia Sub Unit	Oikonomia
10	Health Sub Unit	Diakonia
11	Human Resource and Economy Development Sub Unit	Diakonia
12	Diakonia Sub Unit	Diakonia

All the subunits have their own budget and transform it into their activities to attain the church missions and vision. The activities are reported in each subunit Treasury Report and consolidated in Church Treasury Report. The following figure portrays the consolidated Treasury Report in ECCT Kota Baru Church in 2016.

Table 4: ECCT Kota Baru Treasury Report 2016

No	Reported Items	Number in \$
1	Regular Income	
	Main Worship Givings	53.700
	Regular Main Hari Raya Givings	4.682
	Thanksgiving	23.829
	Household Worship Givings	19.651
	Holy Communion Givings	8.512
	Holy Marriage Givings	4.015
	Regular Sub Unit Service Givings	9.430
	Holy Baptism Service Givings	1.013
	Christmas Eve / End of Year Service Givings	9.875
	First Communion Service Givings	465
	Specific Prayer Givings	3.936
	Nazar Givings	45.312
	10% Household Givings	80.878
	Auction	1.261
	Other Congregation Givings	611
	Miscellaneous Givings	11.381
	Total Regular Income	278.551
2	Expenditure	
	Regular Expenditure	
	Salary Expense	80.395
	Office Expense	32.817

Transportation Expense	17.455
Dikonia Expense	8.575
Meeting Expense	4.700
10% Sinodal Mandatory Expense	23.880
Church Operational Expense	7.500
Subsidization Expense	22.350
Miscellaneous Expense	2.883
Total Regular Expense	200.555
Sub Unit Service Expenditure	77115,8
Total Expenditure	277.671
Total Balance (1 - 2)	\$881

Source: ECCT Kota Baru Treasury Report, 2016- Treasury Sub Unit

The Treasury Report is produced and published weekly, monthly and semiannually. Each member of the church can get the report after the Sunday Service. The annual report is published for the year ended on the 31st of December each year and given to the congregation in January next year. This Treasury Report is made based on ECCT Church Operational Activities Regulation Enacted by Synodal ECCT, an institution that manages all the Evangelical Protestant Churches in Timor.

Financial Statements of ECCT Kota Baru under PSAK 45

The following figures provide information on the Financial Statements of Activity Statements, Balance Sheet, Cash Flow Statements and Notes to Financial Statement. This aims to describe how the PSAK 45 reports are more relevant than Treasury Reports.

Table 5: ECCT Kota Baru Activity Statements 2016

ECCT Kota Baru			
Activity Statements			
For the Year Ended 31 December 2016			
in \$			
Revenue			Notes
Unrestricted Revenue			
	Operational Revenue	208.972	2,g,1
	Non-Operational Revenue	52.391	2,g,2
	Other Revenue	87.189	2,g,3
Total Revenue		348.551	
Expenditures			
	Office Expense	29.817	2,g,4
	Salary Expense	80.395	2,g,5
	Services Expense	120.633	2,g,6
Total Expenditures		230.845	
Additional Net Assets		117.707	
Aset Bersih Awal Tahun		685.420	
Aset Bersih Akhir Tahun		803.127	

Sources: Produced by the Writers-2016

ECCT Kota Baru church has only unrestricted revenue and there are no restricted revenue and temporarily restricted revenue. The congregations give the money because of their gratitude for God's blessing and never bound the church into any restrictions to use the money as they view that only by God help the money will be effectively utilized for PancaTugas. The revenue includes the giving from Koinonia activity including Sunday services, Natzar, 10% household income, household worships, and regular sub unit services. Irregular revenue is received only from certain specific non-routine services under Koinonia Activities, such as: giving from church ceremonies, Thanksgiving, Christmas / New Year's Eve service, Holy Communion service, holy marriage service, and baptism service. Other revenue is received in an unspecified time and depends on when the donations or the congregation provide their giving, such as: in the auctions, other offerings, church development fund. This is generated from Oikonomia and Diakonia activities. Diakonia includes the activities to generate cash to serve the poor and people in disadvantaged. This can be attained from auctions, specific offerings. Oikonomia cash generation is generated from the activities for church building development and maintenance that can be gained through auction and other church development giving.

