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FASB Seeks to Improve Reporting of Nonprofit Operations.

The Financial Accounting Standards Board on May 29 took steps to bring more clarity to the ways in which nonprofit entities communicate information about their operations and financial performance.

At a meeting in Norwalk, Conn., Lee Klumpp, a practice fellow at FASB, told the board that the presentation of an intermediate measure of operations could improve a nonprofit entity's ability to "tell its story and promote further comparability among nonprofits." He added that an intermediate operating measure that is based on a "current operating classification scheme" could provide more meaningful information for users of nonprofit financial statements.

The board tentatively decided to define an intermediate operating measure on the basis of a nonprofit entity's mission, which would be based on whether resources are used to carry out an entity's purpose for existence.

Klumpp said the mission of a nonprofit entity is central to how the organization is created, managed, and governed, and how the organization obtains and retains its tax-exempt status with the IRS.

FASB members also agreed that the operating measure should be defined by an availability concept that involves the resources available for the current activities of the nonprofit entity.

Regarding presentation, the board tentatively decided that a nonprofit entity should present in its statement of activities all revenues that are available to support the entity's mission. A board majority favored presenting those revenues on a gross basis before specific amounts are designated for future period operations.

FASB member Lawrence Smith said that presenting operating measures on a gross basis would help to characterize the decisions made by a nonprofit entity's governing board regarding the funding of future operations. "Those decisions are very important to portray on the face of the financial statements," he added.

According to FASB, the proposed presentation approach would report the amounts of previously unavailable funding resources that an entity's governing board would designate for use in the current reporting period.