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REDESIGNING CHART OF ACCOUNTS FOR ISAK 35 AND COSO INTERNAL CONTROL IN EDUCATIONAL FOUNDATIONS

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Abstract
Indonesian educational foundations frequently struggle to comply with ISAK 35 and maintain robust internal controls due to inadequate Chart of Accounts (COA) architectures (research problem). The study aims at evaluating the current COA of Bale Bandung Educational Foundation against ISAK 35 standards and the COSO internal control framework (objectives). A qualitative case study design was used; empirical data were gathered through observations, semi-structured interviews, and document analysis, and analyzed via an integrated GAP Analysis and COSO lens (method). The findings identify 10 structural gaps: two critical, four high-priority, and four moderate, primarily stemming from unclassified net assets and commingled restricted funds (finding). This study contributes a novel, account-level diagnostic framework linking compliance gaps directly to internal control vulnerabilities, alongside an empirically grounded COA redesign model to improve nonprofit reporting transparency and stewardship.

INTRODUCTION

Educational foundations in Indonesia operate as nonprofit entities entrusted with managing financial resources transparently and accountably to serve diverse stakeholders, including donors,

government agencies, and the public (Hyndman & Lapsley, 2016). As institutional conduits for educational services, these foundations are subject to heightened expectations regarding governance quality, financial disclosure, and internal control effectiveness. The accounting information system (AIS) and specifically the Chart of Accounts (COA) constitute the structural backbone through which financial transactions are classified, reported, and controlled (Romney & Steinbart, 2021).

The issuance of Interpretasi Standar Akuntansi Keuangan (ISAK) 35 on the Presentation of Financial Statements of Nonprofit Oriented Entities, effective 1 January 2020, fundamentally altered financial reporting requirements for Indonesian nonprofit organizations. ISAK 35 mandates a comprehensive set of financial statements, including a statement of financial position, statement of comprehensive income, statement of changes in net assets, and statement of cash flows, requiring a structured, multi-level COA capable of distinguishing between restricted and unrestricted net assets (Ikatan Akuntan Indonesia, 2020). This requirement aligns with internationally recognized frameworks such as FASB ASC 958 and IPSASB guidelines, which emphasize fund classification and program-based reporting as pillars of nonprofit accountability (Financial Accounting Standards Board, 2016; International Public Sector Accounting Standards Board, 2020).

Despite the importance of COA design, prior research on Indonesian nonprofit organizations has predominantly focused on post-implementation evaluations of ISAK 35 compliance (Arisandy & Kusumadewi, 2022; Wahyuni et al., 2022), quality of financial reporting (Utami & Rahayu, 2023), or broader AIS adoption (Lestari & Kurniawan, 2023). This compliance-checklist orientation has persisted in the most recent wave of studies. Hasibuan et al. (2024) and Rompas et al. (2024) each evaluated ISAK 35 adoption in a single educational or religious foundation by checking published statements against the standard's five required components; Yulianti et al. (2023) and Arifa et al. (2024) examined how ISAK 35 disclosures shape perceived accountability and transparency, again without probing the account-level architecture that produces those disclosures; and Anthoni et al. (2023) linked information technology and internal control systems to ISAK 35-based accountability, suggesting a connection between control quality and reporting compliance but treating the accounting system as an undifferentiated whole rather than examining how the chart of accounts itself encodes, or obstructs, that connection. Across this literature, the COA remains an unexamined intermediate layer: studies assess whether the resulting financial statements comply, not why the underlying account structure does or does not permit compliance and control in the first place. No study has treated COA structure as the primary unit of analysis, simultaneously evaluating how account design gaps impede both financial reporting quality and internal control effectiveness. This constitutes a significant, and evidently persisting, research gap in the nonprofit accounting literature.

The present study addresses this gap by conducting a GAP Analysis of the COA structure of Bale Bandung Educational Foundation (Yayasan Pendidikan Bale Bandung), evaluating its alignment with ISAK 35 requirements and its adequacy in supporting internal control based on the COSO framework. The study makes three distinct contributions: (1) it introduces an integrated COA evaluation model combining GAP Analysis with the COSO framework; (2) it produces an empirically grounded, ISAK 35-compliant COA reference model whose diagnostic logic is intended for adaptation and testing across educational foundations, rather than a generic template; and (3) it extends Stakeholder Theory and Stewardship Theory to the design of accounting systems in nonprofit contexts. Specifically, the study aims at: (a) evaluating the current COA structure against ISAK 35 requirements; (b) assessing COA contributions to internal control effectiveness through the COSO lens; (c) identifying structural gaps through GAP Analysis; and (d) developing a recommended COA model for implementation.

The precise novelty claimed here is narrower, and therefore more defensible, than a claim of first-ever joint use of the two frameworks. GAP Analysis and COSO have each been applied, separately and occasionally together, in prior accounting studies (Coates & Leavitt, 2017; Harun et al., 2012; Spira & Page, 2003; van Helden & Uddin, 2016). What has not been done, to the authors' knowledge, is to anchor both frameworks at the level of the account itself, so that every ISAK 35 compliance gap identified through GAP Analysis is simultaneously traced to the specific COSO component(s) it impairs. This account-level linkage is what allows the study to show, for example, that a single missing account (a dedicated restricted-fund bank account) is at once an ISAK 35 reporting gap and a Risk

Assessment weakness, rather than treating compliance and control as two parallel but unconnected diagnostic exercises. The contribution is therefore methodological integration at the unit-of-analysis level, not the discovery of either framework.

