
Q&A Section 6140

Not-For-Profit Entities

.27 Definition of Direct Care of Collection Items

Inquiry — FASB Accounting Standards Update (ASU) No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, requires that the use of “proceeds from [collection] items that are sold to be for the acquisitions of new collection items, the direct care of existing collections, or both.” What type of expenses would be considered “direct care of existing collections”?

Reply — The term *direct care* is not defined in FASB Accounting Standards Codification®. According to paragraph BC13 of the “Background Information and Basis for Conclusions” section of FASB ASU No. 2019-03, FASB decided that an industry should be able to determine what it considers direct care, rather than FASB determining a policy within generally accepted accounting principles for what constitutes direct care.

When an entity determines which costs are considered direct care of collection items, important characteristics to consider include, but are not limited to, whether those costs

- enhance the life, usefulness, or quality of an entity’s collection;
- provide a benefit to the collections (and not the entity as a whole or other areas of the entity beyond the collections); and
- exclude expenditures that are regular and ongoing in nature (such as expenditures for routine maintenance of the collection).