In Depth: New Standard on NFP Financial Statement Presentation

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Executive Summary

The Financial Accounting Standards Board (FASB) issued its final standard on Phase I of not-for-profit (NFP) financial statement presentation reform. The new requirements in Accounting Standards Update (ASU) 2016-14 *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities"* aim to improve the usefulness of information provided to users of NFP financial statements. This is accomplished by eliminating diversity in practice, enhancing financial performance comparability among NFPs and increasing transparency around an NFP's liquidity management and financial resource availability. FASB expects that the amendments within ASU 2016-14 will reduce complexities and costs while providing much needed information about management's execution of its stewardship and programmatic responsibilities, and ultimately, the NFP's ability to continue providing services.

Updates to NFP financial statement presentation and disclosures include:

- ***Net Asset Classification Scheme:*** Reducing the net asset classification scheme from three classifications to two, and classifying an underwater position in endowment funds within net assets with donor restrictions
- ***Information About Availability of Resources & Liquidity:*** Enhancing the qualitative and quantitative disclosures about liquidity and financial flexibility and the availability of resources to meet cash needs for general expenditures within one year of the date of the statement of financial position, including the amounts and purposes of board-designated and donor-restricted net assets
- ***Methods of Presenting Operating Cash Flows:*** Removing the requirement to prepare or disclose an indirect reconciliation when the direct method is used to present operating cash flows
- ***Information About Use of Resources:*** Reporting expenses by their natural classification, and by their natural and functional classification in one location; enhancing disclosures of the cost allocation methodology used to allocate costs among functions; clarifying the definition of management and general activities and providing cost allocation implementation guidance
- ***Presenting Net Investment Return:*** Presenting investment revenues net of external and direct internal investment expenses and removing the requirement to disclose netted investment expenses; precluding the inclusion of netted investment expenses in the analysis of expenses by function and nature
- ***Donor-Imposed Restrictions for the Acquisition or Construction of a Long-Lived Asset:*** Recognizing restriction expirations of gifts of cash or other assets to be used for the acquisition or construction of long-lived assets using the placed-in-service approach
- ***Disclosures About Self-Defined Operating Measures:*** Disclosing information about internal board designations, appropriations and similar actions affecting an operating measure—either on the face of the financial statements or in the notes—for those NFPs that voluntarily choose to present an operating measure

NFPs are required to apply ASU 2016-14 for fiscal years beginning after December 15, 2017, and for interim financial statements for periods thereafter. Entities are required to apply the standard on a retrospective basis.

If presenting comparative financial statements, an NFP may omit the following information in comparative financial statements for any years presented before the adoption year:

- Analysis of expenses by functional and natural classification
- Disclosures around liquidity and availability of resources

Entities are permitted to early adopt the ASU.

Net Asset Classification Scheme

Two Classes of Net Assets

The new, condensed classification scheme and streamlined terminology more accurately describe the net assets within each classification. Temporarily restricted and permanently restricted classes of net assets are combined into *net assets with donor restrictions*. Unrestricted net assets are renamed *net assets without donor restrictions.* Donors may include other types of contributors, including makers of certain grants.

FASB concluded that notes to the financial statements can effectively provide detailed distinctions about the nature and types of donor-imposed restrictions as well as board designations. Users will likely have a greater understanding of the portion of total net assets restricted by donor stipulations. In addition, the reduction of the number of net asset classes will help simplify financial statements. NFPs will continue to report the currently required amount of the change in total net assets for the period on the face of the statement of activities.

Net Assets Without Donor Restrictions

ASU 2016-14 mandates new disclosures about the amounts and purposes of governing board designations, appropriations and similar actions that result in limits on the use of unrestricted resources as of the reporting period's end. The disclosures should help users assess the effects, if any, of the self-imposed limits on an NFP's liquidity, financial flexibility and allocation of resources. This in turn will provide insight into how well an NFP manages its liquidity to meet short-term demands for cash and available resources to carry out its activities. NFPs will have the option to provide such information by presenting disaggregated, descriptive line items on the face of the statement of financial position, or by presenting aggregated amounts on the face with the details in notes to financial statements.

Designation decisions made by internal management through governing board delegation are also included in board-designated net assets.