This study is grounded in two complementary theoretical perspectives. Stakeholder Theory posits that organizations bear responsibility for satisfying the information needs of all parties affected by or having a stake in the organization's activities (Freeman, 1984; Freeman et al., 2021). In educational foundations, stakeholders include donors, government regulators, beneficiaries, and oversight bodies, each requiring transparent and reliable financial information. A well-structured COA is essential for generating this information, as it determines the granularity and categorization of financial data accessible to external users (Andreaus & Costa, 2014). Recent evidence reinforces the practical stakes of this argument: Harris et al. (2024) found that donors reduce giving after a nonprofit fraud is disclosed, and reduce it by less when the organization's own disclosures are transparent rather than evasive, indicating that disaggregated account-level reporting itself shapes donor trust, not merely the underlying event. Consistent with this, Benito-Esteban et al. (2024) showed that board composition affects the web transparency nonprofits provide to stakeholders, suggesting that stakeholder-oriented accountability is only as strong as the accounting infrastructure, including the COA, that boards oversee and rely on to generate it.

Stewardship Theory complements this perspective by viewing organizational managers or, in the nonprofit context, foundation trustees as stewards entrusted to manage resources in alignment with organizational objectives and donor intentions (Davis et al., 1997; Muth & Donaldson, 1998). Unlike agency theory, stewardship theory assumes pro-organizational motivation, making the quality of accounting systems a critical mechanism for discharging stewardship obligations. A COA that fails to segregate restricted from unrestricted funds undermines the steward's ability to demonstrate responsible custodianship (Steccolini, 2019). This concern is not merely theoretical: García-Rodríguez et al. (2021) found that board composition alone does not reliably predict financial vulnerability in nonprofit organizations, which is consistent with stewardship failing not for lack of willing trustees but for lack of an accounting infrastructure through which willing trustees could demonstrate, or be held to, responsible custodianship.

Read together rather than in sequence, the two theories do more than supply two independent justifications for a well-designed COA; they identify a structural precondition that a COA must satisfy before either can be discharged. Stewardship Theory presumes that trustees are motivated to act in the organization's interest, but that presumption is only verifiable, by donors or regulators, if the accounting system produces the disaggregated evidence Stakeholder Theory says external parties are owed. An under-specified COA therefore does not merely under-inform stakeholders; it removes the very mechanism by which pro-organizational stewardship could be demonstrated, so that well-intentioned trustees and poorly-monitored ones become externally indistinguishable. The two theories can also pull in different directions during COA redesign itself: stakeholder demands for granular, donor- and program-level disclosure raise the recording burden on the finance staff who, as stewards of day-to-day operations, must weigh that burden against other resource priorities. Redesign decisions are consequently shaped by the relative bargaining position of the parties involved, for example, whether donors or oversight bodies can make continued funding conditional on account-level transparency, a dynamic this study's findings speak to but do not resolve, since establishing how such bargaining unfolds over time would require a longitudinal or multi-organization design.

The Chart of Accounts is a systematically ordered list of accounts used to classify, record, and report financial transactions and constitutes the structural core of any AIS (Hall, 2022; Romney & Steinbart, 2021). According to Gelinas et al. (2020), an effective COA must satisfy four criteria: flexibility to accommodate changing informational needs, processing efficiency, capacity to generate required reports, and support for internal control. In nonprofit organizations, the COA must additionally accommodate fund accounting principles, segregating revenue streams and expenditures by program function, funding source, and donor restriction (Reck et al., 2022).

Inadequate COA design has been identified as a primary impediment to financial reporting quality in nonprofit organizations globally. Mack & Ryan (2006) demonstrated that users of nonprofit

financial statements require information disaggregated by fund type and program activity requirements that can only be met when the underlying COA mirrors these distinctions. Hyndman & Lapsley (2016) further argued that the evolution of nonprofit accounting standards internationally has been driven by stakeholder demands for enhanced transparency, placing COA design at the center of accountability reforms. In the Indonesian public sector specifically, Firmansyah et al. (2022) found that financial reporting quality varies systematically with organizational characteristics such as size and spending patterns, reinforcing the view that reporting quality is shaped by underlying structural and administrative design rather than preparer effort alone. The stakes of this relationship extend beyond compliance: Ben-Amar et al. (2023) found that government funders systematically reward nonprofits that produce higher-quality accounting information with more favorable funding decisions, indicating that COA-driven reporting quality carries direct consequences for an organization's financial sustainability, not merely its regulatory standing.

ISAK 35 governs the presentation of financial statements for nonprofit-oriented entities in Indonesia, replacing PSAK 45 with a framework that more closely aligns with international best practices (Ikatan Akuntan Indonesia, 2020). The standard mandates the classification of net assets into two categories with donor restrictions and without donor restrictions and requires a statement of changes in net assets that separately tracks movements in each category. These requirements have direct implications for COA design, necessitating account hierarchies that can automatically generate the required financial statement formats.

Implementation of ISAK 35 has proven challenging for Indonesian educational foundations. Wahyuni et al. (2022) found that fewer than 30% of educational foundations in West Java had fully implemented ISAK 35, with COA inadequacies identified as the primary structural barrier. Arisandy & Kusumadewi (2022) similarly reported that the inability to distinguish between restricted and unrestricted contributions at the account level prevented the generation of compliant financial statements. These findings resonate with international evidence: Christiaens et al. (2015) documented comparable implementation challenges in public sector accounting reform across European jurisdictions, while Steccolini (2019) emphasized that accounting system design is a critical determinant of successful financial reporting reform.

