August 10, 2018

Susan M. Cosper, Technical Director
FASB
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via Email to director@fasb.org

Re: File Reference No. 2018-250

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on the proposed Accounting Standards Update (ASU), Not-for-Profit Entities (Topic 958): Updating the Definition of Collections. We support the Board’s objective to realign the definition of the term collections in the Master Glossary with the definition used in the American Alliance of Museums’ Code of Ethics for Museums.

Our responses to the questions for respondents are as follows.

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

We agree that the definition should include the concept of direct care. That said, however, we would prefer that the definition encompass the Board’s intended meaning of direct care. BC11 states that an industry should be able to determine what it considers to be direct care. We suggest bringing the Board’s thoughts from BC11 into the proposed guidance and also clarifying to the reader that an entity may have a policy of using proceeds solely for direct care, solely for acquisitions, or for both care and acquisitions. Suggested wording for subparagraph c of the revised definition of Collections is shown below. (The excerpt reflects only our suggested edits that are emphasized by underline.)

| c. They are subject to an organizational policy that requires the proceeds of items that are sold to be limited to one or both of the direct care of existing collections or the acquisition of other items for collections. An entity should determine what is direct care based on the nature of the entity and its collections, and on relevant industry guidelines. |

In addition, we have mixed views on whether accounting guidance should allow industries to determine what is considered direct care. This is because an industry’s definition could change
or become fluid over time—specifically, it could become broad. That said, we are comfortable overall that the various industry associations and accreditation bodies impacting many NFPs would maintain robust frameworks surrounding the meaning 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?**

Yes. In addition, if an entity’s policy allows using proceeds for direct care, we suggest that disclosures include how the entity defines direct care, including, if applicable, what industry definition it uses.

**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 support prospective application. We suggest, however, that retrospective application should be available only for previous deaccession proceeds that have not yet been reinvested in other collection items at the adoption date. In other words, an entity should not be able to ‘reopen’ and recharacterize previous transactions in which deaccession proceeds have already been reinvested. For example, if an entity applying existing guidance sold a collection item in the past and used the proceeds to acquire a new item, the entity should not be able to recharacterize that acquisition as if it were made using other available funds and, as a result, cause the deaccession proceeds to become available for direct care.

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

Yes. Since the proposed amendment relates to the use of proceeds, we believe that any proceeds received after issuance should be subject to the amended guidance. We see no reason to delay the effective date.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Doug Reynolds, 617-848-4877, doug.reynolds@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP