

# An Evaluation of Indonesian Environmental Non-profit Organisations' Financial Performance (An Empirical Study on World Wildlife Fund Indonesia)

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## Abstract

The contribution of environmental Non-profit Organisations (NPOs) in solving Indonesia's environmental problems has become increasingly important, and stakeholders should monitor NPOs performance in order to keep providing benefits to the society. This research provides a description of Indonesian environmental NPOs' financial performance; their fiscal performance, fundraising efficiency, and public support, as well as assesses the compliance of said NPOs' financial statements with generally accepted accounting standards for non-profit entities in Indonesia. Using financial ratios tested by Ritchie and Kolodinsky (2003), this study concludes that the focus organisation presented a favourable financial performance in the observed 5-year period. This research also found that the aforesaid financial statements are in accordance with prevailing standards, including PSAK 45. This research also identified problems surrounding financial performance, such as minuscule participation from individual donors due to religious background of the demography.

**Keywords:** environmental, non-profit organisations, financial performance

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## 1. INTRODUCTION

Environment is one of the elements that are often negatively affected by economic growth. Arrow, et al (1995) noticed that economic policies have generally been ignoring the environmental point of view. In their research, they found that economic growth does tend to improve some environmental quality indicator to some extent, but the finding implied that that growth alone did not suffice the improvement of environmental quality, and the adverse effects of development to the environment should not be ignored, as it relates strongly with sustainability of economic activities. Grossman and Krueger (1994) did not find any evidence suggesting that environmental quality deteriorates steadily with economic growth, but they did notice that economic growth brings an initial phase of deterioration followed by a subsequent phase of improvement for most indicators. However, UK news site The Guardian wrote in 2012 that Indonesia has lost 840.000 ha or about 21% of its tropical rainforest. This broke a world record and surpassed Brazil, which lost 460.000.

Being one of the most urgent environmental problems in Indonesia, the loss of the rainforest area is, among other things, caused by forest fires; the worst of which happened in 1997 and 2015. The 1997 fire and its consequent haze caused not only up to \$2,7 billion in economic costs (Tacconi, 2003), but also a detrimental health problem, leading up to 527 deaths caused by respiratory diseases (Aditama, 2000).

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The 2015 haze turned out to be worse than that of 1997. Indonesian Agency for Meteorology, Climatology, and Geophysics (BMKG) stated that air pollution index in Central Kalimantan, Indonesia, reached a record high of 2.300, about 6,5 times of the threshold of 350, even rendering countermeasures impossible due to extremely low line of sight. Although these cases of forest fires, caused by palm oil companies' illegal slash-and-burn land clearing method, recur almost annually, the Indonesian government was criticized for its wanting response to this catastrophe. The government only provided free, 'substandard' masks as an effort to mitigate the effects of the smog, 'refused' foreign aid despite its incompetence to combat the fires, as well as failed to strongly enforce environmental laws that seeks to prevent these cases in the first place. As Khmer Times of Cambodia reported, Indonesian government were also notably absent from regional discussion to resolve the haze issue.

When corporations focus solely on profit generation and government's transparency and competency are questionable, contributions from a third sector that serves "the good of the people" (O'Neill, in Salamon and Anheier, 1992) is necessary to ensure the sustainability of the Indonesian economy. Non-profit organisations (NPOs) in Indonesia have made numerous real actions in responding to environmental crises as well as preventing them from happening, such as World Wildlife Fund (WWF) Indonesia's assistance in environmental law enforcement by forming a special investigation taskforce in 2015; implementation of sustainable agriculture strategy spearheaded by Bogor-based Centre for International Forestry Research (CIFOR) to "change the mindsets and landscapes" in South Sulawesi; or even dauntless deeds undertaken by activists of Greenpeace Indonesia to effectively stop forest encroachment by palm oil industry in 2008 and 2009.

Realising the need for a sustainable economy and recognising efforts and contributions made by Indonesia's environmental NPOs to preserve the 'natural capital' as an important element of economic sustainability (Barbier, 2005), supporting these organisations has been more crucial than ever. Other than monetary donations, academics should be able to take part in the effort, for example, by providing scientific insights from accounting point of view on how environmental NPOs should be ideally run in order to reach their goal. However, the accounting side of environmental NPOs—or NPOs in general—has not been frequently discussed by Indonesian accounting researchers. Most researches written around this topic discusses about the adherence of religious NPOs to accounting standards, but few about their financial performance.

As found by Trussel and Parsons (2007) that the availability of financial information positively correlates with the size of donation received by NPOs, this research would serve as a trigger to increase information availability on environmental NPOs so that said organisations can obtain more resources in order to keep their momentum in safeguarding Indonesia's natural capital; that is, to prevent the loss of billions of dollars due to environmental degradation.