The COSO Internal Control Integrated Framework defines internal control as a process designed to provide reasonable assurance regarding the achievement of objectives in operations, reporting, and compliance (Committee of Sponsoring Organizations of the Treadway Commission, 2013). The framework's five components- Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities are interdependent, and the quality of accounting information generated by the COA directly influences the effectiveness of the information, communication, and monitoring components.

Spira & Page (2003) demonstrated that internal control effectiveness is inseparable from the quality of information systems supporting it, arguing that reporting systems that fail to generate timely, accurate, and disaggregated data create structural weaknesses across all COSO components. In the nonprofit context, Coates & Leavitt (2017) found that organizations with inadequate fund tracking mechanisms experienced significantly higher rates of misapplication of restricted grants, underscoring the direct link between COA design and internal control outcomes. This structural dependency has since been confirmed in a broader public-sector setting: Tahssaldar et al.2026) found, using the COSO framework to evaluate a public water utility, that the effectiveness of an organization's internal control system is driven primarily by the quality of its monitoring and information infrastructure rather than by policy commitment alone, reinforcing the case for treating COA design as a control-system priority rather than a purely administrative task.

Taken together, this body of work establishes two separate propositions rather than one: that COA design shapes ISAK 35 reporting compliance, and that information-system quality shapes COSO control effectiveness. Neither the Indonesian studies cited above nor the international internal-control literature connects the two at the level of individual accounts, so it remains unclear from existing evidence whether a compliance gap and a control weakness traced to the same missing account are, in fact, the same underlying deficiency viewed through two regulatory lenses, or two distinct problems

that happen to co-occur. This unresolved question, rather than the mere availability of GAP Analysis and COSO as separate tools, is the specific gap the present study is designed to close.

METHOD

This study adopted a qualitative research paradigm grounded in an interpretive epistemology, recognizing that the meaning of accounting system design is contextually situated within the institutional, regulatory, and organizational realities of the entity under study (Chua, 1986; Denzin & Lincoln, 2018). Qualitative inquiry in accounting research is particularly suited to investigations seeking to understand how organizational actors make sense of and respond to regulatory demands, since such processes are inherently social and cannot be fully captured through quantitative measurement alone (Lowe et al., 2016; Qu & Cooper, 2011). This epistemological orientation is consistent with the broader tradition of qualitative accounting research published in Qualitative Research in Accounting & Management and the Accounting, Auditing & Accountability Journal, which has long established interpretive inquiry as a rigorous and legitimate mode of knowledge production in the discipline (Ahrens & Chapman, 2006; Parker, 2012).

A single-site case study design was selected as the primary methodological strategy. This choice is theoretically justified by three considerations. First, a case study is appropriate when the research question seeks to understand a contemporary phenomenon in depth within its real-life context, particularly when the boundaries between the phenomenon and its context are not clearly evident (Yin, 2018). The alignment of a COA structure with a regulatory framework and an internal control model is precisely such a phenomenon: it is embedded in an organizational, institutional, and regulatory context that shapes its form and meaning. Second, case study methodology enables the use of multiple data sources to achieve triangulation, strengthening the validity of qualitative findings (Creswell & Poth, 2018). Third, single-site case studies are widely employed in nonprofit and public sector accounting research when the research objective is theory development or the production of analytical generalizations rather than statistical generalization to a population (Scapens, 1990). The Bale Bandung Educational Foundation was selected as the research site through purposive criterion sampling (Patton, 2015): it met three selection criteria:

(a) legal classification as a nonprofit educational foundation under Indonesian law; (b) a financial scale requiring ISAK 35 compliance; and (c) willingness to provide full access to financial documents, accounting systems, and key personnel.

Research participants were identified using purposive sampling, a non-probability sampling strategy in which informants are deliberately selected based on their capacity to provide information-rich data relevant to the research phenomenon (Etikan et al., 2016; Patton, 2015). This approach is theoretically preferred over random sampling in qualitative inquiry because the goal is depth of understanding rather than representational breadth (Denzin & Lincoln, 2018). Seven informants participated: the Foundation Chairman, Foundation Treasurer, two Finance Staff members, one Internal Auditor, and two Educational Unit Heads (Vice Rector and Bureau Head). Selection criteria were: (a) direct involvement in financial management, accounting system design, or internal control oversight; and (b) a minimum of three years of experience in foundation administration and financial management. This profile ensured informant triangulation, capturing perspectives from governance, operational finance, and unit-level administration, consistent with the multi-perspective approach advocated by (Flick, 2018) for organizational case studies.

Data were collected through four methods applied in combination, consistent with the multi-method data collection strategy recommended for case study research (Creswell & Poth, 2018; Yin, 2018). First, non-participant observation of transaction recording systems and COA usage was conducted over two site visits, enabling the researcher to observe accounting practices as enacted rather than as described (Hammersley & Atkinson, 2019). Second, semi-structured interviews were conducted with all seven informants. An interview protocol was developed covering three thematic areas: current COA usage practices and perceived adequacy; challenges encountered in implementing ISAK 35; and internal control needs and assessment of current control mechanisms. Semi-structured interviews are

recognized in the qualitative accounting literature as the most productive format for eliciting informant perspectives on complex, contextually embedded organizational phenomena (Qu & Cooper, 2011). Interview sessions lasted between 45 and 90 minutes and were digitally recorded with informant consent, then transcribed verbatim. Third, document analysis was conducted on the foundation's COA, financial statements for the 2022–2024 period, general ledger entries, accounting policies, and internal audit reports. Document analysis in qualitative accounting research provides access to institutionalized organizational practices that may not be fully articulated in interviews (O'Dwyer & Unerman, 2020; Prior, 2003). Furthermore, a systematic literature review of ISAK 35, the COSO Internal Control Integrated Framework (2013), and relevant prior studies grounded the analytical framework in established theoretical and regulatory benchmarks.

