July 28, 2018

Technical Director
File Reference No. 2018-250
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Technical Director,

Thank you for the opportunity to comment on the Exposure Draft of a Proposed Accounting Standards Update regarding the definition of collections. The American Alliance of Museums is the accrediting body for most museums in the United States. I am writing on behalf of the Accreditation Commission, the body responsible for making independent decisions regarding a museum’s accredited status. It is made up of museum professionals whose collective experience and expertise represent the range of diversity in the museum field. Commissioners have significant leadership level experience, have an understanding of a wide range of museum operations, have experience with accreditation, and demonstrate a commitment to standards and building excellence across the field. Commissioners serve in a volunteer capacity for a five-year term. The nine commissioners and their affiliation are listed on this letterhead.

Question 1: Should the definition of the term collections include the concept of direct care? If not, why not?
The Accreditation Commission is in favor of modifying the definition of collections to include direct care.

For twenty-five years the Alliance’s Code of Ethics for Museums and FASB accounting standards have been out of alignment regarding the use of proceeds from the sale of deaccessioned collections. The Code of Ethics for Museums is the museum industry’s statement of shared values that informs museum behavior and practice so as to promote accountability, maintain integrity, and warrant public confidence. The Code forms the foundation for the entire framework of ethics and standards across the museum field. The Accreditation program is grounded in the Code of Ethics for Museums.

The Code of Ethics for Museums was adopted in 1993 after rigorous and lengthy debate in the field. The museum field is incredibly diverse, from A to Z—art museums to zoos—including historic sites and houses, history museums, science centers, children’s museums, nature centers, botanic gardens, natural history museums, and aquariums. The field determined that limiting use of proceeds from deaccessioned collections only to acquisition was excessively limiting and an impediment to fulfilling their respective missions. History museums and natural history museums in particular made the case that a
museum’s responsibility to care for and preserve its collections is of equal importance to its obligation to build its collections. The field agreed that proceeds from the sale of deaccessioned collections should not be used for “anything other than the acquisition or direct care of collections.” The phrase “direct care of collections” reflected a compromise in the industry that would accommodate different disciplines and professional practices among museums.

Statement 116 based the definition of collections on the AAM’s Code of Ethics for Museums that was adopted in 1991. The definition was not updated to reflect the revision in the 1993 Code, and as a result the accounting definition is out of alignment with the Code. The majority of museums the Commission reviews and accredits each year follow the Code of Ethics for Museums, allowing proceeds from deaccessioned collections to be used for acquisition or direct care. The remainder that are accredited use the narrower GAAP definition (acquisition only).

Realigning the definition of collections is consistent with the original basis for conclusions in Statement 116 and would reflect actual majority practice in the museum industry, while still permitting museums to choose to use proceeds only for acquisition.

Question 2: Should there be a requirement to disclose an entity’s policy for use of proceeds from deaccessioned collections? If not, why not?
The Accreditation Commission is in favor of a requirement to disclose the policy for use of proceeds from deaccessioned items.

The Code of Ethics for Museums states that museums hold their collections for the public benefit and share a responsibility for collections stewardship that “entails the highest public trust.”

The Accreditation Commission requires that each museum include in both its own code of ethics and its collections management policy identical statements on the use of funds from deaccessioning, limiting use to new acquisitions and/or the direct care of existing collections. The Commission encourages museums to foster transparency by explaining to their stakeholders any use of funds generated from collections. This transparency and consistency in policy is a way that museums demonstrate their stewardship responsibilities for the benefit of the public.

Question 3: Would the proposed transition requirement of prospective application with retroactive application permitted be operable and would it provide decision-useful information? If not, please explain why and what you would recommend.
The Accreditation Commission is in favor of prospective application with retroactive application permitted.

The Exposure Document notes that FASB’s outreach to stakeholders revealed that most nonprofit museums are using the Code of Ethics for Museums definition (acquisition or direct care) rather than the GAAP definition (acquisition only). This is consistent with what the Commission sees in its review of museums in the Accreditation Program. Permitting retroactive application of the updated standard reflects the reality of practice in the museum field.
Question 4: Should the effective date of the proposed amendment be upon issuance of a final Update? If not, why not?
The Accreditation Commission is in favor of the effective date being upon issuance of the final Update.

The Accreditation Commission thanks FASB and its Not-for-Profit Advisory Committee for undertaking the work to review this standard. We appreciate the opportunity to provide feedback.

Sincerely yours,

Amy Bartow-Melia
Chair, Accreditation Commission
MacMillan Associate Director for Audience Engagement, National Museum of American History