## **2. LITERATURE REVIEW**

### **2.1 Theories surrounding non-profit organisations**

Anheier (2005) in his book *Nonprofit Organizations: Theory, Management, Policy*, mentioned several aspects of NPOs that became the theoretical base in this research. This book includes the theoretical approaches to NPO's origins, behaviour, and impact; how and to whom NPOs are accountable, as well as how to measure an NPO's performance.

Researches surrounding NPOs generally attempt to answer questions such as why NPOs exist in market economies; how NPOs behave, and what contributions from the NPOs are. To answer these questions, researchers relied on three major theories to help explain the phenomena surrounding NPOs; namely the Public goods theory, Entrepreneurship theory, and Trust theory.

Public goods theory, proposed by Burton Weisbrod in 1975, explained that NPOs emerged as a result of the public sector's failure to supply the demand for public and quasi-public goods created by 'median voters', who represent the large, statistically average demographics in an electorate. That is to say, NPOs serve as "gap-fillers", which "exist as a result of private demands for public goods not offered by the public sector" (Anheier, 2005:121). In the case of Indonesian environmental NPOs, they existed to supply the service of preservation of the environment as a public good which the government has normally failed to supply.

Trust theory argued that NPOs "arise in situations in which, owing either to the circumstances under which the service is purchased or consumed or to the nature of the service itself, consumers feel unable to evaluate accurately the quantity and quality of the service a firm produces for them" (Hansmann, in Anheier, 2005:124). The loss of trust to business organisations were caused by their inclinations to benefit from information

asymmetries which result in unfair exchange, which eventually will lead to market failure. NPOs have an advantage over their for-profit counterparts due to their non-profit-seeking nature, causing them to be unable to unfairly take advantage of informational asymmetries.

The third major theory in relation to NPOs is the Entrepreneurship theory, which tries “to explain the existence of non-profit organisations from a supply-side perspective” (Anheier, 2005:126). Joseph Schumpeter, who proposes this theory, defines an entrepreneur as “an individual with a specific attitude toward change, whose function is to ‘carry out’ new combinations’.” NPOs are the embodiment of social entrepreneurship, which, unlike business entrepreneurship whose goal is to create economic value, create social values by “adopting a mission to create and sustain social value; recognising and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adoption and learning; acting boldly without being limited to resources currently in hand; exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created” (Dees et al., in Anheier, 2005:127).

## **2.2 Non-profit sector accountability and performance**

Stakeholders were described as “people or organizations that have a real, assumed, or imagined stake in the organization, its performance, and sustainability” (Anheier, 2005:227). Stakeholders are those who are concerned with an organisations’ ‘bottom line’. In NPOs, this bottom line is not the organisation’s profit or loss; rather, it is anything of relevance to the organisation’s nature and operations. Thus, unlike business organisations’ that generally has only ‘one’ stakeholder—the owners, NPOs has various parties who were concerned with their performance and sustainability.

NPOs are accountable to the aforesaid stakeholders, which frequently are specified as members, supporters, beneficiaries, volunteers, contractors and cooperating organisations, and public agencies, each with different form of accountability. Financial aspect of accountability is a part of an NPO’s performance accountability, along with activity fit, program oversight, and program development. An NPO’s financial accountability is of explanatory nature, where the organisation accounts an action verbally or formally. To evaluate an NPO’s performance, this book refers to the ‘welfare model’ by Kendall and Knapp (2000), using indicators based on the notions of economy, efficiency, effectiveness, and equity.

## **2.3 Financial ratios as a measure of performance**

Altman (1968) conducted a research about the usefulness of financial ratios as an analytical technique in assessing the performance of business organisations. This research was a response to perceived disfavour of financial ratios by academics at the time due to its simplicity. Ratios were, in this study, combined in a discriminant analysis approach to predict bankruptcy of a number of manufacturing companies as samples.

The result indicated that the ratio analysis was able to correctly predict bankruptcy with extremely high accuracy. This led to the researcher proposing a practical and theoretical application of this model. The proposed applications “include business credit evaluation, internal control procedures, and investment guidelines” (Altman, 1968).

One of the earliest introductions of financial ratios to the non-profit sector is described in a paper by Chabotar (1989), arguing that the understanding of an NPO’s financial condition is crucial in deciding the appropriate response to pressures such as “declines in governmental assistance, unfavourable economic circumstances, and greater competition for private gifts and grants.” This paper describes various ratios that are applicable by NPOs, stating that ratio analyses can serve as “an ‘early warning system’ by highlighting the aspects of an institution’s financial situation that merit further study and may require management action” (Chabotar, 1989:192).

## **2.4 Usefulness of financial information**

Parsons (2003), in her review, questions whether accounting information from NPOs useful to donors. She quoted findings from Anthony (1983), Drtina (1984) and Cherny et al. (1992) which expressed that “donors and regulators are more interested in the efficiency and effectiveness with which not-for-profit firms operates”. Other than efficiency and effectiveness, stakeholders (referred to as ‘contributors’ in the paper) also found financial information useful to assess an organisations’ financial stability; that is whether the organisation can continue its operations (Anthony, in Parsons 2003). These researches were based on the positive accounting

theory that developed around 1960's that, in this third sector, tried to address the question whether non-profit accounting reports were useful to donors.

