



Tel: 312-856-9100  
Fax: 312-856-1379  
www.bdo.com

330 North Wabash, Suite 3200  
Chicago, IL 60611

July 27, 2018

Via email to [director@fasb.org](mailto:director@fasb.org)

Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: Exposure Draft: Not-for-Profit Entities (Topic 958): Updating the Definition of Collections (File Reference No. 2018-250)

Dear Ms. Cospers:

We are pleased to provide comments on the Board's proposal to update the definition of collections. We support the Board's efforts to clarify and improve the scope and accounting guidance in this area. Our responses to the specific questions posed are presented in the Appendix of this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Lee Klumpp at (703) 336-1497.

Very truly yours,

A handwritten signature in black ink that reads "BDO USA, LLP". The letters are written in a cursive, slightly slanted style.

BDO USA, LLP

## Appendix

### **Question 1: Should the definition of the term collections include the concept of direct care? If not, why not?**

We believe that the ASC definition of the term “Collections” should include the concept of direct care and align with the definition used in the American Alliance of Museums’ (AAM) Code of Ethics for Museums. This will assist in alleviating diversity in practice. However, because not all entities that maintain collections are subject to the AAM guidelines, the Board might wish to consider providing additional guidance related to the definition of direct care.

### **Question 2: Should there be a requirement to disclose an entity’s policy for use of proceeds from deaccessioned collections? If not, why not?**

To the extent there is a policy choice available, we believe there should be a requirement that an entity disclose its policy for the use of proceeds obtained from the deaccession of items from its collection. Although the scope of the proposed ASU was only to address the definition of the term collections, we believe it would be helpful to financial statement users if the entity were required to disclose the amount of remaining proceeds from sales of the collection items. This disclosure would enable the reader to know the amount of funds that are available for the direct care of existing collections or the acquisition of other items for collections in future periods. Concepts that might be helpful if the Board decides to expand the scope of the disclosure requirement include the “asset limited to use” concept used by healthcare entities under ASC Topic 954 or through net asset subcategories such as board-designated funds or donor-restricted funds.

That said, the basis of conclusions (paragraph BC10) indicates that “an entity should be allowed to apply a narrower policy than that in the Master Glossary definition of collections if the entity determines that the restriction is necessary within its industry or within its organization.” However, we note the proposed Accounting Standards Update does not clearly indicate that a policy choice is available. The use of the word “or” in the phrase “limited to direct care of existing collections or the acquisition of other items for collections” may infer that a policy choice exists, but we believe that if the board’s intent was to allow a policy choice, additional clarity would be beneficial.

Additionally, the proposed ASU indicates that the amendment would apply to all entities, including business entities that maintain collections. However, we note that the language in ASC 958-360-25-3 (which discusses the alternative policies that are available when accounting for Collections), if read literally, indicates that the policy choices are only available to not-for-profit entities.

To address these points, we suggest amending the language in ASC 958-360-25-3 as follows (with added text underlined):

25-3 An NFP, or other entity, that holds works of art, historical treasures, and similar items that meet the definition of a collection has the following three alternative policies for reporting that collection:

- a. Capitalization of all collection items
- b. Capitalization of all collection items on a prospective basis (that is, all items acquired after a stated date)
- c. No capitalization

Capitalization of selected collections or items is precluded.

An entity may apply a narrower policy than that in the Master Glossary definition of Collections if the entity determines that the restriction is necessary within its industry or organization. For example, an entity could adopt a policy that requires the proceeds of items sold be limited to the acquisition of other items for collections.

**Question 3: Would the proposed transition requirement of prospective application with retrospective application permitted be operable and would it provide decision-useful information? If not, please explain why and what you would recommend.**

We believe that a transition requirement of prospective application would be operable. However, if retrospective application is permitted, we believe additional transition guidance may be needed.

**Question 4: Should the effective date of the proposed amendment be upon issuance of a final Update? If not, why not?**

Because of the narrow scope of this proposed amendment, we agree that the effective date should be upon issuance of a final Update.