Net Assets with Donor Restrictions

Removal of the distinction between temporarily and permanently restricted net assets opens the door for other potentially more useful disaggregation of restricted net assets to distinguish between various types of donor-imposed restrictions. For example, an NFP may separately report net assets with donor-imposed restricted in a perpetual endowment, to support particular operating activities, invested for a specified term, for use in a specified future period or the acquisition of long-lived assets.

ASU 2016-14 mandates that NFPs enhance the current disclosure requirements to provide relevant information about the nature and amount of donor-imposed restrictions—either on the face of the statement of financial position or in the notes—by describing how the restrictions at the period's end affect the use of those resources.

The disclosure requirements for net assets allow an NFP to provide more relevant information about how externally and internally imposed limits affect the availability of resources, which should help financial statements users understand how and when the resources could be used.

Net Asset Classification Scheme	
Current Generally Accepted Accounting Principles (GAAP)	Updated GAAP
▪ Classification scheme of "unrestricted," "temporarily restricted" and "permanently restricted" net assets ▪ Provide information about the nature and amounts of different types of donor-imposed restrictions (either on the face of the statement of financial position or in the notes)	▪ Classification scheme of net assets "with donor restrictions" and "without donor restrictions" ▪ Amounts and purposes of governing board designations, appropriations and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions at the period's end (either on the face of the statement of financial position or in the notes) ▪ Composition of net assets with donor restrictions at the period's end and how the restrictions affect resource use (either on the face of the statement of financial position or in the notes)

Endowment Funds

ASU 2016-14 requires NFPs to classify the aggregate amount by which donor-restricted endowment funds are underwater within net assets with donor restrictions. An endowment fund is an established fund of cash, securities or other assets to provide income for an NFP's maintenance. Endowment funds are generally established by donor-restricted gifts and bequests to provide an income source, but may be board-designated—commonly termed "funds functioning as endowment" or "quasi-endowment funds." Use of the fund assets may be with or without donor restriction.

The underwater, or deficit amount, is defined as the amount by which the fund's fair value is less than either the original gift amount or the amount required to be maintained by the donor or by law.

In FASB's basis for conclusions, it noted that substantially all states have adopted versions of the *Uniform Prudent Management of Institutional Funds Act*, which no longer precludes spending from an endowment fund if its amount falls below its historical dollar amount. Rather—in the absence of further donor stipulations that preclude spending—NFPs may, within the bounds of prudence, spend from endowment funds even if the amount falls below the original gift or the amount required to be maintained by the donor or by law.

The new reporting format, along with the enhanced endowment fund disclosure requirements, will provide additional information for financial statement users assessing an NFP's liquidity and future spending. New disclosure requirements include the NFP's policy concerning appropriation from underwater endowment funds and interpretation of its ability to spend from underwater endowment funds, including the amount required to be maintained either by the donor or by law to maintain the purchasing power of the endowment fund in perpetuity.

Endowment Funds	
Current GAAP	**Updated GAAP**
▪ The underwater amount is disaggregated within the overall endowment fund and separately classified in unrestricted net assets ▪ Disclosures about the aggregate amount by which endowment funds are underwater	▪ The amount of the donor-restricted endowment funds, including any underwater portion, are classified within net assets with donor restrictions ▪ Disclosures about underwater endowment funds, including the NFP's interpretation of its ability to spend from the underwater funds, its policy for the appropriation of endowment assets for expenditure, *e.g.*, reduce or eliminate spending from such funds, and any actions taken during the period concerning appropriation from underwater endowment funds ▪ Disclosure of each of the following, in the aggregate, for all underwater endowment funds: (a) the aggregate fair value of such funds, (b) the aggregate original endowment gift amount or level required to be maintained by donor stipulations or law and (c) the aggregate of the deficiencies that are required to be classified as part of net assets with donor restrictions (a) and (b)

Information About Available Resources & Liquidity

The final disclosure requirements in ASU 2016-14 are a significant change from what was exposed in the proposed ASU, which included disclosure of an NFP's self-defined time horizon used to manage liquidity and the total amount of financial liabilities due within that time horizon—both of which are eliminated from the final ASU. Instead, ASU 2016-14 allows for alternative ways of presenting information that emphasizes an NFP's available resources and liquidity.