Parsons also quoted research from Greenlee and Trussel (2000) which stated that "financial stability measures are useful for financial statement readers in predicting financial distress of [not-for-profit] organisations." Based on this review, Trussel and Parsons (2007) researched the correlation between financial reporting factors affecting donations to charitable organisations. The study revealed that those factors were efficiency, financial stability, information availability, and reputation of the organisation itself. Financial stability in this research was measured by indicators such as adequacy of equity, revenue concentration, operating margin, and administrative cost ratio.

These researches demonstrate the importance of NPOs' financial performance information, the understanding of which becomes the main motive of this research. By providing financial performance information, NPOs would be able to convince more potential donors to contribute for their cause.

## **2.5 Financial performance measurement**

Ritchie and Kolodinsky (2003) proposed a method of NPOs' financial performance measurement using financial ratios. This study presented "a process for identifying and testing a group of financial measures to ascertain their relevance and distinctiveness for a homogenous sample of NPOs." The study entails two phases: exploratory phase which involved factor analyses of sixteen financial performance ratios using both cross-sectional and longitudinal data, and application phase involving analysis of the measures obtained from the previous phase. The researchers sampled IRS Forms 990 of 362 hospital foundations for the first phase and 144 university foundations for the second phase.

These ratios describe four aspects of NPO financial performance: fiscal performance, fundraising efficiency, public support, and investment performance and concentration. Efficiency measures in this research represented funds raised relative to fundraising expenses. Public support measures indicate the "organisation's ability to generate revenue or an index of the public support for an organisation." Investment performance category denotes the profitability of NPO's investment decisions.

The first phase of factor analysis led the researchers to rule out the fourth category, the investment performance and concentration due to the result demonstrating instability of this performance measure. The second phase of this study resulted in six financial performance measurement ratios that represented three remaining performance categories. This result was expected to "provide the practitioner with a parsimonious number of financial performance measures enabling relatively easy assessment of three important performance-related dimensions."

## **2.6 Non-profit sector compliance to PSAK 45**

Most of the studies on compliance to Indonesian Statement of Financial Accounting Standard (PSAK) No. 45 were conducted in religious institutions as part of undergraduate theses. A study by Muhammad (2006) analysed the financial accountability of zakat (Islamic religious tax) fund institutions (Organisasi Pengelola Zakat—OPZ) in Yogyakarta. The researcher found that the zakat fund institutions did not have an adequate accounting system and internal control and failed to comply with PSAK 45. Similar results were encountered by Ibrahim and Handayani (2009), which stated that Baitul Mal Aceh, also a zakat fund institution, had complied with the standard to an extent, but the institution did not follow the prescribed reporting guidelines. The zakat fund also did not make its financial statements available to the public.

To date, the author has not found any research regarding Indonesian environmental NPO's compliance to PSAK 45, which also became a motivation to conduct this research.

## **2.7 Phenomenology study on WWF Indonesia**

Fikri, et al. (2010) conducted a 'phenomenology study' of non-profit organisation accountability in Indonesia with WWF Indonesia as a subject. The study was undertaken on the grounds of perceived importance of NPOs due to "many criticisms and problems associated with this sector". The researchers found that WWF Indonesia "does not publish financial statements", as the "public requires behavioural accountability rather than [financial] reporting."

The fieldwork for this research was conducted in WWF's operation base/field office in Mataram, Nusa Tenggara Barat due to WWF's "low accountability ranking" per Kovach (2003) and the field office's direct contact with the society with whom it worked. The researchers interviewed the 'manager' of the said field office and several staffs, one international staff, and audit manager, as well as three members of local community, which consists of one reforestation project foreman and two anonymous community members.

In the discussion section of the paper, the researchers stated that one limitation of the study was that it only managed to cover operation locale. Nonetheless, there are a few problems with the study that the researchers neglected to address. The study concluded that the Nusa Tenggara field office failed to produce financial reports due to WWF's central management's accounting policy. However, the researchers did omit the description of the nature (i.e. the legal form) of the aforesaid field office and the organisation's management model; whether it was given a high degree of autonomy to manage a material portion of the whole organisation's financial resources.

The conclusion made by the researchers also lacked criteria that state whether the field office with such size and scope of operations (which they also made unclear in their research paper) is obligated to publish its own financial statement. Indonesian accounting standard that regulates non-profit financial reporting, PSAK 45, does not specify whether each subdivision/unit of a non-profit body has to disclose its own financial statement. The other concluding statement regarding public demand of NPOs' accountability was also short of supporting information. Researchers did not mention in their paper whether the interviewed members of the local community were the beneficiaries of a specific WWF (or its examined field office's) program, or other subjects of the organisation or entity's accountability, such as supporters and oversight bodies (Anheier, 2005), putting the relevance of this opinion in question.

