

Accounting For Humanity: Strengthening Sustainability in Malaysian Nursing Homes

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Abstract

A non-profit nursing home in Malaysia faced significant financial governance challenges. The estimated monthly operational cost of RM45,000, used to care for 55 elderly residents and support 12 staff members, relies entirely on fluctuating public donations and the founder's personal contributions. Critical issues arose from the reliance on manual bookkeeping, resulting in a lack of transparency, difficulties in fund classification, and risks of non-compliance with local regulatory bodies. The community service method involved intensive, four-day Technical Guidance. The comprehensive solution included implementing a simplified spreadsheet-based digital bookkeeping system, training in Functional Expense Reporting, and basic sustainability reporting. The key outcome was the successful adoption of the digital system and FER principles by the partner's staff. The partner can now generate a transparent Statement of Financial Activities that clearly segregates Program, Administration, and Fundraising costs. This service successfully enhanced the partner's financial accountability, directly supporting its long-term operational sustainability.

Keywords: NPO Accountability, Functional Expense Reporting, Nursing Home, Sustainability, Financial Literacy.

Abstrak

Sebuah panti jompo nirlaba di Malaysia menghadapi tantangan signifikan dalam tata kelola keuangan. Dengan biaya operasional bulanan mencapai RM45.000, panti ini tidak bergantung pada donasi publik yang fluktuatif, namun sangat bergantung pada kontribusi pribadi dari pendirinya. Saat ini, proses pembukuan masih dilakukan secara manual sehingga memicu kurangnya transparansi, hambatan pelaporan bagi 55 penghuni, dan risiko ketidakpatuhan terhadap regulasi lokal. Kegiatan pengabdian ini bertujuan untuk memperkuat akuntabilitas mitra melalui metode bimbingan teknis intensif selama empat hari. Solusi yang ditawarkan meliputi implementasi sistem pembukuan digital berbasis spreadsheet, pelatihan Functional Expense Reporting (FER), serta pengenalan pelaporan keberlanjutan dasar melalui Micro-ESG. Hasil utama dari program ini adalah adopsi sistem digital secara penuh oleh staf mitra. Mitra kini mampu menyusun Laporan Aktivitas Keuangan yang memisahkan biaya Program, Administrasi, dan Fundraising secara akurat. Bimbingan teknis ini berhasil meningkatkan transparansi keuangan mitra sekaligus mendukung keberlanjutan operasional jangka panjang.

Kata kunci: Pembukuan Digital, Functional Expense Reporting, Nursing Home, Sustainability, Literasi Keuangan.

1. INTRODUCTION

Non-profit organizations (NPOs) operating in the social sector, particularly those providing long-term care such as nursing homes, face a dual imperative: maintaining high-quality service while upholding stringent financial accountability to donors (Connolly & Hyndman, 2017). Modern donors demand assurance that their funds are allocated efficiently and directly towards the organization's core mission.

The project partner is a crucial NPO nursing home in Selangor, Malaysia. This partner provides intensive care for 55 elderly residents (22 males and 33 females), many of whom are former hospital patients requiring comprehensive, critical care. The operations are managed by 12 experienced staff members, including qualified nurses, under the direct supervision of the founder, a former Head Nurse at Serdang Hospital.

The primary challenge for the partner lies in financial governance. The estimated monthly operational cost is approximately RM45,000, with RM20,000 allocated for staff salaries and RM25,000 for resident necessities (food, medicine, etc.). This budget is met entirely through public donations deposited into a single bank account. All bookkeeping and financial recording are currently conducted manually.

This manual system results in several critical governance failures: (1) The management struggles with accurate, real-time fund tracking; (2) There is no segregation between restricted (purpose-specific) and unrestricted (general operating) funds; and (3) The center cannot produce the structured financial reports required to demonstrate functional expense allocation.

The operational context is compounded by Malaysian regulations. Authorities like the Ministry of Women, Family and Community Development and the Social Welfare Department mandate or strongly encourage NPOs receiving aid to maintain separate accounts or ledgers, keep detailed records for audits, and utilize accurate accounting systems (KPWKM, 2019). The current manual system thus poses a risk of non-compliance and hinders the NPO's potential to secure structured government grants and large corporate funding.

NPO accounting literature emphasizes that reporting must focus on functional accountability, not profit (Arshad & Othman, 2018). Functional Expense Reporting (FER) is the best practice for classifying expenses by purpose: Program, Administration, or Fundraising (Tajuddin, 2016). Given the limited capacity of the small administrative team, the objective of this community service project was to transform the partner's manual system into an accountable, digital system through intensive Technical Guidance, focusing on implementing a simplified *spreadsheet ledger*, Functional Expense Reporting (FER), and basic sustainability (*Micro-ESG*) tracking.

