

Non-Profit Notes Newsletter

FASB Updates Guidance on Art and Other Treasured Collections

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The Financial Accounting Standards Board (FASB) recently issued [Accounting Standards Update \(ASU\) 2019-03, *Updating the Definition of Collections*](#). The ASU improves and aligns the definition of collections for Generally Accepted Accounting Principles in the United States of America (US GAAP) with the definition used in the Code of Ethics for Museums of the American Alliance of Museums.

Current Definition

Currently, collections are defined as:

Works of art, historical treasures, or similar assets that meet all of the following criteria:

- They are held for public exhibition, education, or research in furtherance of public service rather than financial gain.
- They are protected, kept unencumbered, cared for, and preserved.
- They are subject to an organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

Modification

ASU 2019-03 changes the definition of collections to:

Works of art, historical treasures, or similar assets that meet all of the following criteria:

- They are held for public exhibition, education, or research in furtherance of public service rather than financial gain.
- They are protected, kept unencumbered, cared for, and preserved.
- They are subject to an organizational policy that requires the use of proceeds from items that are sold to be for the acquisitions of new collection items, the direct care of existing collections, or both.

Implications of the New Definition

This amendment allows entities to use proceeds from when a collection item is deaccessioned (removed from a collection) to be used for direct care of the remaining items in the collection and for acquiring new items. This change will allow organizations greater flexibility in utilizing proceeds from sales of collection items to where the organization believes it will have the most benefit for its collection.

Implementation

A collection-holding entity should disclose its policy for the use of proceeds from deaccessioned collection items, including whether the proceeds could be used for acquisition of new collection items, direct care of existing collections, or both. The entity should disclose its definition of direct care, if applicable.

Collection-holding entities should update their collection policies in anticipation of this new pronouncement.

Effective Date

Entities should apply the amendments in ASU 2019-03 for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. The amendments should be applied on a prospective basis. Early application is permitted.

Contact Us

If you would like more information regarding ASU 2019-03 with respect to your organization's art and other treasured collections, please contact your client service partner or either of the following:

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