The research conducted in this paper attempts to obtain a deeper understanding about WWF Indonesia's operation which the previous research failed to address, in order to help Indonesia's environmental organisation to meet its demand for accountability.

### 3. RESEARCH METHODOLOGY

This research is intended to be an exploratory research that delves into financial performance of Indonesia's environmental NPOs. In an attempt to obtain a concise yet thorough description of the matter, this research is conducted with both quantitative and qualitative method. The quantitative part of this research consists of calculation and interpretation of select financial ratios, while the qualitative part of this research encompasses the qualitative analysis of PSAK 45 and financial reporting process in the subject and interview with representatives of the subject's management.

The ratios used to measure financial performance in this research are based on the results by Ritchie and Kolodinsky (2003). Factor analysis results indicated that six ratios compiled from previous researches that represent three performance categories have shown high level of consistency in both phases of the research. These ratios are applied to WWF Indonesia's financial information in a five-year period, from 2011 to 2015 in order to describe the trend of its performance, as well as to financial statements from three other Indonesian environmental NPOs to compare the subject's performance with organisations in the same 'industry'. These organisations are CIFOR, Greenpeace Indonesia, and Borneo Orangutan Survival (BOS) Foundation Indonesia.

### 4. RESULTS

To provide data for this research, the author spoke with following correspondent from WWF Indonesia.

Table 1. List of Correspondents

Name of Correspondent	Position
Herry Akbar	Deputy Director for Finance and Grant
Wahyudi	Senior Accounting Officer
M. Ikbal Udayah	Supporter Database

#### 4.1 Financial performance

Table 2 and 4 is the result of ratio analysis based on WWF Indonesia's financial statements during a 5-year period from 2011 to 2015.

The ratios used in this research is developed based on 2003-edition IRS Form 990, the objective of which is to enable federal, state, and local governments in the United States to parsimoniously monitor or “scrutinize the activities of organizations qualifying for tax exemption” (Blazek, 2004:vii). Therefore, in interpreting the result of this study, one must confer to the instructions and judgments prevalent in the US and adjust them with local Indonesian equivalent concepts. The above table shows that the values of Direct Public Support equal the value of Total Contributions (line 1a of IRS Form 990), due to WWF Indonesia receives neither contribution from the national, provincial, of local government reportable as Government grants (line 1b) nor from government-owned fundraising agencies as Indonesian equivalent to agencies like United Way or community trust (Blazek, 2004:30). The numbers expressed as Fundraising Expenses (line 44 column D) represents costs directly matched with revenues reported on line 1a, 1b, and 1c and therefore should not include expenses incurred for the organization’s main projects.

Table 2. Ratio calculation of WWF Indonesia’s Financial Statements  
Source: WWF Indonesia

Aspect	Ratios	2011	2012	2013	2014	2015
Fiscal Performance	$\frac{TR}{TE}$	$\frac{194\,296}{195\,110} = 1,00$	$\frac{215\,844}{191\,561} = 1,13$	$\frac{224\,295}{231\,252} = 0,97$	$\frac{270\,248}{250\,468} = 1,08$	$\frac{303\,384}{281\,133} = 1,08$
	$\frac{DPS}{FE}$	$\frac{193\,067}{14\,279} = 13,52$	$\frac{213\,429}{14\,150} = 15,08$	$\frac{224\,381}{20\,185} = 11,11$	$\frac{270\,238}{21\,480} = 12,58$	$\frac{296\,569}{25\,789} = 11,49$
Fundraising Efficiency	$\frac{TR}{FE}$	$\frac{194\,296}{14\,279} = 13,61$	$\frac{215\,844}{14\,150} = 15,25$	$\frac{224\,295}{20\,185} = 11,11$	$\frac{270\,248}{21\,480} = 12,58$	$\frac{303\,384}{25\,789} = 11,76$
	$\frac{DPS}{TA}$	$\frac{193\,067}{104\,210} = 1,98$	$\frac{213\,429}{119\,726} = 1,78$	$\frac{224\,381}{113\,072} = 1,98$	$\frac{270\,238}{141\,826} = 1,91$	$\frac{296\,569}{157\,427} = 1,88$
Public Support	$\frac{TC}{TE}$	$\frac{193\,067}{195\,110} = 0,99$	$\frac{213\,429}{191\,561} = 1,11$	$\frac{224\,381}{231\,252} = 0,97$	$\frac{270\,238}{250\,468} = 1,08$	$\frac{296\,569}{281\,133} = 1,05$
	$\frac{TC}{TR}$	$\frac{193\,067}{194\,296} = 0,99$	$\frac{213\,429}{215\,844} = 0,99$	$\frac{224\,381}{224\,295} = 1,00$	$\frac{270\,238}{270\,248} = 1,00$	$\frac{296\,569}{303\,384} = 0,98$
	$\frac{TC}{DPS}$	$\frac{193\,067}{193\,067} = 1,00$	$\frac{213\,429}{213\,429} = 1,00$	$\frac{224\,381}{224\,381} = 1,00$	$\frac{270\,238}{270\,238} = 1,00$	$\frac{296\,569}{296\,569} = 1,00$