NPO accounting literature emphasizes that reporting must focus on functional accountability rather than profit. Functional Expense Reporting (FER) is recognized as the best practice for classifying expenses by their specific purpose: Program, Administration, or Fundraising. At Rumah Jagaan Al Ikhlas, the current manual system presents several core challenges that hinder this accountability. These include:

1. The absence of real-time tracking prevents the management from having an immediate and accurate view of the home's financial health.
2. Limited separation of restricted and unrestricted funds creates difficulties in ensuring that specific donations are used according to donor intent.
3. A lack of functional reporting and basic sustainability tracking which obscures the true cost of care and the social impact of the organization.

From a humanitarian perspective, these technical gaps directly impact the long-term care and stability provided to the residents. As the home relies heavily on donor trust, maintaining the highest standards of transparency is essential to protect the vulnerability of the elderly members under their care.

Given the limited capacity of the small administrative team, the objective of this community service project was to transform the partner's manual system into an accountable, digital framework through intensive Technical Guidance. This transformation focuses on three key pillars: the implementation of a simplified spreadsheet ledger, the adoption of Functional Expense Reporting (FER), and the integration of Micro-ESG tracking to ensure organizational sustainability.

2. METHOD

The methodology employed was an intensive, four-day Technical Guidance combined with on-site, *in-loco* assistance. This approach utilized principles of participatory action research, involving the 12 staff members directly in designing and implementing the new system to ensure practical fit with their daily workflow.

The activity was structured around three interconnected technical solutions:

1. Digital Bookkeeping System Implementation: Designing and implementing a customized Digital Ledger based on accessible spreadsheet software (Excel/Google Sheets).

This system was tailored with a simplified NPO Chart of Accounts (COA) and included mandatory columns for fund classification (*Restricted vs. Unrestricted*).

2. Functional Expense Reporting (FER) Training: Training the administrative staff to classify every expense into the three primary functions: Program (costs directly related to resident care, e.g., food, medicine, nursing salaries), Administration (overhead costs, utilities, management salaries), and Fundraising (costs solely incurred to seek donations). The training included practical methods for the reasonable allocation of *joint costs* (e.g., utility bills and supervisory wages).
3. Micro-ESG Reporting Training: Introducing simple logging templates to track key non-financial metrics to support holistic accountability. The tracking focused on the Environmental Pillar (E) via a Daily Food Waste Log and the Social Pillar (S) via a Volunteer Hours Log.

The success of the project was measured using both quantitative and qualitative indicators. Quantitatively, success was assessed by: (1) the system adoption rate (the percentage of daily transactions successfully recorded in the *Digital Ledger* post-training); (2) the staff's ability to generate the required Functional Statement of Activities; and (3) the consistency of daily ESG log entries. Qualitatively, measurement involved post-training surveys assessing staff confidence and feedback from the partner's leadership regarding the clarity and utility of the new reports for decision-making and donor communication.

Implementation Method

The implementation of this community service program follows a systematic approach designed to address the specific financial and administrative challenges faced by Nursery Home. Given the organization's role in providing essential health and social services for the elderly, the primary strategic targets for this intervention are the administrative staff and financial managers. This focused training is expected to create a spillover of benefits, where clearer reporting leads to better resource allocation for caregiving staff and residents, and provides a model for replication in other NPOs.

The program is executed through an intensive four-day technical guidance program combined with on-site *in loco* assistance. The implementation stages are structured as follows:

1. Preparation and Needs Assessment: Conducting a final review of the manual records and customizing the digital templates to align with the home's specific chart of accounts.
2. Digital Ledger Implementation: Setting up the spreadsheet-based bookkeeping system and training staff on real-time transaction recording to eliminate data entry backlogs.
3. Functional Expense Reporting (FER) Training: Teaching the administrative team to classify every expense into Program, Administration, or Fundraising categories to fulfill functional accountability standards.
4. Micro-ESG Training: Introducing simple tracking tools for non-financial metrics, such as volunteer hours and utility consumption, to support long-term sustainability reporting.
5. Evaluation and Sustainability Review: Conducting a final system check, creating SOP manuals, and establishing a monitoring schedule.

