The Potential Impact of FASB’s Proposed Changes   
to the Statement of Cash Flows

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**ABSTRACT**

This research studies the impact of FASB’s proposed changes to the Statement of Cash Flows on not-for-profit organizations. Our study focuses on the change in the classification of purchases and sales of long-lived assets to operating activities from investing activities. It examines the potential effect of this change on the cash flow from operating activities for two different types of not-for profit entities, charities and hospitals. Our result shows that this reclassification affects different types of not-for-profit organizations differently. Specifically, hospitals, representing the kind of not-for-profits that receive the majority of its revenues from private payments, incurred a significantly larger impact on cash flows from operating activities than did charities, representing the kind of nonprofits that receives the majority of its revenues from donations. Our study provides insights not only on not-for-profit, but importantly, on for-profit entities about the possible effects of a future FASB proposal on the Statement of Cash Flows.

**Keywords:** Cash Flow Statements, FASB, Not-for-profit Accounting,

**INTRODUCTION**

The Financial Accounting Standards Board (FASB) proposed major changes in the financial presentations of not-for-profits. Working under their goals of improving the understandability and usefulness of financial statements, they issued the recent exposure draft, *Proposed Accounting Standards Update* (2015). A focus of this exposure draft was to change the presentation of financial statements for not-for-profit entities as required in the Statement of Financial Accounting Standards No. 117. Among other things, this proposal dealt with the Statement of Cash Flows, a mandatory part of issued financial reports detailing cash inflows and cash outflows during a reporting period. Along with requiring only the direct method of reporting cash flows from operating activities, the FASB proposal required a change in classification of certain items within this statement. Our research examined the change in classification of purchases and sales of long-lived assets as operating activities rather than investing activities for two different types of not-for profit entities, charities and hospitals.

**The Statement of Cash Flows Trichotomy (or three-part classification)**

FASB’s Statement No. 95 (SFAS No. 95), Statement of Cash Flows (1987) and Statement No. 117 (SFAS 117) Financial Statements of Not-for Profit Organizations (1993) require for-profit and not-for-profit entities to provide a cash flow statement for each period for which operating results are required. Similar requirements are applicable to enterprises following International Accounting Standards Board (IASB) Standard No. 7, (IAS No. 7) Cash Flow Statements (1992). The cash flow statement explains the change during the period in cash and cash equivalents, and classifies inflows and outflows relating to operating, investing and financing activities. While the objective of FASB is to provide accurate reporting metrics, many reporting issues persist that cloud the transparency of the Statement of Cash Flows. Specifically, limitations arise from inconsistent, and sometimes, ambiguous implementation of the three-part classification of cash inflows and outflows.

Under SFAS No. 95, cash flows for business entities are classified in the cash flow statements under three activities: operating, investing and financing. SFAS No. 117 for not-for-profit entities also requires the same three activities. For the most part, there are only slight differences between SFAS No. 117 and SFAS No. 95, relating to the classification of items as activities in this statement. Alderman and Mueller (2003) state that SFAS No. 117 provides little guidance on reporting cash flows beyond that offered in SFAS 95. One exception is that donor imposed restrictions may influence activity classifications for not-for-profit entities.

**Operating activities** include all transactions and events other than investing and financing activities. These activities generally relate to producing and delivering goods and providing services. Operating inflows include customer collections from the sales of goods and services, interest and dividend collections on debt and equity securities, and all other receipts not defined as investing and financing inflows. Operating outflows include interest payments, payments for inventories, payments to employees, payments to suppliers of other goods and services, payments to settle asset retirement obligations, payments to governments for taxes (if applicable), duties, fines and other fees, and all other payments not defined as investing or financing outflows.

The analysis of the operating activities section of the statement of cash flows is essential to assess the financial health of an enterprise. Financial analysts use this section in several ways. For example, net income under accrual accounting may be an unreliable indicator of quality as it is based on various estimates to determine both revenue and expenses. When assessing quality, analysts are looking for cash flows from operating activities to be consistently greater than a company’s net income. Some analysts believe the focus on cash flow from operations rather than earnings provides a clearer picture of a company’s abilities to generate cash as it strips away the accounting assumptions built into earnings. Furthermore, analysts can determine if an entity has a positive cash flow coming from the company’s recurring activities, its operations. An entity can have positive cash flow because of selling off assets or issuing stocks and bonds. However, these activities are typically one-time gains in cash flow, and should not be considered an indicator of financial health.