Two analytical frameworks were applied sequentially. First, GAP Analysis was employed to systematically compare the existing COA structure against an ideal benchmark derived from ISAK 35 requirements. GAP Analysis is a structured comparative evaluation technique widely employed in accounting standards implementation research to identify discrepancies between current practices and normative requirements (Harun et al., 2012; van Helden & Uddin, 2016). The benchmark against which the existing COA was evaluated was operationalized from five dimensions derived from ISAK 35: net asset classification, fund segregation, income and expense grouping, financial statement generation capacity, and managerial reporting support. Each gap identified was rated on a three-level severity scale (critical, high priority, moderate) based on its direct impact on ISAK 35 compliance and COSO control effectiveness. Second, the COSO Internal Control Integrated Framework (COSO) was applied as an evaluative lens to assess how the existing and proposed COA structures contribute to or impair each of the five control components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. Third, the application of COSO as an analytical framework in accounting research is well-established, particularly in studies examining the intersection of accounting information systems and internal control effectiveness in nonprofit and public sector organizations (Coates & Leavitt, 2017; Spira & Page, 2003).

Data analysis followed the interactive model of Miles et al. (2019) comprising three concurrent and iterative phases: data condensation, data display, and conclusion drawing and verification. Codes were organized into higher-order themes aligned with the two analytical frameworks applied. Data trustworthiness was ensured through source triangulation (comparing interview data, observation records, and documentary evidence), member checking (submitting draft findings to three key informants for verification), prolonged engagement with organizational documents, and audit trail documentation, corresponding to Lincoln & Guba (1985) criteria of credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985). These procedures align with the trustworthiness standards for rigorous qualitative accounting research advocated by (Nowell et al., 2017) and are consistent with methodological standards applied in Qualitative Research in Accounting & Management.

RESULTS

Bale Bandung Educational Foundation has implemented a hierarchically coded COA, organized into five main account groups: assets, liabilities, net assets (recorded as 'Saldo Yayasan'), income, and expenses. The structure supports transaction recording and internal operational reporting. However, analysis reveals that the terminology and classification approach follows a commercial (for-profit) entity convention using 'Aktiva' (assets), 'Modal Yayasan' (foundation equity), and 'Saldo Laba' (retained earnings), which is inconsistent with the nonprofit entity terminology mandated by ISAK 35 ('Aset', 'Aset Neto'). More critically, no distinction exists between restricted and unrestricted net assets, precluding the automatic generation of a compliant Statement of Changes in Net Assets.

Table 1. Summary of Existing COA Structure Bale Bandung Educational Foundation

Account	Account Code Group	Sub-accounts	Key Limitation
1.000	Assets	24	Terminology inconsistent with ISAK 35 ('Aktiva' vs 'Aset')
2.000	Liabilities	9	No deferred revenue account for advance tuition fees
3.000	Net Assets	3	No classification of restricted vs. unrestricted net assets; CRITICAL gap
4.000	Income	18	Restricted and unrestricted contributions commingled; no release of restriction account
5.000	Expenses	40	Expenses not classified by program function; no budget/encumbrance accounts

Source: Foundation COA document, analyzed by authors (2026).

Table 1 shows that the foundation's ninety-four accounts are internally consistent at the level of routine transaction recording; each group balances and reconciles for day-to-day bookkeeping purposes, but the three shaded limitations do not sit at the margins of the structure: they fall on the net asset, income, and terminology groups that ISAK 35 treats as the load-bearing elements of a compliant statement of changes in net assets. In other words, the existing COA is not broadly deficient; it is precisely deficient at the three points a nonprofit reporting standard depends on most.

GAP Analysis identified 10 evaluation dimensions across two levels: ISAK 35 compliance and COSO internal control adequacy. Table 2 presents the complete findings. Two gaps are classified as critical, four as high priority, and four as moderate. The most severe deficiency is the absence of net asset accounts classified by donor restriction, a prerequisite for producing an ISAK 35-compliant Statement of Changes in Net Assets. The second critical gap, the commingling of restricted and unrestricted contributions in a single income account, prevents the system from automatically monitoring compliance with donor-specified fund usage conditions.

