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Board proposes amendments to definition of “collections”

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The FASB issued a proposed ASU, Not-for-Profit Entities (Topic 958): Updating the Definition of Collections, to amend the definition of “collections” in the Codification Master Glossary so that it aligns with the definition in the American Alliance of Museums’ Code of Ethics for Museums. Accounting for collections is an issue that generally affects certain not-for-profit (NFP) entities because collections are primarily held by NFPs; however, the amendments in the proposal would apply to all entities that maintain collections.

Under the existing guidance in ASC 958, entities are not required to recognize contributions of works of art, historical treasures, and similar assets if the donated items are added to collections and meet certain conditions. The proposal would amend one of these conditions by requiring the proceeds from collection items that are sold to be used for the direct care of existing collections or to acquire other collection items. Under existing guidance, this condition requires the proceeds from collection items that are sold to be used only to acquire other collection items.

The amendments in the proposal would be effective upon issuance of a final ASU, and entities would be allowed to apply the amendments on either a prospective or a retrospective basis.

The FASB staff also issued proposed taxonomy improvements related to the proposed ASU.

Comments on the proposed ASU and on the related proposed taxonomy improvements are due August 10.

Grant Thornton, On the Horizon, July 12, 2018.

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