Also, a popular measure of financial performance, free cash flow, tells how much cash is left over from operations after capital expenditures. It is computed by subtracting capital expenditures from cash flow provided by operating activities (although there may be variations in calculating this financial ratio). Analysts focus on free cash flow because it tells them how much cash an entity has to pursue future opportunities. Potential opportunities include developing new products or programs, making acquisitions, paying interest and dividends and reducing debt.

**Investing activities** include the acquiring and disposing of plant assets, other productive assets, and financial investments, and making loans to and collecting loans from other entities. Investing inflows include receipts from collecting or disposing of loans, receipts from sales of debt and equity instruments from other entities, and receipts from sales of plant assets and other productive assets. Investing outflows include the payments to make or acquire loans, payments to acquire debt or equity securities of other entities, and payments to acquire plant and other productive assets. A change in cash flow from the investing activities is the result of gains or losses from investments in the financial markets, and purchases and sales of capital assets, such as, plant and equipment.

**Financing activities** include obtaining resources from owners and providing them with a return on their investments, receiving resources that are donor restricted for long-term purposes, borrowing money and repaying the amounts borrowed, and obtaining and paying for other resources obtained from creditors for long-term credit. Financing inflows include proceeds from issuing debt and equity securities, proceeds from contributions and investment income that are donor restricted for long-term purposes, and proceeds from other short- or long-term borrowing. Financing outflows include dividend payments, outlays to reacquire or retire equity securities, repayment of amounts borrowed, and payments of debt issuance costs. Financing inflows include cash coming into an entity from creditors and stockholders.

**Arbitrariness of the Cash Flow Trichotomy**

SFAS No. 95 and SFAS No. 117 have many reporting issues due to their complexity and ambiguity. As mentioned above, these statements require a company to report cash flows in one of three categories: operating, investing, or financing activities. While most cash flow transactions can only be classified under one of the three categories, there are some that are less clear. Nurnberg (2009) said, “A major problem with the SFAS-95 three-way classification of cash flow as operating, investing, and financing is its inherent arbitrariness” (page 32). There have been numerous disagreements and discussions on how to reduce the ambiguity in SFAS No. 95 and SFAS No. 117. Very little has been done to strengthen reporting standards under SFAS No. 95, as many issues still exist. The discussion below relates to some of the current arbitrariness of classifications, relating to for-profit, and in some cases, not-for-profit entities.

For example, SFAS No. 95 is unclear how dividends and interest outflows/inflows should be listed on the cash flow statement. According to Bao and Romeo (2012), an example of this is when dividend income derives from investments yet gets reported in the operating section of the cash flow statement. Allowing dividends received only as part of the operating section in the cash flow statement could cause distortions while allowing entities to manipulate their numbers. Another issue is how entities classify financing sources. According to Wampler, Smolinski, and Vines (2009), if a company uses debt as a financing source, it can then classify the interest paid as an operating activity. However, a company that uses equity as a financing source treats paid dividends as a financing activity. It should be noted that under IASB No. 7 (1992) dividend payments might be classified as either financing or operating outflows. Similarly, under IASB No. 7 (1992), interest payments may be classified as operating, investing, or financing outflows of non-financial companies, and as either operating or financing outflows of financial companies. Nurnberg (2009) suggested that IASB classification rules are more flexible than FASB rules to achieve acceptance across countries with different classification rules under their own financial national accounting standards.

Another problem area is the way different marketable securities (debt and equity) can be treated. For example, trading securities are always under operating activities while available-for-sale securities go under investment activities (Weiss and Yang, 2007). The controversy is that companies have flexibility to move from operating to financing, and from financing to operating since companies have the easy ability to classify different equity and debt securities as either trading or available-for-sale. The same issue applies to accounts receivable. If a company sells accounts receivable, the proceeds go under the operating section. However, if a company were to borrow money and accounts receivables acted as collateral for the borrowed money, the borrowed money goes under financing activities (Weiss and Yang, 2007).