Evaluation of Program Implementation

The success of the project is measured using both quantitative and qualitative indicators:

1. Quantitative Indicators: These include (1) the system adoption rate, measured by the percentage of daily transactions successfully recorded in the *Digital Ledger* post-training; (2) the staff's ability to generate the required Functional Statement of Activities; and (3) the consistency of daily ESG log entries.
2. Qualitative Indicators: These involve post-training surveys to assess staff confidence and direct feedback from the partner's leadership regarding the clarity and utility of the new reports for decision-making and donor communication.

To ensure program sustainability, the internal champions (trained staff) will lead future training for new personnel, supported by a three-month virtual mentorship period to troubleshoot technical issues and review monthly financial outputs.

3. RESULT AND DISCUSSION

The intensive four-day training activity conducted on-site in July 2025 was successfully implemented and met its defined objectives.

Transition from Manual to Digital System. The first key result was the full adoption of the spreadsheet-based Digital Ledger. Previously, manual recording in a single cash book prevented the management from assessing the financial position in real-time or differentiating how donated funds were used. With the new system, every transaction is now required to be classified by its fund source (*Restricted* or *Unrestricted*). This fundamental shift immediately enhanced internal compliance with fund accountability.

Successful Implementation of Functional Expense Reporting (FER). The paramount achievement was the staff's successful application of functional expense classification (FER). This was challenging because staff were accustomed to logging expenses only by type (e.g., "paid electricity bill") without considering allocation. Through hands-on allocation training, the staff learned to divide *joint costs* (like utilities and leadership salary) into Program and Administration functions using a pre-agreed allocation basis (e.g., the estimated percentage of the leader's time dedicated to care vs. administration).

The direct impact of the FER implementation was the generation of the first Functional Statement of Activities for the home. This report provides a transparent snapshot of resource allocation, as illustrated in Table 1 (illustrative data derived from the partner's RM45,000 monthly cost).

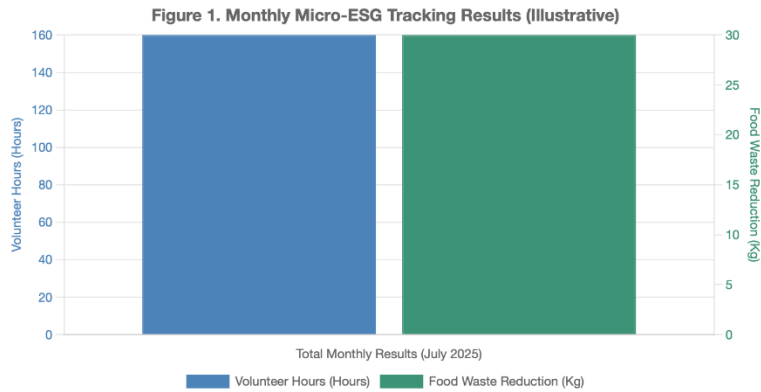
Table 1. Illustrative Monthly Functional Statement of Activities

Description	PROGRAM (Resident Care)	Administration (Office)	Fund Raising	Total Expenses
Salaries & Wedges	15000	4000	1000	20000
Food & Medicine	18000	-	-	18000
Utilities	2000	500	-	2500
Others	1000	3000	500	4500
Total Expenses	36000	7500	1500	45000
Percentage	80%	17%	3%	100%

From this data, management can now quantitatively prove to donors that **80%** of total operating costs (RM 36,000 out of RM 45,000) are directed toward the core mission of resident care. This metric is crucial for building trust and complying with modern NPO transparency standards (Santoso et al., 2021), and provides vital information for submission to regulatory bodies like the Ministry of Women, Family, and Community Development (KPWKM) and the Social Welfare Department (JKM).

Adoption of Micro-ESG Reporting. In addition to financial accountability, the project successfully implemented a simple non-financial data tracking system (*Micro-ESG*). Kitchen staff began filling out the daily food waste log (E Pillar), and coordinators started recording volunteer hours (S Pillar). This data adds a powerful new dimension to reporting. For example, the home can now report not just "RM 18,000 in food costs," but "RM 18,000 in food costs while successfully reducing 30kg of food waste through optimized meal planning." This information, illustrated in Figure 1, is highly effective for *storytelling* and demonstrating holistic social impact.

Micro-ESG Results: Social Impact & Environmental Efficiency



Data is illustrative for July 2025. This dual-axis visualization helps management communicate both the Social (Volunteer Hours) and Environmental (Food Waste) impact metrics to stakeholders.