The expenditures include all payments related to the daily office needs, such as office stationeries, utility payments, newspapers, administration expenses, salary Expenses for the payment of salaries of three priests as the direct employees who lead the Panca Tugas and church internal management staff who support the Panca Tugas. Service Expense consists of expenditures related to subunit activities for each Panca Tugas for one year of service and other expenses such as meeting packages, and depreciation of fixed assets.

Table 6: ECCT Kota Baru Balance Sheet 2016

ECCT Kota Baru			
Balance Sheet			
Per 31 December 2016			
(in \$)			
Assets:			notes
Current Assets			
	Cash	110.487	
	Office Supplies	4.500	
Total Current Assets		114.987	
Non-Current Assets			
	Fixed Assets		
	Land	200.000	
	Building	450.000	2,c,e
	Vehicle	9.500	2,c,e
	Office Inventories	60.920	2,c,e
	Total Fixed Assets	720.420	
	Accumulated depreciation	(32.280)	
Total Fixed Assets		688.140	
Total Assets		803.127	
Liabilities and Net Assets			
	Current Liabilities	1.990	2,d
Net Assets			
	Unrestricted Net Assets	801.137	
Total Liabilities and Net Assets		803.127	

Sources: Produced by the Writers-2016

Assets are divided into current assets (cash and cash equivalents and office supplies) and fixed assets (land, building, vehicles, and equipment and furniture). The accumulated depreciation is assigned to all fixed assets, except for land. Current liabilities are 10% mandatory income that has to be paid to ECCT Synodal, the center of all ECCT churches. All the net assets are unrestricted that means there are no restrictions for the church to use the money. So, the church can flexibly manage the money for Panca Tugas.

Table 7: ECCT Kota Baru Cash Flow Statements 2016

ECCT Kota Baru			
Cash Flow Statements			
31 December 2016			
in \$			
Cash Flow	From	Operational	
Activities:			
Operational Activities:			
Cash Inflow			Notes
	Regular Revenue	208.972	2,g,1
	Irregular Revenue	52.391	2,g2
	Miscellaneous Revenue	87.189	2,g,3
Total Cash Inflow:		348.551	
Cash Outflow:			
	Office Expenses	(29.817)	
	Salary Expenses	(80.395)	

	Services Expenses	(88.353)
Total Cash Outflow		(198.565)
Net Cash Flow from Operational Activities		149.987
Investment Activities:		
Cash Outflow:	Building Maintenance (Aset Capitalisation)	(50.000)
Net Cash Flow from Investment Activities		(50.000)
Financing Activities:		0
Increasing / Decreasing Cash		99.987
Cash in 1/1/2016		10.500
Cash in 31/12/2016		110.487

Sources: Produced by the Writers-2016

Cash Flows from Operating Activities are mainly from Koinonia Activities, such as Sunday Service and other regular subunit activities. The irregular cash flow is only from Diakonia activities.

Table 8: Notes to Financial Statements

ECCT Kota Baru					
Notes to Financial Statements					
31 December 2016					
1. General InformationEvangelical Christian Church in Timor (ECCT) Kota Baru was established on 15 January 1989. There have been 550 households that have been served by 3 priests. It has 12 subunits to cover koinonia, merturia, Diakonia, and liturgia activities. Internal management is under Oikonomia activities (stewardship function).					
2. Summary of Accounting Policies					
Balance Sheet					
a. This financial report is developed under PSAK 45, NPEs Financial Accounting Standard in Indonesia. b. Cash and cash equivalents owned by ECCT Kota Baru consist of cash in hand and in the bank c. Supplies include consumable items, such as Office Stationery d. The church liability during 2016 is only current liability, namely the deposit of 10% mandatory Synodal fund of \$1,990. e. Fixed Assets owned by ECCT Kota Baru is listed as followed:					
Name of Fixed Assets	Quantity	Economic Life in Years	Fair Value	Depreciation Rate	Depreciation expense
Building					
Church Building	1	20	200.000	5%	10.000
Conference Hall	1	20	250.000	5%	12.500
Vehicle:					
Operational Vehicle	1	8	8.000	12,50%	1.000
Operational Bike	1	4	1.500	25%	375
Equipment and Furniture					
Laptop	1	4	450	25%	113
Printer	2	4	300	25%	75
Printing Press	1	4	1.000	25%	250
Piano	1	4	350	25%	88
Bench	250	8	37.500	12,50%	4.688
glass wood table	2	8	3.400	12,50%	425
work table + chair	10	8	2.500	12,50%	313
Air conditioning	8	8	10.200	12,50%	1.275
Projector	2	4	800	25%	200
Computers	2	4	600	25%	150

