

Policy Name: Asset Capitalization

Originating/Responsible Department: Financial Services

Approval Authority: Financial Planning Group

Date of Original Policy: April 30, 2015

Last Updated: N/A

Mandatory Revision Date: Spring 2020

Contact: Assistant Vice-President (Financial Services)

Policy:

Capital assets are recorded at cost. As a general rule, cost includes the purchase price and other acquisition costs such as installation costs, freight charges, transportation, taxes and duties. For a donated capital asset, cost is considered to be the fair value at the date of donation. Fair value may be estimated using market or appraisal values. The department of Advancement should be contacted when donated capital assets are received.

Costs incurred to enhance and extend the useful life of a capital asset are considered to be an improvement and shall be capitalized. Costs that do not fit this criteria, despite the cost, will be considered an expense in the year incurred.

All capital assets with a limited life shall be amortized in accordance with stated methods and guidelines in effect below.

<u>FIXED ASSET CLASS</u>	<u>MINIMUM AMOUNT</u>	<u>AMORTIZATION PERIOD</u>
Land	n/a	n/a
Services & Improvements	\$ 500,000*	20 years
Buildings	\$ 500,000*	40 years
Alterations & Improvements per project/per building	\$ 500,000*	40 years
Other Building Improvements per project/per building	\$ 500,000*	20 years
Leasehold Improvements per lease	\$ 50,000	5 years
Vehicles & Rolling Stock	\$ 10,000	5 years
Library Holdings	n/a	10 years
Equipment & Furniture	\$10,000	10 years
Computer Equipment	\$ 10,000	4 years
Software	\$ 10,000	4 years
Art Work	n/a	n/a

*Costs in excess of this will not necessarily be capitalized if the nature of the expense is purely maintenance and does not extend the useful life. The Controller, in consultation with the Assistant Director, Administrative Service in Facilities, Management & Planning (FMP), will determine if capitalization is appropriate on a project by project basis.

Purpose:

The purpose of this policy is to define a capital asset and the management thereof, including the proper recognition and measurement within the accounts of the University.

Scope:

This policy applies to all assets purchased from operating, capital or restricted funds, except where funding agencies have specific regulations regarding capitalization. In those cases, capital asset costs will not be capitalized for financial reporting purposes.

Procedures:

Capital assets purchased with regular operating or research funds must be charged to the purchasers Fund and Organization, using the appropriate account code:

- 723100 - Equipment over \$10,000 (excluding computer related equipment)
- 723101 – Furniture over \$10,000
- 723102 – Computer Equipment over \$10,000
- 723103 – Computer Software over \$10,000
- 723104 – Automobiles and related vehicles over \$10,000

Purchases of the above items below the minimum amount of \$10,000 do not meet capitalization criteria and should be charged to account code 723000.

Throughout the fiscal year charges to capital equipment accounts will be reviewed by Financial Services and relevant backup will be gathered for audit purposes. At yearend, the total capital purchases will be removed from the University's operating statement and added to the value of capital assets. In its place, amortization of the capital asset costs will be charged to the University's operating statement.

Capital assets, other than equipment, that are obtained through projects managed by Facilities, Maintenance & Planning, are handled through the following steps:

- Project control sheets are prepared by the Asst. Director- Administrative Services, FMP, outlining the nature of the project, total project cost by category (construction, project management fees, equipment, telecommunications, etc.), and funding source. If the project meets the criteria for capitalization, the project type will be noted as 'Capital' on the control sheet.
- Project control sheets are forwarded to Financial Services, who also reviews them for possible capitalization criteria and flags such for follow-up upon completion or yearend.
- At yearend or completion date, projects that have been identified for capitalization will be reviewed again by the Asst. Director, FMP and the Controller to ensure capitalization criteria has still been met.
- Capital assets are then removed from the operating statement of the University and charged to the appropriate asset account on the balance sheet. Amortization of these costs will be charged to the operating ledger in accordance with the chart noted above.

Contacts:

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