Classification issues also exist relating to the purchase and sale of inventory and plant assets for for-profit and not-for-profit entities. In his research monograph, Heath (1978) said that the purchase and sale of inventories is in one sense fundamentally the same as the purchase of plant assets. Both are usually considered part of the normal operating activities of a business, and as a result, both might be viewed as operating activities. However, in the statement of cash flows, activities relating to the former are classified as operating cash inflows and outflows whereas activities relating to the ladder are classified as investing cash inflows and outflows. According to Nurnberg (2009), cash flows from operating, investing, and financing activities are often interrelated, their classification in the cash flow statement may impede rather than enhance the analysis of cash flows.

**FASB’s Proposed Accounting Standards Update**

The recent FASB exposure draft, *Proposed Accounting Standards Update* (2015) focused on changes made to the presentation of financial statements for not-for-profit entities (NFP) as required in SFAS No. 117. FASB (2015) said that its new proposal would be an improvement over the current guidance under GAAP (page 4). FASB member, Lawrence Smith, said 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 (Bramwell, 2015).

Among other things, the proposal dealt with the reclassification of certain items within the Statement of Cash Flows. This includes changing the purchase and sale of long-lived assets for operating purposes (property, plant and equipment or PPE) from investing to operating activities; changing cash dividends and interest income from operating to investing activities; and changing cash payment of interest expense from operating to financing activities. FASB (2015) concluded: “Reclassifying items reported in a cash flow statement to better align them with this Update’s proposed the notion that operating activities reported in the statement of activities should be based on whether ‘resource inflows and outflows are from or directed at carrying out an NFP’s purpose for existence’ would increase understandability and help communicate financial performance” (page 6). In addition, Jim Kroeher, FASB Vice President, clarified FASB’s new position relating to moving the acquisition and sale of property, plant and equipment from an investing to an operating activity. He concluded that FASB is pursuing a cohesive principle. That is, since depreciation of PPE is an operating expense, then the acquisition of PPE should be operating cash flow as well (Whitehouse, 2015).

Importantly, Kroeher also said that the *Proposed Accounting Standards Update* has led FASB board members to ponder whether the same concepts should be extended to for-profit entities (Whitehouse, 2015). Whitehouse (2015) said this implies, “A recent proposal to change the presentation of financial information for not-for profit entities, especially cash flow classifications, could serve as a preview of what might be in store for public companies down the line” (page 1). Thus, the Update to SFAS No. 117 may be a prelude to a future FASB proposal to make changes in SFAS No. 95.

**RESEARCH DESIGN AND FINDINGS**

The purpose of our research was to study the impact of FASB’s new proposal on the Statement of Cash Flows for not-for-profit entities. Our research focused on the impact of reclassifying PPE purchases and sales from Investing Activities to Operating Activities. We chose PPE purchases and sales because of its size relative to the other items that would be subject to reclassification under the FASB proposal.

Our sample consisted of the 50 largest U.S. charities (Barrett 2014) and 50 largest U.S. hospitals (Gamble 2014). We collected the following cash flow related items from their Comprehensive Annual Financial Reports (CAFR) from 2010 to 2014: Cash Flow from Operating Activities (Old OCF), Purchases of Fixed Assets (PPE Purchases) and Sale of Fixed Assets (PPE Sales). To investigate the impact of classifying PPE Purchases and Sales as part of OCF, we looked at the magnitude of net fixed assets purchases (PPE Purchases – PPE sales) as a percentage of OCF (or Net PPE/ OCF). Our first hypothesis was that Net PPE transactions would be a large component of OCF. To shed light on how much operating cash flow would change based on this new classification, we calculated what would have been reported if the proposed standard was in place from 2010 to 2014 (New OCF). Our second hypothesis was that there would be significant differences between the old and new measures of OCFs. To test this hypothesis, we conducted paired t-tests between the old and new measures.