Microphone	10	4	250	25%	63
Sound system	1	4	2.500	25%	625
Speaker	8	4	570	25%	143
Glass cabinet	2	8	500	12,50%	63
Total			520.420		32.280

f. The fixed assets are depreciated under the straight-line method.

Activity Statements

g. All the accounts in the ECCT Kota Baru Activity and Cash Flow Statements are explained as followed:

1.	Regular	Revenue
This revenue is received from the Koinonia activity including Sunday services, Natzar, 10% household income, household worships, and regular sub unit services.		
Regular Revenue	in \$	in %
Sunday Service	53.700	26%
Natzar	45.312	22%
10% Household Income	80.878	39%
Household Worship	19.651	9%
Worships under subunit activities	9.430	5%
Total Regular Revenue	208.972	100%
2.	Irregular Revenue	Irregular revenue is received only from certain specific non-routine services under Koinonia Activities, such as: giving from church ceremonies, Thanksgiving, Christmas / New Year's Eve service, Holy Communion service, holy marriage service, and baptism service.
Irregular Revenue	in \$	in %
Giving from Church Ceremonies	4.682	9%
Thanksgiving	23.829	45%
Giving from Holy Communion	8.977	17%
Giving from Holy Marriage	4.015	8%
Giving from Baptism	1.013	2%
Giving from Christmas Eve Sevices and New Year	9.875	19%
Total Irregular Revenue	52.391	100%
3.	Other Revenue	Other revenue is received in an unspecified time and depends on when the donations or the congregation provide their giving, such as: in the auctions, other offerings, church development fund. This is generated from Oikonomia and Diakonia activities. Diakonia includes the activities to generate cash to serve the poor and people in disadvantaged. This can be attained from auctions, specific offerings. Oikonomia cash generation is gained from the activities for church building development and maintenance that can be gained through auction and other church development giving.
Other Revenue	in \$	in %
Giving from Auction	1.261	1%
Other Offerings	1.989	2%
Church Development Giving	70.000	80%
Unrestricted Revenue	10.003	11%
Specific Offerings	3.936	5%
Total Other Revenue	87.189	100%
5.	Salary Expense	
This Contains expenditures for the payment of salaries of servants (3 priests) and church internal management staff. The total in 2016 was \$ 80,395. This is to cover all the direct employees (3 priests) who lead the Panca Tugas of \$60,000 and indirect employees (internal management staff) who support the Panca Tugas of \$20,395. The salary includes a basic salary and welfare allowance.		
6.	Service Expense	

This consists of expenditures related to subunit activities for each Panca Tugas for one year of service and other expenses such as meeting packages, depreciation of fixed assets.

Service Expenses	in \$	in %
Transportation Cost for Services	17.455	14%
Diakonia Expenses	8.575	7%
Meeting Package	4.700	4%
Sunday Service Expense	22.350	19%
Synodal Expense	21.890	18%
Other Services Expense	7.500	6%
Depreciation Expense	32.280	27%
House Rent for the Priests	3.000	2%
Miscellaneous Expense	2.883	2%
Total	120.633	100%

Cash Flow Statements

h. The information on the account is the same as the information in Activity Report, except for depreciation expense as a non-cash activity.

i. The total expense discrepancy between activity report and cash flow report is \$32,280, that is the depreciation expense

DISCUSSION

It can be seen from chapter 4 that there are significant discrepancies between the Treasury Report made by ECCT Kota Baru and Financial Statements under PSAK 45. The information under PSAK 45 is more relevant that can reflect the Panca Tugas managed by the church that can provide the information to stakeholders to give thoroughly assessment on the church performance to attain the church vision through Panca Tugas. The assessment is also can depict the insights of which the theological values have been embedded in all the Panca Tugas. General assessments can be related to the following points:

1. What are the activities of Panca Tugas?
2. How many resources generated to the activities of PancaTugas.
3. How the generated resources are spent.
4. How the direct cost portion and indirect cost portion to implement Panca Tugas.
5. Further assessments can be related to the performance related to the direct employee's performance and attaining church vision of being a transformer in all God's creation (human beings and environment).

