September 21, 2012

Ronald J. Bossio
Senior Project Manager
Financial Accounting Standards Board

Dear Mr. Bossio:

This letter responds to your request that I comment on the FASB project Disclosures about Liquidity Risk and Interest Rate Risk (Reference #2012-200). I offer my comments in my capacity as a member of the FASB NFP Project Resource Group. My comments are informed by interactions with MBA students and accounting academics who are interested in NFP accounting and financial reporting issues. My comments are confined to specific questions that, in my view, are relevant to users of NFP financial information.

My understanding is that, for NFP organizations, the proposal contemplates annual tabulation and disclosure of available liquid funds and expected cashflow obligations. In addition, a NFP organization would provide narrative discussion of significant changes in the tabulated amounts.

In my view, users of NFP financial statements would find information about expected cashflows and available liquid assets useful (your questions # 8 and #9). The usefulness of these disclosures turns critically on how available liquid funds are defined (section 825-10-50-23S-V of the proposal). In particular, users of NFP financial statements can benefit from requirements to distinguish liquid resources available to fund general operations from resources that are not available to fund current operations resources. Examples of resources not available include resources contractually restricted by donors, grantors or other contributors and statutorily restricted resources. I also believe that disclosures about interest rate risk are relevant in the NFP context, insofar as interest rate exposure potentially impairs liquidity (your question #19).

Thank you for the opportunity to contribute.

Sincerely,

William R. Baber
McDonough Professor