ASU 2016-14 clarifies the objective of communicating information about the availability of an NFP's financial assets to meet near-term cash needs for operations, and an NFP's management of its liquid resources and exposure to liquidity risk.

NFPs are required to provide information about the nature and extent of available resources and the range of external and internal limits placed on their availability, supplemented with management commentary. The information—either on the face of the statement of financial position or in the notes—should communicate the availability of an NFP's financial assets to meet cash needs for general expenditures within one year of the date of the statement of financial position. Additional qualitative information should be presented as necessary to meet the disclosure objective.

Availability of a financial asset may be affected by its nature; external limits imposed by donors, grantors, laws and contracts with others and internal limits imposed by governing board decisions. Hence, this disclosure should include the nature and total amount of financial assets, and amounts that are not available to meet cash needs within one year of the balance sheet date because of external limits imposed by donors, laws and contracts with others, internal designations, appropriations and transfers imposed or made by the governing board.

Like the proposal, ASU 2016-14 requires NFPs to disclose qualitative information useful in assessing its liquidity. An NFP would communicate how it manages its liquid resources available to meet near-term cash needs for general expenditures within one year of the statement of financial position date. This disclosure will include, as relevant, the NFP's strategy for addressing entitywide risks that may affect liquidity, including its use of lines of credit and its policy for establishing liquidity reserves. Liquidity information is generally determined by asset type, and hence, this disclosure would generally include the nature of the liquid resources.

The update includes examples illustrating different ways entities might report such information, *e.g.*, supplementing a classified balance sheet with qualitative disclosures.

Quantitative disclosures focus on providing information useful in assessing availability, while qualitative disclosures address availability and liquidity.

Information About Available Resources & Liquidity	
Current GAAP	Updated GAAP
▪ No required disclosures about available resources and liquidity	▪ **Quantitative** information, either on the face of the statement of financial position or in the notes, and additional qualitative information in the notes as necessary, about the **availability** of an NFP's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date ▪ **Qualitative** information in the notes that communicate how an NFP **manages** its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date

Information About Financial Performance

Methods of Presenting Operating Cash Flows

Unlike the proposal, ASU 2016-14 maintains the option for an NFP to present cash flows from operating activities using either the direct or indirect method. Entities are permitted, but no longer required, to present an indirect reconciliation if they elect to use the direct method. The change comes among consensus that the indirect method of reporting net cash flows from operating activities is often not intuitive to financial statements users.

Methods of Presenting Operating Cash Flows	
Current GAAP	Updated GAAP
Present net cash flows from operating activities using either the direct or indirect method, with indirect reconciliation if an NFP elects to use the direct method	Present net cash flows from operating activities using either the direct or indirect method and permit, but no longer require, the presentation or disclosure of the indirect reconciliation if using the direct method

Information About Use of Resources

Expenses by Natural Classification

As proposed, NFPs are required to separately present all expenses by natural classification, while maintaining the current requirement to present expenses by functional classification—except non-operating expenses, which are not required to be reported by their functional classification. Expenses may be reported in the statement of activities by either natural classification or functional classification or both.

Health care providers, some universities and membership organizations commonly elect to provide expense information by nature on the face of the statement of activities, with disclosure by their function in the notes. Most other NFPs have elected to present expenses by function on the statement of activities with or without disclosure of expenses by nature. Because expenses by nature is useful in assessing an NFP's service efforts and its financial performance, and the data is likely readily available, FASB is requiring that all NFPs provide expense information by natural classification.

Expenses by Natural Classification	
Current GAAP	Updated GAAP
▪ NFPs have the flexibility to present expenses either by their functional or natural classification on the face of the statement of activities, provided that the entity disclose expenses by their functional classification ▪ Voluntary health and welfare organizations are required to present a statement of functional expenses that provides an analysis of expenses by their natural and functional classifications	▪ Present expenses by natural classification and retain the requirement to report expenses by functional classification. NFPs retain the flexibility to present expenses by function, nature or both on the face of the statement of activities ▪ Voluntary health and welfare organizations are no longer required to report a separate statement of expenses by function and nature but would be afforded the same flexibility as other NFPs

Expenses by Natural & Functional Classification in One Location

Also as proposed, all NFPs are required to present an analysis of expenses by both their nature and function in one location. The requirement applies to all NFPs, including business-oriented health care entities.