Not-for-profit entities are heterogeneous. For example, these organizations rely on different revenue sources that may affect the magnitude of cash flow from operating activities. Hospitals receive the majority of their revenue from private payments. On the other hand, charities relating to the arts, culture, humanities, environment and animals, mostly rely on private contributions. Sherlock and Gravelle (2009) said, “Charities that rely heavily on private contributions are more susceptible to economic fluctuations and changes in the tax code that would affect individual giving” (page 27). Thus, their revenues tend to be more volatile. Our third hypothesis was that FASB’s proposal would have a different impact on different types of not-for-profit organizations. To investigate the different impacts, we analyzed the effect of reclassification of PPE Purchases and Sales on two different types of not-for-profit organizations, charities and hospitals.

We broke our data down into five separate annual analyses, and only reported the averages of our sample data.It should be noted that when the old OCF and PPE purchases and sales for the individual charities and hospitals were analyzed, there was much variation across years within each charity, and variation across charities of similar sizes. This is not surprising given the vastly different nature of charities, and the impact of economic change on the ability of charities to receive donations for operating revenue. Also, although many charities reported negative OCF, only one hospital reported negative OCF. Hospitals tended to have larger OCF and larger net purchases of PPE. The negative cash flows of charities may have dragged down the averages, however, even if we removed the ones with the negative cash flows, the remaining OCF for charities would have been much smaller than the OCF for hospitals. Hospitals had larger OCF in their denominators, yet as shown in the tables below, they experienced a greater impact when PPE purchases and sales were reclassified as operating activities.

**Table 1(a)** shows our analysis of 2010 charity data. On average, Old OCF (or currently reported operating cash flow) is $11,021,284, PPE Purchases is $18, 226, 733, and PPE sales is $655,056. Based on the three items, we calculated what would have been reported under the proposed new standard, i.e., New OCF. The average New OCF is -$6,311,863. The column PPE% reports the magnitude of net PPE purchase as a percentage of Old OCF. The average change would have been 135%. The paired t-test between Old OCF and New OCF shows a significance level at 4% (t=0.03852).

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| **Table 1(a)** | Charities |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 11,021,284 | (18,226,733) | 655,056 | (6,411,863) | 135% |
| t-test | 0.03852 |  |  |  |  |

**Table 1(b)** presents our analysis of 2010 hospital data. On average, the Old OCF is$253,506,000**,** andPPE Purchases is$199,728,000. We did not calculate the average PPE sales data as typically PPE purchases were reported on a net basis, PPE purchases minus PPE sales. (PPE sales were not reported separately on most financial statements.) The average New OCF is$53,879,430, an 89% change from the Old OCF.The paired t-test for hospitals is more significant than for charities (t=0.00000002).

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| **Table 1(b)** | Hospitals (thousands) |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 253,506 | (199,728) |  | 53,879 | 89% |
| t-test | 0.00000002 |  |  |  |  |

**Table 2(a)** shows our analysis of 2011 charity data. The average New OCF is -$3,577,287, a 107% change from the Old OCF. The paired t-test shows that the change in reported operating cash flow is significant at the 2% level(t=0.02623). For both years, although fixed assets purchases vary among charities, we did not find any overly large amount. We didn’t eliminate any outliers in our paired t-test.

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| **Table 2(a)** | Charities |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 10,516,792 | (16,135,328) | 1,247,006 | (3,577,287) | 107% |
| t-test | 0.02623 |  |  |  |  |

**Table 2(b)** presents our analysis of 2011 hospital data. The average New OCF is$28,782, 000, a 133% change from the Old OCF**.** The paired t-test between Old OCF and New OCF is (t=0.00000002). It is more significant for hospitals than for charities.

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| **Table 2(b)** | Hospitals (thousands) |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 263,388 | (235,036) |  | 28,782 | 133% |
| t-test | 0.00000002 |  |  |  |  |

**Table 3(a)** reports our 2012 analysis for charities. The average New OCF is -$6,609,249, a 70% change from the Old OCF. The paired t-test shows that the change in reported operating cash flow is significant at the 6% level(t=0.05686). A closer look at individual charities revealed that one overly large PPE purchase drove the t-test result. Charity #34 had fixed asset purchases of $627,800,000. The t statistic became .02678 after we removed the outlier.