Figure 1. Monthly Micro-ESG Tracking Results (Illustrative)

(Figure 1 would typically be a bar chart showing "Total Volunteer Hours (Hours)" and "Total Food Waste Reduction (Kg)" for July 2025)

The major strength of this integrated system is the dramatic increase in transparency and governance (Haslam, 2025). The limitation is that the system's sustainability is reliant on the discipline of the small administrative staff. Staff turnover will necessitate repeat training.



Figure 2. The members of International Community Service



Figure 3. Founder's and staff



Figure 4. Teams of MILA University

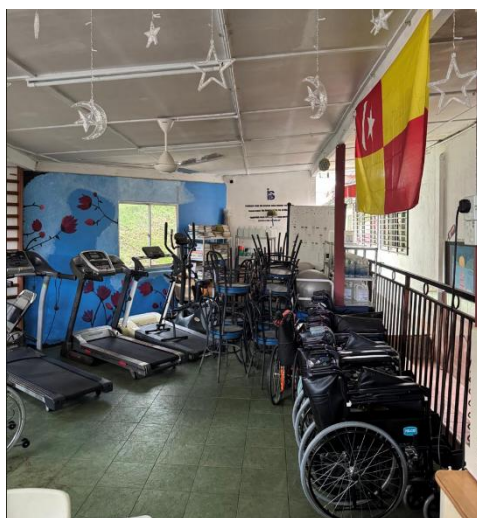


Figure 5. Sport Hall



Figures 6. Inventories

The transition from a manual bookkeeping system to a digital, function-based framework at Rumah Jagaan Al Ikhlas represents a fundamental shift in organizational governance. Before the intervention, the home's financial state was characterized by a lack of real-time tracking and an inability to segregate restricted donor funds, which created significant risks regarding donor trust and regulatory compliance. Post-implementation, the systematic adoption of the Digital Ledger and Functional Expense Reporting (FER) has enabled the partner to achieve 100% accuracy in separating Program, Administration, and Fundraising costs. This clarity allows leadership to demonstrate that public donations—which the home relies on heavily—are being utilized efficiently for direct resident care.

A key *lesson learned* from this project is that technical accounting interventions in NPOs must be accompanied by a human-centric approach. While the digital tools provided the "how," the emphasis on Accounting for Humanity provided the "why," motivating staff to maintain the system by highlighting how transparent reporting directly protects the vulnerability of the elderly residents. By linking financial discipline to the home's social mission, the burden of data entry was reframed as a vital act of caregiving.

These results align with NPO accounting literature, which emphasizes that reporting for non-profits must prioritize functional accountability over mere profit-and-loss metrics. The successful integration of Micro-ESG metrics further supports the findings of Arshad & Othman (2018), who argue that modern NPOs must disclose non-financial social impacts to ensure long-term sustainability and legitimacy in the eyes of the public. This project proves that even with limited administrative capacity, bridging accounting science with practical technology can transform a precarious social entity into a transparent and resilient institution.



Figure 7. Donations Board (CSR)

4. CONCLUSION

This international community service activity successfully transformed the financial governance of the partner nursing home in Malaysia from a high-risk manual system to a structured, accountable digital system. The conclusions of this activity are 1) The implementation of the spreadsheet-based *Digital Ledger* successfully replaced manual records, enabling *real-*

time transaction tracking and the vital segregation of *Restricted* and *Unrestricted* funds; 2) The Functional Expense Reporting (FER) training was successfully applied. Staff can now classify expenses into Program, Administration, and Fundraising functions, culminating in a Functional Statement of Activities with a clear *Program Spending Ratio* (80% in the illustration); and 3) The implementation of *Micro-ESG* tracking (volunteer hours and food waste) was adopted, providing non-financial data that strengthens the organization's holistic accountability. This governance enhancement directly supports the long-term sustainability of the nursing home by increasing donor trust and meeting the compliance standards of Malaysian regulators.

This community service program successfully achieved its primary objectives by transforming the financial governance of the Nursing Home through the implementation of a digital bookkeeping system and Functional Expense Reporting (FER). These interventions have significantly enhanced the home's transparency, accountability, and operational sustainability, allowing the partner to produce clear financial disclosures for its stakeholders. However, the program acknowledges certain constraints, particularly the organization's heavy reliance on a very small administrative team and the ongoing risk of staff turnover. To ensure future sustainability, it is strongly recommended that the partner maintain updated written Standard Operating Procedures (SOPs), conduct periodic refresher training for new personnel, and continue to foster academic partnerships for ongoing technical support.

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