In reporting its expenses, an NFP will be required to show the relationship between its functional and natural classification by disaggregating functional expense classifications by their natural classification. This one-stop analysis should provide users with more useful information about expenses incurred in carrying out an NFP's activities. The analysis would include all expenses, both operating and non-operating. In instances where expenses are reported by other than their natural classification, an NFP will be required to report the expense by its natural classification in the analysis of expense by nature and function, *e.g.*, salaries included in cost of goods sold on the statement of activities would be recorded as salaries in the analysis of expenses by nature and function.

The schedule of expenses by nature and function may be presented in the notes to the financial statements, on the face of the statement of activities or as a separate statement. The analysis may be provided in the form of a matrix, but that format is not required.

Information about expenses by natural classification is useful in assessing an NFP's service efforts and financial performance, and discerning fixed versus variable costs. This information is generally useful in assessing an organization's cost structure and sustainability, and generally considered critical in understanding how a typical NFP uses its resources and the cost of its services.

Functional classification consists of grouping expenses according to purpose between program services such as education, research, and health care and supporting activities. Natural classification consists of grouping expenses according to the kinds of economic benefits received in incurring those expenses. They have commonly consisted of groupings such as salaries and wages, rent, utilities, supplies, professional services, interest expense and depreciation.

FASB will further address the definition of natural and functional expense classifications when deliberating performance reporting in Phase II, with the objective of having the same definition of nature and function for for-profit and NFP entities.

To facilitate easier reconciliation to the statement of activities, NFPs are precluded from including external and direct internal investment expenses that have been netted against investment return in the functional expense analysis. Likewise, certain items typically reported in other comprehensive income of for-profit business entities should not be included in the analysis.

Allocation Methodology Disclosures

In addition to the quantitative requirements, the update mandates enhanced disclosures about the methods used to allocate costs among program and support functions.

Expenses by Natural and Functional Classification in One Location	
Current GAAP	Updated GAAP
▪ Analysis of expenses by function and nature in one location not required	▪ Amounts of expenses by their natural and functional classification, provided in one location either on the face of the statement of activities, as a separate statement or in the notes. The analysis will include all expenses, both operating and non-operating. NFPs are precluded from providing netted investment expenses in the analysis of expenses by function and nature ▪ Description of the method(s) used to allocate costs among program and support functions

Clarifying the Definition of Management & General Activities & Cost Allocation Implementation Guidance

Consistent with the proposal, ASU 2016-14 clarifies the definition of *management and general activities* and adds illustrative guidance to depict the types of costs that can be allocated among program and/or support functions and those that should not. As defined in ASU 2016-14, management and general activities are supporting activities that are not directly identifiable with one or more program, fundraising or membership development activities.

Activities that represent *direct* conduct or *direct* supervision of program or other supporting activities require allocation from management and general activities. Certain costs that benefit more than one function also should be allocated. For example, information technology generally benefits various functions, such as management and general, *e.g.*, accounting and financial reporting and human resources, and fundraising and program delivery. Therefore, information technology costs generally would be allocated among the functions receiving direct benefit.

Clarifying the Definition of Management & General Activities	
Current GAAP	Updated GAAP
▪ Defines management and general activities as "activities that are not identifiable with a single program, fundraising activity or membership-development activity but that are indispensable to the conduct of those activities and to an entity's existence"	▪ Defines management and general activities as "supporting activities that are not identifiable with one or more program, fundraising or membership-development activities"

Presenting Net Investment Return

As proposed, NFPs are required to present investment return net of external and direct internal investment expenses as *net investment return* within the statement of activities. An NFP should apply the requirements to nonprogrammatic investment returns. Programmatic investing is the activity of making loans or other investments that are directed at carrying out a NFP's purpose for existence, rather than investing in the general production of income or appreciation of an asset.

The update requires NFPs to classify investments as "programmatic" or "nonprogrammatic" as a precursor to presenting nonprogrammatic investment returns net of external and direct internal investment expenses. The primary purpose of programmatic investments is the achievement of the NFP's mission; if the primary goal is financial returns, the investment is not programmatic. An example of programmatic investing is a loan to lower-income individuals to promote home ownership.