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| **Table 3(a)** | Charities |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 21,952,566 | (30,378,809) | 1,368,950 | (6,609,249) | 70% |
| t-test | 0.05686 |  |  |  |  |

**Table 3(b)** reports our 2012 analysis of hospitals. On average, New OCF is $38,763,000, a 94% change from the Old OCF.The average change would have been 186%. A closer look revealed that Hospitals #26 and #37 have over 1000% changes. If we remove these two hospitals, the average change is still large at 94%.The paired t-test shows a significant difference between Old OCF and New OCF (t=0.00000000003). After we removed the two largest observations, the t statistic became 0.00000000018.

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| **Table 3(b)** | Hospitals (thousands) |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 281,209 | (230,613) |  | 51484 | 94% |
| t-test | 0.00000000018 |  |  |  |  |

**Table 4(a)** presents the 2013 results for charities. The average New OCF is $8,086,975, an 88% change. The paired t-test between Old and New OCF is significant at the 5% level(t=0.04738). We again examined individual charities and found that one overly large PPE purchase drove the t test result. Charity #34 had a fixed asset purchase of $515,800,000. The t statistic became .0108 after the removal of the outlier.

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| **Table 4(a)** | Charities |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 33,091,919 | (29,882,770) | 10,649,108 | 8,086,975 | 88% |
| t-test | 0.04738 |  |  |  |  |

**Table 4(b)** shows an analysis of the 2013 hospital data. On average, New OCF is $40,969,000, a 98% change. The paired t-test is significant at t=0.0000000001**.**

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| **Table 4(b)** | Hospitals (thousands) |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 259,461 | (218,903) |  | 40,969 | 98% |
| t-test | 0.0000000001 |  |  |  |  |

**Table 5(a)** reports the 2014 analysis of charities. The average New OCF is $21,079,304, a 66% change. The paired t-test shows that the change in reported operating cash flow is significant at 10% level(t=0.09977). A closer look at individual charities revealed that Charity #26 had approximately $500 million purchases of fixed assets, which was driving the result. The t statistic became 0.02904 after the removal of the outlier.

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| **Table 5(a)** | Charities |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 41,230,978 | (22,464,054) | 353,670 | 21,079,304 | 66% |
| t-test | 0.09977 |  |  |  |  |

**Table 5(b)** shows 2014 hospital analysis. Average New OCF is $64,363,000, a 118% change from the Old OCF. The paired t-test is significant at t=0.0000000003.

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| **Table 5(b)** | Hospitals (thousands) |  |  |  |  |
|  | Old OCF | PPE purchase | PPE sales | New OCF | Change % |
| Average | 289,167 | (255,358) |  | 64,363 | 118% |
| t-test | 0.0000000003 |  |  |  |  |

Tables 1 to 5 provide evidence that, in each of the five years, hospitals will have incurred much bigger changes to their operating cash flows than charities. **Table 6** compares the differential impact of the classification on operating cash flows between charities and hospitals, classified into three categories: more than 100% change, 50-100%, and 20-49%. For 2010, 8 charities have PPE over 100% of OCF, 4 between 50%-100%, and 7 between 20%-49%. Overall for 2010, 19 charities will see over 20% change of their Operating Cash Flow. Ten hospitals have PPE over 100% of OCF, 19 between 50%-100%, and 6 between 30%-49%. Overall for 2010, all hospitals will have experienced over a 30% change of their OCFs. The average change would have been 89%. This is in contrast to 1(a) where 51% of charities had more than a 20% change.

For 2011, we find that 10 charities have PPE over 100% of OCF, 5 between 50%-100%, and 6 between 20%-49%. Overall for 2011, 21 out of 42 charities will see over 20% change in their operating cash flows. For hospitals, we find that 16 have PPE over 100% of OCF, 19 between 50%-100%, and 4 between 20%-49%. Overall for 2011, 39 out of 39 hospitals will see over 20% changes of their operating cash flows.

For 2012, 11 charities have PPE over 100% of OCF, 6 between 50%-100%, and 7 between 20%-49%. Overall for 2012, 24 out of 47 charities will see over 20% changes in their operating cash flows. Hospital data shows that 15 have PPE over 100% of OCF, 22 between 50% and 100%, and 5 between 20% and 49%. Overall for 2012, all hospitals will have seen an over 35% change in their reporting of operating cash flows.