Legends:

TR: Total Revenue

TE: Total Expenses

DPS: Direct Public Support; total contributions received directly from individuals and foundations

FE: Fundraising Expenses; costs of soliciting contributions

TA: Total Assets

TC: Total Contributions; total of gifts, grants, and other contributions

Figures, except ratios, are expressed in million IDR

#### 4.1.1 Fiscal Performance

The calculation of WWF Indonesia’s total-revenue-to-total-expense ratio (TR/TE) during the observed 5-year period resulted in values greater than 1 in most years, with exception of financial year 2013, where it displayed the value of 0,97; and financial year 2011, where the deficit caused the ratio to display the value of  $0,9958279 \approx 1,00$  (rounded up to two decimal places). The TR/TE is a “going concern” ratio, which indicates whether revenues earned by the organisation are sufficient to cover its expenses (Wilson, et al., 2009:646). TR/TE ratio of 1 signifies that the organisation was able to fund its activities from its total revenue, whereas a value greater than 1 represents a surplus and a value less than 1 suggests a deficit. WWF Indonesia’s TR/TE ratio averaged 1,05 in five years, meaning overall the foundation had experienced a surplus as well as been able to continue their operations.

In 2013, the foundation’s net assets were subject to Rp7 billion decrease due to larger increase of expenses. WWF Indonesia’s Deputy Director of Finance and Grant explained:

*“Several WWF Indonesia’s contracts with donors are multiyear. As you can see, in financial year 2012 there was a surplus margin. [This] margin for restricted projects will be a carry-forward in financial year 2013 and should be spent in said year. In other words, in 2012, we received unearned revenue and would be spent in 2013.”*

On how management responds to the information on financial performance and the significance of the 2013 deficit to the foundation’s activities, the Senior Accounting Officer commented:

*“We have always been able to continually financially provide for its projects. [...] We haven’t had to suspend a program due to shortage of funds before. Such occasion is very rare or even non-existent.”*

Compared to other Indonesian environmental NPOs observed in this study (CIFOR, BOSF Indonesia, and Greenpeace Indonesia), WWF Indonesia fiscally performed slightly above the average ratio of 1,03; as shown in

Table 1. The organization outperformed CIFOR and Greenpeace Indonesia which reported a US\$2 million deficit and a break-even respectively. In 2014, WWF Indonesia managed to recover from previous year's shortfall in revenue as evidenced by Rp24 billion reported revenue increase in the foundation's statement of activities.

#### 4.1.2 Fundraising Efficiency

The ratios used in this research to measure how efficient and effective an organisation conducts its fundraising activities are direct-public-support-to-fundraising-expenses (DPS/FE) and total-revenue-to-fundraising-expenses (TR/FE). The ratios represent public contribution and revenue generated by every currency unit spent to solicit donations. When interpreting these ratios, larger values indicates more efficient fundraising activities, and a value less than one indicates inefficiency. The figures used in this research are expenses attributed directly to activities that resulted in revenues in the form of donations, grants, and other contributions; which means the amount excludes program expenses and costs incurred to provide program service.

During 2011-2015 period, WWF Indonesia's DPS/FE displayed values greater than 10, averaging 12,76. This indicates that every rupiah spent in fundraising activities return 12,76 times worth in public contribution. The foundation also excelled in fundraising efficiency when compared to other NPOs, the average DPS/FE ratio of which is 9,91.

In the observed NPOs, direct public support makes up almost the entirety of total revenue, as they received no contribution from the government of Indonesia. This causes the DPS/FE and TR/FE ratios to have insignificant differences. WWF Indonesia's TR/FE ratio averaged 12,86 in five-year period, and still outperformed other NPOs with average ratio of 9,99. From the aforementioned ratios, one can construe that WWF Indonesia's fundraising activities had been highly effective and efficient. However, in the observed 5-year period, the efficiency ratios experienced a downtrend, because while total revenue had increased about 56% over 5 years, fundraising expenses had expanded at even a faster rate of 81% in the same period of time. The Deputy Director of Finance and Grant commented:

*“In the last 5 years, the marketing division had made investments to attract more supporters, that causes the expenditures to increase and the number of supporters had been substantially increasing. However, these investments will not provide return in the short run, because we expect long-term donations from supporters, and when said donations were earned then can we observe the significance of these investing expenditures.”*

#### 4.1.3 Public Support

From the last three ratios, one may construe that WWF Indonesia and the rest of the environmental NPOs examined in this study, enjoyed a high degree of public support. The amount of public contribution to these organisations makes up the most, if not the entire, of their total revenue, and often surpasses their total assets as well as their annual expenditure. Such condition is caused by the absence of government grants to the foundations. It is also important to note that the majority of contribution received by environmental NPOs operating in Indonesia, as in the case of WWF Indonesia and Greenpeace Indonesia, comes from grants from their international network. For example, in 2014, about 64% of Greenpeace Indonesia's revenue was the grant from Greenpeace International.