Table 2. GAP Analysis Results Bale Bandung Educational Foundation COA

No	Evaluation Dimension	Existing Condition	Ideal Condition (ISAK 35 & COSO)	Severity
1	Net Asset Classification	Single 'Saldo Yayasan' account unclassified	Restricted & unrestricted net assets separately classified	CRITICAL
2	Recognition of Restricted Contributions	All donations recorded in one account	Permanent, temporary, and unrestricted contributions segregated	CRITICAL
3	Program-Based Expense Reporting	Expenses not grouped by program	Program expenses and supporting expenses separated	HIGH
4	Cash Flow Classification by Activity	Cash flows not classified by activity type	Operating, investing, and financing activities separated	HIGH
5	Inter-unit Control Accounts	No reciprocal accounts between educational units	Reciprocal accounts per education unit available	HIGH
6	Individual Donor Fund Tracking	Restricted funds not tracked per donor	Sub-ledger per donor/program available	HIGH
7	Account Terminology	For-profit terminology used ('Aktiva', 'Modal')	Nonprofit terminology ('Aset', 'Aset Neto') required	MODERATE
8	Long-term Investment Classification	No program investment classification	Program and general investments separated	MODERATE
9	Service Revenue vs. Contributions	Mixed in one income group	Service revenue and contributions separately classified	MODERATE
10	Budget Control Accounts	No budget/encumbrance accounts	Budget vs. actual accounts available	MODERATE

Source: GAP Analysis results, 2026.

Read across the ten dimensions in Table 2, the pattern is not that every account family is equally broken; severity clusters at the front of the list and thins out toward the back. The three CRITICAL and HIGH-severity gaps concentrated in net asset classification, restricted-contribution recognition, and program-based expense reporting are precisely the account groups that feed directly into the statement of changes in net assets, whereas the MODERATE gaps in terminology, investment classification, and budget accounts affect presentation and internal monitoring but do not by themselves block a compliant statement from being produced. This severity gradient matters for sequencing remediation: closing the three CRITICAL/HIGH gaps first would resolve the foundation's core ISAK 35 reporting problem even before the MODERATE-severity items are addressed, which is why the redesign in Table 4 prioritizes net asset, contribution, and expense accounts over terminology relabeling.

Evaluated against the five COSO components, the existing COA demonstrates partial adequacy for operational control but exhibits structural weaknesses that limit comprehensive internal control effectiveness. Table 3 presents a comparative assessment of the existing versus recommended COA against each COSO component.

Table 3. COSO Internal Control Assessment: Existing vs. Recommended COA

COSO Component	Existing COA Condition	Recommended COA Improvement	Impact
Control Environment	Activity-based account grouping supports basic accountability.	Accounts per education unit enable unit-level authorization.	Enables segregation of duties.
Risk Assessment	Risk of misclassification; no restricted fund separation.	Separate bank account for restricted funds (1.110.30).	Eliminates fund commingling risk.
Control Activities	Specific accounts for government aid exist, but no program-level expense control.	3-level contribution classification; program expense hierarchy.	Eliminates contribution misclassification.
Information & Communication	Relevant for internal use; cannot generate ISAK 35-compliant reports automatically.	Full ISAK 35 compliance; program performance reports available.	Real-time budget monitoring.
Monitoring Activities	Operational monitoring supported; grant and donation tracking limited.	Sub-ledger per donor/program; commitment & encumbrance accounts.	Ease of auditor verification.

Source: COSO framework analysis, 2026.

The most significant internal control implication of the recommended COA is the addition of a dedicated restricted fund bank account (code 1.110.30). Interviews with the internal auditor revealed that the current system lacks any technical mechanism to prevent restricted funds from being used for general operational purposes. With a separate restricted fund account, any unauthorized use of restricted resources would be automatically detectable as a system anomaly, a finding consistent with Coates & Leavitt (2017), who demonstrated that structural account segregation is a more effective control mechanism than manual monitoring protocols.

The five COSO components are not independent scorecards, and the gaps in Table 3 are best read as one deficiency propagating outward rather than five unrelated weaknesses. The absence of a segregated restricted-fund account is, at root, a Control Environment gap: the COA does not encode which funds carry donor conditions in the first place. That same omission then reappears as a Risk Assessment weakness, because without an account-level flag there is nothing for the system to monitor for misuse; as a Control Activities weakness, because no transaction-level rule can enforce a distinction the chart of accounts does not draw; and as an Information & Communication weakness, because the reports generated from the COA inherit whatever the account structure failed to separate. Monitoring Activities is weakened last, and only as a consequence, since auditors have no artifact to trace. Framed

this way, the ten GAP Analysis dimensions in Table 2 do not each map to a separate COSO component; several of them are downstream symptoms of the same one or two structural omissions, which is also why the recommended redesign in Table 4 concentrates on a small number of account additions rather than a wholesale restructuring.

Based on the GAP Analysis and COSO evaluation, this study proposes a restructured COA built on three design principles: (1) net asset classification by donor restriction; (2) fund segregation across both asset and income accounts; and (3) program-function expense hierarchies. Table 4 summarizes the key structural changes.

Table 4. Summary of COA Restructuring Recommendations (ISAK 35-Based)

Account Area	Existing Condition	Recommendation
Net Assets (3.000)	No classification	Aset Neto Tanpa Pembatasan (3.100) + Aset Neto Dengan Pembatasan (3.200) with temporary (3.210) and permanent (3.220) sub-accounts
Restricted Fund Account	Not segregated	Add Bank Rekening Dana Terikat (1.110.30) for automatic restricted fund monitoring.
Income (4.000)	Contributions commingled	Separate: Pendapatan Jasa (4.100) / Kontribusi Tidak Terikat (4.200) / Kontribusi Terikat Temporer (4.300) / Kontribusi Terikat Permanen (4.400) / Pelepasan Pembatasan (4.600 NEW)
Expenses (5.000)	Not program-based	Beban Program Pendidikan (5.100) per education level + Beban Penunjang (5.200) covering administration and fundraising expenses
Terminology	For-profit terms ('Aktiva', 'Modal')	Update to nonprofit ISAK 35 terms: 'Aset', 'Liabilitas', 'Aset Neto', 'Penghasilan'

Source: Authors' analysis based on ISAK 35 (IAI, 2020) and COSO (2013).