Direct internal investment expenses involve the direct conduct or supervision of the strategic and tactical activities involved in generating investment return. This includes costs associated with the officer and staff responsible for the development and execution of investment strategy as well as allocable overhead costs associated with internal investment management. This also includes costs to supervise, select and monitor outsourced investment activities such as those provided by an external investment management firm. Endowment management costs are not associated with generating general investment return and hence would not be allocated. The update provides implementation guidance to illustrate what activities constitute direct internal investing activities and for the reporting of net investment return for NFPs that present a performance indicator.

NFPs are permitted to present amounts of net investment return differently managed or derived from different sources as separate line items within the statement of activities, if appropriately labeled, *e.g.*, net investment return generated from operating cash, and net investment return generated from endowment. Similarly, an NFP may present the amounts of net investment return appropriated for spending separate from net investment return in excess of amounts appropriated for spending.

The new requirements should reduce the diversity in practice and improve comparability between NFP entities. Users of NFP financial statements will be able to compare net investment return across all industries, regardless of whether the NFP manages its investments in-house or through an external party. However, financial statement preparers may incur a cost in determining what expenses are considered "direct internal expenses," as opposed to "related" expenses in current GAAP.

Unlike the proposed update, NFPs are no longer required to disclose any netted expenses, including direct salaries and benefits of personnel involved in investing activities. This is a welcome change for preparers who often find it difficult to identify embedded fees, and users who may not be assured they are receiving consistently calculated net investment returns.

Also as proposed, NFPs are no longer required to display the investment return components in the endowment net assets roll-forward. Higher education institutions in the scope of Topic 958 are permitted, but no longer required, to separately display the total performance of the "other investment portfolio" from other components of net investment return, *e.g.*, the net investment return of the endowment portfolio.

Presenting Net Investment Return	
Current GAAP	Updated GAAP
▪ Investment revenues may be reported on a gross basis (expenses separately reported), or net of ***related*** expenses, such as custodial fees and investment advisory fees, provided that the amount of netted investment expenses is disclosed either on the face of the statement of activities or in notes to financial statements. If reporting gross, the NFP presents all expenses related to donor-restricted investments in the unrestricted category ▪ Disclosure of all investment expenses ▪ Display the investment return components in the endowment net assets roll-forward ▪ Higher education institutions in the scope of Topic 958 display the total performance of the "other investment portfolio" on the face of the statement of activities or in notes, separate from the net investment return of the endowment portfolio	▪ Present investment returns (other than those from programmatic investing) net of external and ***direct*** internal investment expenses as a separate line item or subtotal in the statement of activities, separately for net assets with donor restrictions and net assets without donor restrictions ▪ An NFP is no longer required to disclose expenses netted against investment return. Entities are permitted, but not required, to disclose netted internal salaries and benefits ▪ NFPs are no longer required to display the investment return components in the endowment net assets roll-forward ▪ Higher education institutions in the scope of Topic 958 are permitted, but no longer required, to separately display the total performance of the "other investment portfolio" from other components of net investment return, *e.g.*, the net investment return of the endowment portfolio

Donor-Imposed Restrictions for the Acquisition or Construction of a Long-Lived Asset

As proposed, ASU 2016-14 eliminates the over-time approach and requires use of the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The entire amount of the contribution of property, plant or equipment or cash shall be reclassified at the time the asset is placed in service. There may be circumstances in which a donor restriction might extend beyond the point at which the property, plant or equipment is placed in service. For example, a donor might specify that a donation restricted for the acquisition of property, plant or equipment must continue to be used for a specified period of time. In such circumstances, the restriction would expire over the period of time that the asset is to be used.