For 2013 8 charities have PPE over 100% of OCF, 9 between 50%-100%, and 5 between 20%-49%. Overall for 2013, 24 out of 47 charities will see an over 20% changes in their operating cash flows. Twelve hospitals have PPE over 100% of OCF, 22 between 50% and 100%, and 11 between 20%-49%. Thus, all hospitals will have reported an over 20% change in their operating cash flows.

For 2014, 7 charities have PPE over 100% of OCF, 8 between 50%-100%, and 11 between 20%-49%. Overall, 26 out of 41 charities would have seen an over 20% change in their operating cash flows. Ten hospitals have PPE over 100% of OCF, 20 between 50% and 100%, and 11 between 20% and 49%. Overall, 41 out of 42 hospitals will have reported an over 20% change in their operating cash flows.

The five-year comparison shows that more hospitals than charities will have experienced an over 100% change. Specifically, about half of the hospitals in our sample will report between 50% and 100% change in their operating cash flows whereas only 11% to 20% of charities will have similar changes. The total>20% column shows that almost all of our sample hospitals will have seen more than 20% changes in their operating cash flows compared to only half of the charities.

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| **Table 6** | Comparison between Charities (C) and Hospitals (H) | | | | | | | |
|  | >100% change | | 50-100% change | | 20-49% change | | Total >20% | |
|  | C | H | C | H | C | H | C | H |
| 2014 | 17% | 24% | 20% | 48% | 27% | 26% | 63% | 98% |
| 2013 | 18% | 27% | 20% | 49% | 11% | 24% | 49% | 100% |
| 2012 | 23% | 36% | 13% | 52% | 15% | 12% | 51% | 100% |
| 2011 | 24% | 41% | 12% | 49% | 14% | 10% | 50% | 100% |
| 2010 | 22% | 29% | 11% | 54% | 19% | 17% | 51% | 100% |

In summary,this research documents the magnitude of changes between Old OCF and New OCF (what will be reported if PPE purchases and sales are reclassified as an operating cash flow). An interesting finding is that the impact of FASB’s proposed reclassification is significantly larger on hospitals than on charities. For the hospitals in our sample, 99.6% of hospitals experienced a greater than 20% change in their New OCF over the past five years compared to 52.6% of charities. In some cases, Old OCF was entirely wiped out by FASB’s proposed reclassification. In general, hospitals had larger and less volatile Old OCF (than charities) that was significantly impacted by the reclassification of purchases and sales of PPE to operating activities in the Statement of Cash Flows.

**CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH**

This research shows that reclassifying purchases and sales of PPE from investing to operating activities affects different types of not-for-profit organizations differently. Hospitals, representing the kind of not-for-profit that receive the majority of its revenues from private payments, had a significantly larger impact on cash flows from operating activities than did charities, representing the kind of not-for-profit that receives the majority of its revenues from donations.

Cash flow from operating activities is a measure commonly used to assess an organization’s financial health. Financial statements are historical in nature and analysts use historical and current information to develop trends to predict into the future. However, including the purchase and sale of PPE makes cash flows from operating activities more volatile and less predictable, particularly for not-for-profits such as hospitals. This measure may not be as useful as it had been to analysts.

As mentioned above, a member of the FASB Board suggested that the *Proposed Accounting Standards Update* has led FASB board members to consider whether it should be extended to for-profit entities. Thus, the update to SFAS No. 117 may influence FASB to make similar changes in SFAS No. 95. Hospitals, with their revenues relying on private payments, are one of the types of not-for-profit entities most like for-profit entities. Hospital cash flows from operating activities were significantly impacted by the reclassification of PPE purchases and sales. We believe our study is valuable because it provides insights on for-profit entities relating to the possible effects of reclassification of purchases and sales of PPE to operating activities in the Statement of Cash Flows.

This study focuses on not-for-profit organizations, charities and hospitals. Future studies can focus on the impact of the FASB proposal on for-profit organizations. Also, only the impact of PPE purchases and sales on cash flow from operating activities was studied. Future studies can analyze the impacts of the other proposed reclassifications on the Statement of Cash Flows.

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