The complete recommended COA structure comprising 60 accounts is presented in Appendix 1. The inclusion of account 4.600 (Release of Net Asset Restrictions) is particularly critical, as ISAK 35 requires that restricted resources be reclassified to unrestricted net assets when donor-specified conditions are met a transaction type that the existing COA cannot record.

DISCUSSION

The critical gaps identified in this study corroborate and extend prior findings in the Indonesian nonprofit accounting literature. Wahyuni et al. (2022) reported that COA inadequacies were the primary structural barrier to ISAK 35 compliance among West Java educational foundations; the present study identifies the precise account-level deficiencies responsible for this barrier. Arisandy & Kusumadewi (2022) noted that Indonesian nonprofits struggle to distinguish restricted from unrestricted contributions, the second critical gap identified herein. The present study advances these findings by demonstrating that these gaps are not isolated reporting problems but systemic structural deficiencies that simultaneously impair internal control effectiveness across all five COSO components.

Internationally, these findings resonate with Christiaens et al. (2015), who documented that accounting system design, not merely policy adoption, determines the success of financial reporting reforms in nonprofit and public sector contexts. The lesson from comparative international experience is that ISAK 35 implementation cannot succeed through reporting adjustments alone; it requires structural COA redesign as a prerequisite.

This corroboration is not entirely clean, however, and the point of difference is instructive. Wahyuni et al. (2022) and Arisandy & Kusumadewi (2022) documented COA inadequacy as a widespread outcome across many foundations, which is consistent with a resource or capacity explanation: smaller foundations may simply lack the accounting expertise to design a compliant chart of accounts. The present case sits uneasily with that explanation, since Bale Bandung Educational Foundation had the financial scale and professional staff to meet the study's selection criteria, yet its

COA still commingled restricted and unrestricted funds in a single account. A capacity account alone does not explain why an adequately resourced foundation would retain a for-profit-style chart of accounts for years after ISAK 35 took effect. A more plausible reading is that COA redesign is not merely a technical undertaking but a redistribution of informational power: a chart of accounts that separates restricted from unrestricted funds also makes restricted-fund use visible to donors and auditors in a way the trustees who currently control that information may have limited incentive to volunteer. This reading is consistent with García-Rodríguez et al. (2021) finding that board composition alone does not reliably predict nonprofit financial vulnerability, which suggests that who sits on a board matters less than what the board is structurally able, or willing, to disclose. This study's single-site design cannot adjudicate between the capacity and power-based explanations, but the co-occurrence of adequate resources and persistent noncompliance observed here suggests the power-based account deserves testing in future, multi-site research.

From a Stakeholder Theory perspective (Freeman, 1984; Freeman et al., 2021), the current COA structure creates an information asymmetry disadvantaging all external stakeholders. Donors contributing to specific programs cannot verify from published financial statements whether their contributions were applied to the designated purpose. Government oversight bodies cannot efficiently assess School Operation Assistance fund utilization without manual reconciliation. This information gap is precisely the accountability failure that stakeholder-oriented accounting frameworks seek to address (Andreaus & Costa, 2014). The recommended COA restructuring, particularly the segregation of restricted funds and program-based reporting, directly reduces this asymmetry by enabling the automatic generation of financial statements that transparently disclose fund allocation by source, restriction, and program. The practical significance of closing this asymmetry is underscored by Harris et al. (2024), who found that donors punish nonprofits less severely for adverse financial events when the organization's disclosures are transparent; by the same logic, a COA capable of generating disaggregated, source-and-restriction-level reports is itself a resource for preserving stakeholder trust, not merely a compliance formality.

Stewardship Theory illuminates the governance implications of the identified gaps (Davis et al., 1997; Muth & Donaldson, 1998). Foundation trustees, as stewards of entrusted resources, are currently constrained in their ability to demonstrate responsible custodianship by the structural limitations of their accounting system. The absence of restricted fund segregation increases the risk of inadvertent fund commingling, a stewardship failure that may not reflect any intentional misconduct but is nonetheless a breach of donor trust. The proposed COA restructuring provides the operational infrastructure necessary for effective stewardship discharge and aligns with Steccolini's (2019) argument that accounting system design is a governance mechanism with direct implications for accountability.

The COSO evaluation constitutes the second major contribution of this study and directly addresses the third research objective: assessing COA contributions to internal control effectiveness through the COSO lens. The findings reveal that the existing COA generates structural weaknesses across all five COSO components, with the most severe implications for the Risk Assessment and Information & Communication components. This finding extends the theoretical argument advanced by (Spira & Page, 2003), who demonstrated that internal control effectiveness is inseparable from the quality of information systems, and empirically grounds this proposition at the account-level architecture of the AIS.