Donor-Imposed Restrictions for the Acquisition or Construction of a Long-Lived Asset	
Current GAAP	Updated GAAP
▪ Business-oriented NFP health care organizations report the release of a donor-imposed restriction when the asset is acquired and placed in service. All other NFPs report an expiration of a donor-imposed restriction for the acquisition or construction of a long-lived asset using either the placed-in-service approach or the over-time approach ▪ Collection items are accounted for based on the entity's policy regarding recognition or nonrecognition of assets associated with collections	▪ In the absence of explicit donor stipulations, report expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset using the placed-in-service approach ▪ Collection items are viewed as long-lived assets used in carrying out an NFP's operations, regardless of the capitalization policy selected

NFPs and users of their financial statements may incur costs to transition to the placed-in-service approach and adjust to the loss of comparability with prior years. However, the resulting effect will enhance a user's ability to compare the changes in classes of net assets with and without donor restrictions among NFPs.

Disclosures About Self-Defined Operating Measures

Current standards require NFPs that present a self-defined operating measure to provide a description of the nature of the reported measure of operations if the use of the term "operations" is not apparent from details provided on the statement of activities. Extant standards require that an NFP report the measure in a financial statement that, at a minimum, reports the change in unrestricted net assets for the period, *i.e.*, in a statement of activities or changes in net assets.

ASU 2016-14 enhances reporting requirements for NFPs that present a self-defined operating measure in a statement of activities that also presents internal board designations, appropriations and similar governing board actions on the face of the financial statements affecting that measure. Such entities will be required to report these types of internal transfers appropriately disaggregated and described by type, either on the face of the financial statements or in the notes. ASU 2016-14 includes examples illustrating different ways entities might report such information.

Many NFP entities presenting transfers as a single line item on the financial statements within the self-defined operating measure are currently not describing the transfer details in the footnotes.

Disclosures About Self-Defined Operating Measures	
Current GAAP	Updated GAAP
▪ If an NFP's use of the term "operations" is not apparent from the details provided on the face of the statement, the NFP is required to describe the nature of the reported measure of operations or the items excluded from operations in a note to the financial statements	▪ If an NFP's use of the term "operations" is not apparent from the details provided on the face of the statement, the NFP is required to describe the nature of the reported measure of operations or the items excluded from operations in a note to the financial statements ▪ Those NFPs that also present internal board designations, appropriations and similar actions on the face of the financial statements affecting a measure of operations are required to report these types of internal transfers appropriately disaggregated and described by type, either on the face of the financial statements or in the notes

Business-oriented health care entities that follow the guidance in Topic 954*, Health Care Entities*, are required to present a performance indicator in the statement of operations of a business enterprise. FASB has indicated this requirement does not meet the definition of a self-defined operating measure in ASU 2014-14. If such entities choose to present an intermediate measure of operations within the required performance indicator, it would fall under the scope of ASU 2016-14 for self-defined operating measure disclosures.

With the exception of health care entities, an NFP's only required performance measure is the "change in net assets." However, for the update's purposes, the "change in net assets" is not considered a self-defined operating measure. An NFP is neither required nor precluded from reporting a measure of operations, *e.g.*, excess or deficit of operating revenues over expenses.

Effective Date & Transition

The amendments are effective for financial statements for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

NFPs should apply the amendments on a retrospective basis in the year the update is first applied. If comparative financial statements are presented, an NFP would have the option to omit the following information for any periods presented before the year of adoption:

- Analysis of expenses by both functional and natural classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required). NFPs that previously were required to present a statement of functional expenses do not have the option to omit this analysis. However, they may present the comparative period information in any of the formats permitted in this update, consistent with the presentation in the period of adoption
- Disclosures around liquidity and availability of resources

Entities are permitted to early adopt the changes subject to the transition method above. In the period the amendments are first applied, an NFP should disclose the nature of any reclassifications or restatements and their effects, if any, on changes in the net asset classes for each period presented.

Next Steps

Issues remaining in Phase II involve reconsideration of the proposed changes requiring all NFPs to present an operating measure, whether and how to define such measure(s) and removal of the requirement for business-oriented health care NFPs in the scope of Topic 954 to present a performance indicator. Phase II will entail whether to improve the indirect method cash flow reconciliation by starting with a measure other than change in total net assets, such as an operating measure (if defined) or the performance indicator for NFPs within the scope of Topic 954. FASB will consider alternatives suggested by stakeholders and progress on related projects for business entities such as the financial performance reporting research project, which seeks to develop frameworks for defining a consistent operating performance metric and distinguishing between recurring and nonrecurring items. The second project also will consider cash flow classification for business entities.

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