August 10, 2018

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2018-250
Re: Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958): Updating the Definition of Collections

Dear Ms. Cosper:

Deloitte & Touche LLP is pleased to comment on the FASB’s proposed Accounting Standards Update (ASU) Not-for-Profit Entities (Topic 958): Updating the Definition of Collections.

We support the Board’s efforts to help reduce the current diversity in practice by aligning the definition of “collections” in U.S. GAAP with that used by the American Alliance of Museums (AAM). However, we are concerned that the notion of direct care (which is incorporated into the definition) may be interpreted broadly and lead to continued diversity in practice because the proposed ASU does not provide guidance on this term. We therefore suggest that the Board define “direct care” or provide indicators that help entities identify it.

The appendix of this letter contains our responses to the proposed ASU’s questions for respondents.

We would be happy to share additional perspectives and suggestions with the Board and FASB staff related to the matters in our comment letter.

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We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please contact Rob Moynihan at (212) 436-2992.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl
Appendix

Deloitte & Touche LLP

Responses to Proposed ASU’s Questions for Respondents

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

We support the Board’s effort to align the definition of collections in U.S. GAAP with the definition used by the AAM, which incorporates the notion of direct care. However, we encourage the Board to consider clarifying what constitutes direct care by providing a general definition or indicators of it.

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

We believe that entities should be required to disclose their policy for the use of proceeds from deaccessioned 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 have concerns about the circumstances under which an organization would be permitted to retrospectively change the purpose of expenses. If the Board is aware of scenarios in which retrospective application would help an organization adopt the standard, examples of such scenarios would be beneficial.

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

We encourage the Board to establish an effective date for the final guidance that gives entities enough time to develop, review, and implement policies related to the sales of collection items and the use of proceeds, including developing a working definition of “direct care” in the absence of guidance from the FASB on this term. Accordingly, we recommend that the final standard be effective for periods beginning after December 15, 2018, with prospective application.