The Risk Assessment component is most critically impaired by the absence of a dedicated restricted fund bank account. When restricted and unrestricted funds are commingled in a single bank account, the risk of inadvertent or deliberate misapplication of restricted resources becomes structurally undetectable. Coates & Leavitt (2017) documented that organizations with inadequate fund tracking mechanisms experienced significantly higher rates of misapplication of restricted grants, and recommended structural account segregation as a more reliable control mechanism than manual monitoring protocols. The proposed account code 1.110.30 (Bank Rekening Dana Terikat) directly operationalizes this recommendation, creating an automatic detection mechanism for any unauthorized use of restricted resources. This finding resonates with Harun et al. (2012), who argued in the context of Indonesian public sector accounting reform that technical account design is the primary mechanism

through which abstract regulatory requirements are translated into operational control, a mechanism more recently confirmed at the level of individual Indonesian nonprofits by Anthoni et al. (2023), who found that the strength of an entity's internal control system, together with its information technology infrastructure, was a direct antecedent of its ISAK 35-based accountability and transparency outcomes. This pattern is not unique to educational foundations: Savitri et al. (2022) similarly found that the strength of the internal control system was a significant predictor of accountability in Indonesian village fund management, suggesting that the internal control–accountability relationship identified here reflects a broader structural pattern across Indonesia's public-interest entities.

The Information & Communication component is impaired by the COA's inability to automatically generate ISAK 35-compliant financial statements. The COSO framework defines effective information and communication as the production of relevant, timely, and accurate information necessary for internal control (COSO). When the COA cannot generate the Statement of Changes in Net Assets required by ISAK 35, internal decision makers and external stakeholders alike are deprived of critical information about fund movements, restriction compliance, and program performance. Gelinas et al. (2020) define COA adequacy precisely in terms of its capacity to produce required reports, making the existing COA's report-generation deficiency a fundamental failure of this COSO dimension. The recommended COA restructuring, particularly the addition of the Pelepasan Pembatasan account (4.600), restores this capability by enabling the automatic reclassification of restricted resources upon satisfaction of donor conditions, a transaction type mandated by ISAK 35 that the existing system cannot record.

The Control Activities component is impaired by the commingling of restricted and unrestricted contributions in a single income account and the absence of program-level expense classification. This structural deficiency prevents the AIS from performing the account-level authorization controls envisioned by the COSO framework. Reck et al. (2022) specifically note that in nonprofit fund accounting, the COA must mirror the fund structure in order for control activities to function as designed. The current COA's failure to implement three-level contribution classification (unrestricted, temporarily restricted, permanently restricted) means that even if management implements approval procedures for restricted fund use, the AIS cannot provide the transaction-level data necessary to verify compliance with those procedures. The proposed restructuring addresses this gap through a hierarchical contribution classification aligned with ISAK 35 categories, enabling automated detection of contribution misclassification at the point of transaction recording.

The recommended COA model, structured around three design principles (net asset classification by donor restriction, fund segregation across asset and income accounts, and program-function expense hierarchies), directly addresses the fourth research objective: developing a recommended COA model for implementation. This model is not merely a technical redesign; it is a theoretical proposition about how accounting system design can operationalize the normative prescriptions of Stakeholder Theory and Stewardship Theory simultaneously. From the Stakeholder Theory perspective (Freeman, 1984; Freeman et al., 2021), the restructured COA enables the production of financial statements that explicitly disclose fund allocation by source, restriction, and program, directly satisfying the information needs of donors, regulators, and beneficiaries. From the Stewardship Theory perspective (Davis et al., 1997), it provides foundation trustees with the operational tools necessary to discharge their custodial obligations transparently and verifiably.

The three-level net asset classification in the recommended COA (Aset Neto Tanpa Pembatasan 3.100; Aset Neto Dengan Pembatasan Temporer 3.210; Aset Neto Dengan Pembatasan Permanen 3.220) aligns with the FASB ASC 958 classification adopted internationally and with the ISAK 35 mandate in the Indonesian context (Financial Accounting Standards Board, 2016; Ikatan Akuntan Indonesia, 2020). This alignment with international best practice is significant: Hyndman & Lapsley (2016) argued that the evolution of nonprofit accounting standards internationally has been driven by stakeholder demands for enhanced transparency, and the adoption of internationally aligned account structures facilitates cross-jurisdictional comparability and enhances credibility with international donors and funding agencies. For Bale Bandung Educational Foundation, which receives funding from both domestic and international sources, this comparability has direct practical significance.

The program function expense hierarchy (Beban Program Pendidikan 5.100 per education level; Beban Penunjang 5.200 for administration and fundraising) responds to the high-priority gap in program-based expense reporting identified in the GAP Analysis. This hierarchical structure enables the generation of program efficiency metrics, allowing management, trustees, and stakeholders to assess the proportion of expenditure directed to program delivery versus administrative overhead, a standard transparency expectation for nonprofit organizations (Andreaus & Costa, 2014; Mack & Ryan, 2006). Internationally, Christiaens et al. (2015) documented that the failure to implement program-based expense classification was the most common barrier to meaningful nonprofit financial disclosure across European jurisdictions. The present study demonstrates that this barrier is equally present and equally consequential in the Indonesian educational foundation context.

This study makes three distinct theoretical contributions to the nonprofit accounting literature. First, it introduces an integrated GAP Analysis and COSO evaluation framework for COA assessment in nonprofit organizations. Prior studies have evaluated ISAK 35 implementation at the financial statement level (Arisandy & Kusumadewi, 2022; Julyana et al., 2024; Wahyuni et al., 2022) or AIS adoption at the system level (Lestari & Kurniawan, 2023), but none has treated COA structure as the primary unit of analysis within an integrated compliance and control evaluation model. The proposed framework provides a replicable diagnostic tool that can be applied to any Indonesian nonprofit organization seeking to evaluate its COA readiness for ISAK 35 compliance. Second, this study demonstrates that COA structure is not merely a technical accounting convention but a theoretically significant variable operationalizing both Stewardship Theory and Stakeholder Theory in the design of organizational accounting systems. This reframing of COA design as a governance mechanism rather than a bookkeeping tool represents a contribution to the theoretical literature on nonprofit accountability (O'Dwyer & Unerman, 2020; Steccolini, 2019). Third, the study contributes to the international literature on accounting reform implementation by providing Indonesian evidence that supports the cross-national finding of Christiaens et al. (2015) that structural accounting system design, not merely policy adoption, determines the success of financial reporting reforms.

