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The Financial Accounting Standards Board ([FASB](#)) has issued a proposed Accounting Standards Update (ASU) intended to improve the information provided in not-for-profit financial statements and notes to financial statements. Stakeholders are encouraged to review and comment on the proposed ASU, *Presentation of Financial Statements of Not-for-Profit Entities*, by August 20, 2015.

“The proposed ASU contains recommended enhancements to the fundamental reporting model for not-for-profit organizations—a model that has existed for more than 20 years,” stated FASB member Lawrence W. Smith. “We believe that these changes will refresh the model in ways that will make not-for-profit financial statements even more useful to donors, lenders, and other users.”

The document sets forth the FASB’s proposed improvements to current net asset classification requirements and information presented in financial statements and notes to financial statements about a not-for-profit organization’s liquidity, financial performance, and cash flows. Specifically, they are intended to:

- Better reflect financial performance in the statement of activities by showing—in two measures of operating performance—available amounts that have been generated by or directed at carrying out the mission of a not-for-profit in the current period, both before and after any governing board actions affecting that availability
- Simplify the existing net asset classification scheme along with enhanced note disclosures
- Enhance information in the notes to help financial statement users better assess a not-for-profit’s liquidity and how it is being managed
- Make information about expenses more comparable and useful by requiring that all operating expenses be reported by both function and nature and investment return be reported net of related expenses, and

- Make the statement of cash flows more understandable by (a) presenting cash

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The proposed ASU and a *FASB in Focus* overview are available at www.fasb.org.

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