The direct-public-support-to-total-assets ratio (DPS/TA) is “an indicator of an organisation's ability to generate revenue” (Siciliano, in Ritchie and Kolodinsky 2003). This means, WWF Indonesia's 5-year average DPS/TA ratio of 1,88 implies that every rupiah of the foundation's assets was able to generate 1,88 times worth of donations and grants from the general public and corporations. This average DPS/TA ratio is slightly higher than the rest observed NPOs, with average DPS/TA of 1,86. This ratio experienced a positive trend, which can be interpreted as that a stable growth in public support attributed to the significant growth of the number of supporters in the observed time frame by the Deputy Director of Finance and Grant of WWF Indonesia.

The second public support ratio, total-contribution-to-total-expense (TC/TE), represents a percentage of how much of the activities and programs are funded by grants, donations, gifts and other contributions received by the organization. A ratio of 1 indicates that all of the expenses were covered by public support, and a ratio greater than one indicates a surplus. During the observed 5-year period, WWF Indonesia's TC/TE ratio displayed an average of 1,04, which means the contributions received from the public were able to finance all of the organisation's programs and activities, as well as provide the foundation a small percentage of surplus. This ratio is modestly higher than the 'industry' average ratio of 0,97.

The total-contribution-to-total-revenue (TC/TR) ratio, according to Ritchie and Kolodinsky (2003), is an “index of the public support”, that is, an expression of how much public contribution constitutes an organisation’s revenue. Due to circumstances explained at the beginning of this section, as well as immaterial amount of other revenues (such as program service charge, interest income, gain from foreign exchange, and other income), WWF Indonesia’s and other NPOs’ TC/TR ratios invariably displayed the value almost equal to 1. This means that all, in exception of said other revenues, of the revenues earned by all Indonesian environmental NPOs comes from public contribution, thus indicating a strong public support.

## 4.2 Compliance to PSAK 45

WWF Indonesia discloses partially discloses its financial statements to the general public; i.e. it publishes statements of financial position, statements of activities, and statements of changes in net assets on its official website. The full, PSAK-prescribed financial statements, including statements of cash flows and notes to the financial statements, are available only to corporate and foundation donors. These financial statements are always audited by Big Four accounting firms. The following table presents the list of accounting firms issuing opinions for WWF Indonesia’s financial statements.

Table 3. List of accounting firms and audit opinions for WWF Indonesia’s financial statements

Year	Accounting Firm	Opinion
2015	PricewaterhouseCoopers	Unqualified
2014	PricewaterhouseCoopers	Unqualified
2013	PricewaterhouseCoopers	Unqualified
2012	Ernst & Young	Unqualified
2011	Deloitte	Unqualified

Table 4. Abridged table of ratio calculation of WWF Indonesia’s financial statements compared to other Indonesian environmental NPOs  
Source: Various

