August 7, 2018

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

Dear Technical Director,

I am pleased to submit these comments on the FASB’s proposal to modify the definition of “collections” used in the FASB Accounting Standard. While I am not a museum professional, nor do I represent any organization, I have been an observer from a legal perspective of museum practice in the United States for about thirty-five years and participated as a member of the American Alliance of Museum’s task force on the direct care of collections.¹ Those discussions, in particular, inform the comments that I offer below.

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

I endorse the amendment to the definition of the term “collections” to include the proviso that proceeds from the deaccessioning of objects in an institution’s collection must be used either for direct care of collections or for acquisition of additional objects for the collection. This change would bring the definition of “collections” in line with the AAM’s policies, which changed shortly after the current version of the FASB Accounting Standard was

adopted in 1991. The current proposed amendment would restore the alignment between the definition of “collections” and the AAM’s policies and accreditation standards. It would also recognize that a wide variety of types of institutions are affected by this Standard and the amendment would bring their practice into alignment with their corporate documents and with the AAM’s accrediting standards.

Deaccessioning, the practice by which a museum or other institution, removes an object from its collection, is a strength of American institutions, particularly in contrast with comparable European institutions, where deaccessioning is often prohibited or encumbered by regulations and legal requirements. The ability of American institutions to remove objects from their collections means that the institutions are able to evolve over time while improving the quality of their collections within their own board-mandated procedures.

In considering this amendment, I would draw attention to the fact that the provisions of the tax code, which permit a donor to deduct from taxable income the appreciated fair market value of tangible property, encourage donation of tangible property, such as art works and cultural objects, rather than donation of funds with which to support or care for the collection. This means that some institutions are art-rich and cash-poor and may be left with inadequate funds to care for their collections, which is a primary purpose of cultural institutions.

The proposed amendment also permits institutions to more fully carry out the second criterion of the FASB Accounting Standard—that of protecting, caring for and preserving the collection. In my opinion, museums do not always need to keep acquiring more artifacts—they need to properly care for and ensure preservation of the objects they have for the benefit of future generations.

The diversity of cultural institutions in the United States is another strength. The AAM task force on direct care of collections had representatives from many of the different types of institutions that fall under the AAM umbrella. The differences in their missions and the ways in which they seek to accomplish those missions were striking. Some disciplines within the museum world acquire items or add to their collections only very rarely. Some institutions acquire only very cautiously, particularly those such as archaeological museums that follow strict acquisitions policies so that they do not acquire looted artifacts. Different types of institutions should be free to re-invest in their collections in ways that are most appropriate to their disciplines. For the same reason, I think it is important that if a particular subset among AAM institutions, such as art museums (represented by the Association of Art Museum Directors), wishes to maintain a narrower version of the Accounting Standard as part of its own voluntary guidelines, that should be permitted within the application of the amended Standard. However, one subset of institutions should not impose its method of operation upon other categories of institutions, which may be inappropriate to their respective missions.

**Question 2.** Should there be a requirement to disclose an entity’s policy for use of proceeds from deaccessioned collections? If not, why not?
I believe that an entity should be required to disclose its policy for use of proceeds from deaccessioned collections. Openness and transparency are desirable goals, particularly among not-for-profit and charitable organizations, as they receive substantial support through tax preferences. Informing the public of their practices is a reasonable trade-off for these benefits. In addition, potential donors are entitled to know the policies of the entities to which they may be considering making a donation.

**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.

I support the proposed transition requirement of prospective application with permissive retrospective application. Permissive retroactive application will be of benefit to those institutions that had previously followed the AAM policy.

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

The effective date of the proposed amendment should be as soon as reasonable, which would be upon issuance of the final Update.

I hope these comments are useful and I thank you for the opportunity to offer them.

Sincerely,

Patty Gerstenblith