Following table provides a summary of the information provided under PSAK 45.

Table 9: Assessment of ECCT Kota Baru Financial Statements

No	Item of Financial Statements	Purpose for Stakeholders	Information Provided
1	Balance Sheet	1). Assessing how much of the assets are funded by church loans, grants, and giving from its services 2). Assessing how the net assets and assets change at a given time that indirectly depicts the performance of the church to provide the service through Panca Tugas in general	The ECCT Church has a \$1,990 loan that needed to be paid to synodal in 2016. All the assets of \$ 775,909 are unrestricted and 100% funded by the unrestricted offerings. The change in net assets was \$ 117,707. The beginning net assets were \$685,420.
2	Activity Statement	1) evaluating the performance of church management in providing services through Panca Tugas in a period	60% of unrestricted revenue is generated from routine koinonia activities, 15% from non-routine koinonia activities, and 25% from oikonomia and Diakonia activities. It can be seen that there was no revenue generated from merturia activities under Fellowship Prayer Sub Unit.

		2) assessing the efforts, capabilities, and sustainability of the church and providing services	In general, service expenses were dominated by more than 50% of the expenditures
		3) assessing the implementation of the manager's responsibilities and performance	However, more than 70% of the service expenditures were related to indirect costs, such as transportation cost, house rent of the priests, etc. Only 30% directly connected with the main koinonia activities of Sunday services and Diakonia activities.
		4). Assessing the church activity performance in specific to describe the changes in the number of net assets during a period that are reflected in net assets or equity in the statement of financial position	
3	Cash Flow Statement	1). Assessing how the church management manages the inflow and outflow of cash in church services in panca tugas in operational and financing activities, and other activities in investment activities.	The main cash flow activities were dominated by operational activities in which regular revenue and expenditures are mostly from koinonia activities.
			There was no cash inflow from investment activities and there was \$50,000 building maintenance (asset capitalization) and there was no financing activity.
			Overall, the generated resources from operational activities only can be spent by around 40%, leaving a huge amount of fund of \$ 99,987 and making the cash balance of \$110,487

It can be seen, that the information explained in the table cannot be retrieved from the table. 1. This analysis is only briefly and simply provided to convince the regulators to show that PSAK 45 can provide more relevant information. A further comprehensive assessment might be done to assess the performance of the church. Particularly, related to how the church manages the fund to conduct the Panca Tugas. It seems like the church has received cash of offerings from the congregations, but only the least portion of not more 40% is paying back through its Panca Tugas. If this continuously occurs, will the church effectively attain the vision; will its services be sustainable?

CONCLUSION

Instead of technically showing the accounting application in the church, this paper tries to expose accounting application in a theological context. This is based on the argument that accounting can assist to provide relevant information to stakeholders related to church performance to attain its mission through Panca Tugas. This paper has revealed significant discrepancies between the information in ECCT Kota Baru Treasury Report and Financial Statements under PSAK 45. Indeed, there is considerably relevant information regarding the church Panca Tugas not being covered in the Treasury Report. The findings are related to how ECCT Kota Baru church has not yet maintained the church fund properly to cover all the Panca Tugas activities. For instance, there was a more supporting cost incurred that the direct cost and there was idle fund up to 60% cash left, but there were no Merturia Activites done during 2016. In addition, concerning the vision of the church of Christ the Transformer of the culture of taking care all the creation of God for both human beings and environment, there was no spending in Diakonia activities related to environmental concern and human development. Overall, the findings aim to convince the regulators to establish a new church regulation rule to adopt PSAK 45 in producing financial statements that more relevant to stakeholders to control the church's activities in line with its vision.

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