Aspect	Ratio	Year	WWF Indonesia	“Industry” Average	CIFOR	BOSF Indonesia	Greenpeace Indonesia
Fiscal Performance	$\frac{TR}{TE}$	2011	1,00	<b>1,03</b>	1,06	0,98	1,10
		2012	1,13	<b>1,05</b>	1,15	0,87	1,06
		2013	0,97	<b>0,99</b>	1,02	1,05	0,91
		2014	1,08	<b>1,06</b>	0,97	1,20	0,99
		<b>Avg.</b>	<b>1,04</b>	<b>1,03</b>	<b>1,05</b>	<b>1,02</b>	<b>1,02</b>
Fundraising Efficiency	$\frac{DPS}{FE}$	2011	13,52	<b>9,34</b>	7,63	6,86	-*
		2012	15,08	<b>10,18</b>	8,64	9,98	7,01
		2013	11,12	<b>9,97</b>	8,35	9,32	10,58
		2014	12,58	<b>10,27</b>	9,03	8,74	10,72
		<b>Avg.</b>	<b>13,08</b>	<b>9,91</b>	<b>8,41</b>	<b>8,72</b>	<b>9,43</b>
Public Support	$\frac{TR}{FE}$	2011	13,61	<b>9,39</b>	7,69	6,88	-*
		2012	15,25	<b>8,80</b>	8,69	10,03	7,04
		2013	11,12	<b>7,53</b>	8,46	9,55	10,74
		2014	12,58	<b>7,92</b>	9,08	8,97	10,78
		<b>Avg.</b>	<b>13,14</b>	<b>8,41</b>	<b>8,48</b>	<b>8,86</b>	<b>9,52</b>
Public Support	$\frac{DPS}{TA}$	2011	1,85	<b>2,27</b>	1,18	0,89	5,16
		2012	1,78	<b>1,84</b>	1,07	0,97	3,52
		2013	1,98	<b>1,32</b>	1,15	1,00	1,80
		2014	1,91	<b>2,01</b>	1,40	0,89	3,84
		<b>Avg.</b>	<b>1,88</b>	<b>1,86</b>	<b>1,04</b>	<b>0,94</b>	<b>3,58</b>
Public Support	$\frac{TC}{TE}$	2011	0,99	<b>0,81</b>	1,05	0,97	1,10
		2012	1,11	<b>1,04</b>	1,14	0,86	1,05
		2013	0,97	<b>0,97</b>	1,01	1,02	0,88
		2014	1,08	<b>1,05</b>	0,96	1,17	1,00
		<b>Avg.</b>	<b>1,04</b>	<b>0,97</b>	<b>0,82</b>	<b>1,01</b>	<b>1,01</b>
Public Support	$\frac{TC}{TR}$	2011	0,99	<b>1,00</b>	0,99	1,00	0,99
		2012	0,99	<b>1,00</b>	0,99	0,99	1,00
		2013	1,00	<b>1,00</b>	0,99	0,98	0,97
		2014	1,00	<b>1,00</b>	0,99	0,97	1,00
		<b>Avg.</b>	<b>1,00</b>	<b>0,99</b>	<b>0,99</b>	<b>0,99</b>	<b>0,99</b>

\*) Greenpeace Indonesia did not provide figures for fundraising expenses in its publicly available financial statement for financial year.

Deputy Director for Finance and Grant of WWF Indonesia commented:

“Our organisation is one of the few—if not the only—environmental NPOs operating in Indonesia, the financial statements of which are audited by Big Four accounting firms. [...] We need quality assurance service because of the high demand of accountability when soliciting support from corporations and/or foundations.”



The financial statements of other environmental NPOs observed in this study were also audited by certified public accountant offices. The other entity audited by the Big Four accounting firms is CIFOR, which was audited by PricewaterhouseCoopers. However, the audit conducted by the accounting firm in the foundation was based on the Consultative Group of International Agricultural Research (CGIAR)'s own accounting policies and reporting manual, which was a personalised form of International Financial Reporting Standards (IFRSs). The manual stated that "the CGIAR finance community agreed that the guidelines set out in the manual require [CGIAR] centres to fully adopt and comply with the relevant IFRS." (CGIAR, 2006) Noting the similarity of IFRS and PSAK 45, it can be concluded that CIFOR too has complied with PSAK 45.

### 4.3 Public Support towards WWF Indonesia

The correspondents in this study informed, as previously mentioned, that contributions from individual donors make up only less than 5 percent of the foundation's annual total revenue. The Supporter Database officer of WWF Indonesia commented about factors that would increase support from individual donors. He supposed that one of the factors that affect people's inclination to donate is income and residence. He stated:

*"I think the other reason why not many people are interested in becoming a supporter that making a donation is out of their 'purchasing power'. [...] Surabaya and some municipalities in Jakarta have the highest concentration of people with inclination to donate."*

He also believed that public's awareness of environmental issues correlated positively with contribution earned by the foundation, saying:

*"The other reason is that they aren't fully aware of the environment. For example, we're offering them to donate to our orangutan conservation program. They would think, 'why should I donate to this program? How would the continuing existence of orangutans benefit me?'. That's why many of [WWF Indonesia's marketing division's] programs aimed to develop people's awareness. When they're more enlightened about the issue, I believe they'll be more inclined to donate."*

He then described how public trust to the organisation became an important factor affecting support towards non-profit organisation's performance. He considered how the demographic's religious background probably influence the level of trust, saying:

*"[Indonesia] is a pretty religious society. We don't enjoy as much trust as religious organisations do, which in this case means that people won't think twice when making donations to religious causes."*

Hope and Jones (2014) conducted a focus group study to observe the impact of religious faith on attitudes to environmental issues among Christian, Muslim, and secular communities in the United Kingdom. One of the research's conclusion is that the religious communities found environmental issues to be less than imperative, "due to beliefs in an afterlife and divine intervention". This is in contrast to the attitude of secular communities who "expressed anxiety in relation to environmental issues, especially climate change". The study also explored how religiosity influenced participants' mindset towards the technological development in the efforts to decrease the rate of environmental deterioration, such as the Carbon Capture and Storage (CCS). Secular participants expressed the necessity of CCS as a way to curb the impact of global warming; Christian participants displayed somewhat positive response towards CCS while considering the negative effects of the technique; whereas Muslim participants rejected CCS due to incompatibility with their religious belief.

