



**American
Alliance of
Museums**

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Technical Director
File Reference No. 2018-250
FASB
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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. I am writing on behalf of the American Alliance of Museums. The Alliance has been bringing museums together since 1906, helping to develop standards and best practices, gathering and sharing knowledge, and providing advocacy on issues of concern to the entire museum community. Representing more than 35,000 individual museum professionals and volunteers, institutions, and corporate partners serving the museum field, the Alliance stands for the broad scope of the museum community. The Alliance is the accrediting body for most museums in the United States.

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

The Alliance is in favor of modifying the definition of *collections* to include direct care.

The AAM Board of Directors adopted the Code of Ethics for Museums in 1993, after several years of discussion and debate about how museums should use funds realized from the sale of deaccessioned collections. An earlier version adopted in 1991 restricted “the use of proceeds from the sale of collection materials...to the acquisition of collections.” Nearly three-quarters of museums objected that this restriction was excessively limiting and an impediment to fulfilling their respective missions. History and natural history museums in particular argued that a museum’s responsibility to care for and preserve its collections is of equal importance to its obligation to build its collections. Historic sites agreed, calling attention to the need to preserve buildings and landscapes as part of their collection stewardship responsibilities. Science and technology centers were shifting their focus to public education through interactive exhibitions not dependent on collections; some divested themselves of collections and did not plan to acquire more.

The issue became such a flash point that after six months, the 1991 Code of Ethics for Museums was suspended to allow for further discussion. Ultimately, in 1993, the AAM Ethics Commission recommended and the board of directors approved a revision stating that proceeds from the sale of nonliving 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 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 has been out of alignment with the Code for twenty-five years. This difference between the GAAP definition and what is allowed in the Code causes confusion in the museum community and results in accounting diversity in practice. Realigning the definition of *collections* is consistent with the original basis for conclusions in Statement 116.

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 Alliance is in favor of a requirement to disclose the policy for use of proceeds from deaccessioned items.

As stated in the Code of Ethics for Museums, museums are educational organizations "grounded in the tradition of public service" and, as such, hold their collections for the public benefit. Collectively, museums share a responsibility for collections stewardship that "entails the highest public trust."

The Alliance recommends that each museum should 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. This ensures consistency and promotes accountability. Further, the Alliance encourages museums to foster transparency by explaining to their stakeholders any use of funds generated from collections. As a result, the field as a whole and museums individually will demonstrate more clearly how they uphold 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 Alliance is in favor of prospective application with retroactive application permitted.

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. 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 Alliance is in favor of the effective date being upon issuance of the final Update.

We thank FASB and its Not-for-Profit Advisory Committee for the thoughtful work in reviewing this issue.

Sincerely,



Laura L. Lott
President and CEO