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## **PROPOSED FUTURE OF FINANCIAL REPORTING FOR NONPROFIT ORGANIZATIONS**

**By: ROBERT KLUTHO, CPA**

The Financial Accounting Standards Board has proposed changes to nonprofit financial reporting requirements. If adopted, it will result in significant changes. The changes focus on making the financial statements clearer and more useful to donors, stakeholders and others. This is going to be accomplished through a focus on enhanced financial reporting and disclosures.

First, the statement of net assets will change from the current three classes of net assets to two classes of net assets (unrestricted and restricted net assets). Second, the statement of activities will clarify operating activities from non-operating activities. Next, the statement of cash flows will be presented on the direct method. Finally, additional disclosures will include how expenses are allocated among program and support functions.