The indifference towards environmental issues displayed by religious community in the 2014 study is in contrast with earlier researches which argued that environmentalism was supported by Islamic religious texts, the Quran and Hadith (Kula, 2001) and that there had been an emergence of Muslims who were invested in environmental issues, and eco-ethics had been part of modern Islamic education (Mohamed, 2013). Compatibility of religious principles and environmentalism is also manifested in Islamic Ecological Paradigm (IEP), a recently-emerged movement as an Islamic counterpart to New Ecological Paradigm (NEP). The IEP is developed from Islamic teachings extracted from the sacred texts, and proposes concepts such as human's divine task to protect the environment, equal rights for all living things to exist and thrive, discouragement of excess and lavishness, and appreciation of nature, the beauty of which is the evidence of God (Islam, 2012). These studies can serve as the foundation upon which awareness of environmental issues of a religious society can be built.

## 5. DISCUSSION

The study of non-profit sector in Indonesia has been somewhat eclipsed by the abundance of researches on the other two sectors of the economy, in spite of the increasing importance of their contribution. This research provides a rudimentary description of the state of Indonesian environmental NPOs' financial performance using ratio analysis which indicate an overall satisfactory performance; favourable fiscal performance, high fundraising efficiency, and substantial public support. This research also found that environmental NPOs had met public demand for accountability by providing financial statements audited by Big Four accounting firms who confirmed their fair presentation as well as compliance with PSAK 45 as the generally accepted accounting standard for non-profit organisations in Indonesia. This research had also shed limited light on how Indonesian environmental NPOs monitor their financial performance in practice, in order to be able to successfully accomplish their missions.

This research has also addressed previous researches such as by Fikri et al. (2010), disproving their claim that WWF Indonesia "does not publish financial statements". This study offers an explanation that the foundation does publish audited financial statements annually, presenting the organisation's financial information as a whole including its Jakarta head office as well as its 28 administrative offices and other operation bases spread across the nation, one of which might have been the subject of previous researchers' focus subject. This research also concurs with another claim made by previous researchers that the general public, whether acting as WWF Indonesia's stakeholders as suggested in their research or as the foundation's potential donor as viewed through the point of view of this study, demand non-financial form of accountability more than financial information.

This research also expanded the breadth of non-profit studies in Indonesia, where previous researchers such as Muhammad (2006), and Ibrahim and Handayani (2009), who studied religious NPOs and found that aforementioned organisations do not publish financial statements and/or fail to comply with PSAK 45. This study adds perspective from environmental NPOs where the observed subjects had been able to make their financial statements available to the general public and comply to the prevalent accounting standard.

### 5.1 Limitations

Ratios used in this research can only provide a crude description of the state of Indonesian NPOs financial performance. The ratios represented the focus subject's going concern, efficiency, and ability to generate revenue. Other performance criteria such as liquidity, leverage and/or dependence on revenue source remain unobserved, as there had been no prior studies that confirmed the validity of measures representing aforementioned criteria. Financial ratios for NPOs also "lack of benchmarks for comparable not-for-profit organisations that provide generally accepted targets" (Wilson, et al. 2010:645).

It is also important to note that NPOs vary greatly in size, organisational structure, and field of activity. Methods employed and/or conclusions drawn in this research may not apply to other NPOs with different size, structure, and field. For example, a relatively large place of worship may not incur fundraising expenses due to usage of offering basket or caretakers' voluntarism; or, the amount of direct public support of a health, education, or humanitarian aid NPO that may be eligible and/or have received grants from the government of Indonesia in the form of 'Bansos' (abbr. *Bantuan sosial*, en: 'Social aid') would not equal the amount of total contribution.

### 5.2 Recommendations

Based on findings in this study, the author would like to propose several recommendations for Indonesian environmental NPOs as well as members of academic communities in Indonesia.

To counter the issue of low participation of individual donors with high religious propensity, environmental NPOs can consider to forge a cooperation with religious educational institutions to gain a deeper understanding about issues surrounding faith and environmentalism, such as the development of Islamic Environmental Paradigm (IEP). When said understanding has been achieved, environmental NPOs must find a sensitive, politically correct way to disseminate information that help developing awareness of environmental issues among the religious community.

As a measurement tool, financial ratios used in this research still needs improvement to be able to present an indication of an organisation's financial performance more accurately. The author would like to encourage academics to perform more studies surrounding NPOs in order to supply the much-needed demand of

supporting data. With more data available, improvements in accuracy and benchmark-setting for NPO financial performance will be possible.

Through this paper, the author would also like to invite the general public to develop higher awareness towards environmental issues as they significantly affect the lives of communities everywhere in the world. Actions are also necessary to lessen the effect of environmental degradations. Donating to or volunteering with environmental NPOs is one way of contributing in the effort, but smaller actions, such as switching off lights when leaving the house, using public transportations, and decreasing use of plastic bags, is equally, if not more, important and have a more powerfully positive effect on the environment when done together as a community.

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