The practical implications of this study are threefold. For educational foundation administrators, the recommended COA model provides an actionable implementation blueprint that can be adopted directly or adapted to specific organizational characteristics; direct involvement of the foundation's own accounting staff in adapting this blueprint is itself likely to improve outcomes, since (Aboagye-Otchere et al., 2023) found that accountants' participation in accounting information system design significantly enhances their perceived quality of the resulting information. For internal auditors and accounting consultants, the GAP Analysis framework provides a systematic diagnostic instrument for assessing COA readiness, enabling prioritized remediation planning based on gap severity classifications. For financial system vendors and ERP implementers serving the Indonesian nonprofit sector, the study specifies the account-level structural requirements that accounting software must support to enable automatic ISAK 35-compliant report generation. This practitioner-oriented output addresses a gap identified by Utami & Rahayu (2023), who noted the absence of actionable implementation guidance for educational foundations navigating the ISAK 35 transition.

The policy implications of this study are equally significant. The findings suggest that the Ikatan Akuntan Indonesia (IAI) and the Indonesian Financial Services Authority (OJK) should consider augmenting ISAK 35 with technical implementation guidance specifying minimum COA structural requirements for nonprofit entities of different sizes and types. The current standard specifies what financial statements must be presented but does not prescribe the underlying account architecture necessary to generate them, creating a regulatory gap that this study documents empirically. International precedent exists for such guidance: the UK Charity Commission provides detailed COA guidance for registered charities (Charity Commission, 2021), and the FASB's Accounting Standards Update 2016-14 provides detailed implementation guidance for US nonprofits (FASB, 2016). The Indonesian regulatory framework would benefit from comparable specificity, particularly given evidence that fewer than 30% of West Java educational foundations have fully implemented ISAK 35 (Wahyuni et al., 2022), with COA inadequacies as the primary barrier.

CONCLUSION

This study evaluated the COA structure of Bale Bandung Educational Foundation against ISAK 35 financial reporting requirements and COSO internal control standards. The findings confirm that while the existing COA adequately supports daily operational recording, it contains structural deficiencies that prevent full ISAK 35 compliance and limit internal control effectiveness. GAP Analysis across ten evaluation dimensions identified two critical gaps: the absence of donor-based net asset classification and inadequate restricted contribution segregation, along with four high-priority and four moderate gaps.

The study produced an ISAK 35-compliant COA model structured around three design principles: net asset classification by donor restriction, fund segregation across asset and income accounts, and program function expense hierarchies. This model directly addresses all critical and high-priority gaps and is expected to enhance financial reporting quality, transparency, and internal control effectiveness.

Theoretically, this study makes two contributions. First, it introduces an integrated GAP Analysis and COSO evaluation framework for COA assessment in nonprofit organizations, a methodological integration not previously employed in the Indonesian nonprofit accounting literature, and one that remains absent even from the 2023-2024 wave of ISAK 35 case studies reviewed in the Introduction, which continue to evaluate compliance at the level of the resulting financial statements rather than the underlying account structure. Second, it demonstrates that COA structure is not merely a technical accounting convention but a theoretically significant variable operationalizing both Stewardship Theory and Stakeholder Theory in the design of organizational accounting systems.

Practically, the recommended COA model provides educational foundation administrators, internal auditors, and accounting consultants with an actionable implementation blueprint. The evaluation framework may also inform IAI policy guidance for ISAK 35 technical implementation standards.

While this study provides actionable insights, several limitations must be acknowledged. First, the single-case study design inherently restricts the statistical generalizability of the findings, as the identified structural gaps and proposed COA configurations reflect the specific operational scale, fund complexity, and administrative environment of Bale Bandung Educational Foundation. Second, this investigation is cross-sectional and diagnostic in nature; it evaluated design deficiencies and formulated an architectural model but did not observe the multi-year post-implementation outcomes or track how organizational politics and staff adaptability affect system transition.

Consequently, future research should pursue three key avenues. First, future studies should validate and replicate the integrated GAP Analysis–COSO evaluation framework across diverse nonprofit sectors (e.g., healthcare, religious, and philanthropic foundations) through multi-site comparative case studies or quantitative survey methods. Second, longitudinal research is recommended to assess the post-adoption impact of the restructured COA on actual financial reporting compliance, audit efficiency, and fraud risk mitigation. Finally, subsequent investigations should explore behavioral and technological dimensions, particularly the interaction between accounting staff technical competencies, ERP customization capabilities, and governing board oversight during the COA transition.

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AI Disclosure

During the preparation of this work, the authors used Claude.ai & Grammarly to assist with English language polishing, vocabulary enhancement, and structural formatting of the manuscript. After utilizing this service, the authors reviewed, revised, and validated the content accordingly. The authors affirm that AI technologies were not involved in empirical data generation, qualitative coding, or conceptual synthesis, and the authors assume full responsibility for the content of the manuscript.