

POLICY ON CAPITAL ASSET MANAGEMENT

Effective Date: December 14, 1998 **Originating Office:** Office of the Vice-President, Finance
Supersedes/Amends Policy dated: n/a **Policy Number:** CFO-4

SCOPE

This policy applies to all property whether tangible (i.e. land, buildings and equipment) or intangible, which is either donated or purchased and which qualify as capital assets. According to the Canadian Institute of Chartered Accountants Handbook, capital assets are identifiable assets that meet all of the following criteria:

- a. are held for use in the provision of services, for administrative and academic purposes, for the production of goods or for the maintenance, repair, development or construction of other capital assets;
- b. have been acquired, constructed or developed with the intention of being used on a continuing basis;
- c. are not intended for sale in the ordinary course of operations;
- d. whose useful life extends beyond 1 (one) year and whose capitalization threshold varies according to its category (see Appendix A - "Recognition and Amortization Guidelines" in accordance with Ministry of Education directives).

PURPOSE

The purpose of this policy is to establish a framework for the management and control of University capital assets, including the proper recognition, measurement, safeguarding and disposal thereof. Additional regulations related to the purchasing and ordering of equipment are found in the *Purchasing Policy*.

POLICY

General

1. All capital assets purchased with University operating, capital or restricted funds, as well as all donated capital assets, remain the property of the University regardless of physical location.
2. An exception to the general rule outlined in section 1 may exist in the case of capital assets purchased with research and contract funds, when there is a specific condition



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imposed by the granting or contracting organization at the time the grant or contract is awarded as to the ownership of the capital asset to be purchased. In such cases, capital asset costs shall not be shared or co-mingled with other University funds and shall not be capitalized for financial reporting purposes.

Recognition & Measurement

3. 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 Office of University Advancement should be contacted when donated capital assets are received.
4. The cost incurred to enhance the service potential of a capital asset is considered to be an improvement and shall be capitalized irrespective of the source of funding. Service potential is enhanced when there is an increase in the previously assessed service capacity; associated operating costs are lowered; the useful life of the capital asset is extended or the quality of output is improved.
5. All capital assets with a limited life shall be amortized in accordance with stated methods and guidelines in effect (see Appendix A).

Custody & Security

6. Certain capital assets shall be tracked by physical location through the Fixed Asset Inventory System maintained by the General Accounting Unit of the Department of Financial Services.

A physical inventory shall be taken every three years and shall be conducted simultaneously throughout the University. While overall coordination for the physical inventory shall rest with the Fixed Assets, Capital Funds and Insurance Claims Coordinator ("the Coordinator"), each Department/Unit Head or Organization Manager shall be responsible for conducting the inventory in his or her area in accordance with Appendix B.

7. It is the responsibility of the Department/Unit Head or Organization Manager to ensure that capital assets assigned to his or her custody are maintained and safeguarded in accordance with University policies and procedures. The capital assets held under his or her responsibility shall be reported on a yearly basis in accordance with Appendix B.



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8. As a general rule, all moveable capital assets shall remain at the physical location assigned to them within the University.

Capital assets may only be removed from the University in the course of conducting University related business (i.e. equipment used for University recognized research projects, use at home or on business travel). Upon completion of the project, all capital assets shall be returned to the University.

9. Should it be necessary to move a capital asset for use off-campus or to an alternate location within the University, it is the responsibility of the Department/Unit Head or Organization Manager to follow the appropriate procedures as outlined in Appendix C.
10. It is the responsibility of the Department/Unit Head or Organization Manager to report any stolen or damaged property to the Coordinator as well as to the Security Department in accordance with the procedures set out in Appendix C.

Disposal

11. At the end of a capital asset's useful life, the Department/Unit Head or Organization Manager having custodial responsibility of the capital asset shall follow the appropriate procedures for capital asset disposal as outlined in Appendix C.



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APPENDIX A

“Recognition and Amortization Guidelines” in accordance with Ministry of Education directives

<u>FIXED ASSET CLASS</u>	<u>MINIMUM AMOUNT</u>	<u>AMORTIZATION PERIOD</u>
1. Land	n/a	n/a
Services & Improvements	\$ 30,000.00	20 years
2. Buildings	\$ 30,000.00	2 % declining
Alterations & Improvements per project	\$ 30,000.00	2 % declining
3. Leasehold Improvements per lease	\$ 30,000.00	terms of lease
4. Vehicles & Rolling Stock	\$ 1,000.00	5 years
5. Library Holdings	n/a	40 years
6. Equipment:		
computer	\$ 1,000.00	8 years
audiovisual	\$ 1,000.00	8 years
office	\$ 1,000.00	8 years
furniture	\$ 300.00	5 years
software (purchased)	\$ 1,000.00	5 years
in-house software	\$ 30,000.00	5 years
7. Major Specialized Equipment	\$ 10,000.00	normal life
8. Other Intangible Assets	\$ 1,000.00	normal life: max 40 years
9. Art Collection	\$ 1,000.00	n/a
10. Donations	n/a	normal life



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NOTES

1. Land, Services and Improvements on Land

Land is a defined part of the earth's surface with or without improvements. Since land is capitalized at its acquisition cost and there is no depreciation calculated, the original cost remains unchanged unless improvements are added. The minimum amount has been fixed for this category at \$30,000.00 which is amortized over a period of twenty years. Examples of services and improvements to land include sidewalks, parking lots, benches, fences, lighting and signs.

2. Building Alterations and Improvements

Buildings are permanent fixed structures built for permanent or temporary occupation. The University's buildings are used for various purposes including as classrooms, offices, libraries, residences, art galleries and sports complexes. All buildings are presently recorded in balance sheet accounts. In accordance with the provincial government's regulations, the threshold has been fixed at \$ 30,000.00 per project and is depreciated at a declining rate of two per cent per year. Any renovation or alteration to an existing building that costs less than \$ 30,000.00 shall be considered as maintenance and repairs rather than a capital asset. As well, equipment or renovations that do not add any value to a building will not be capitalized.

Buildings that are under construction where the equipment is connected and designed as an integral part of the structure shall be added to the value of the building since such equipment cannot be separated from the building.

The value of the capital asset is the total amount paid for acquiring or improving the building. These costs include fees for labour, materials, architectural and design, brokers, agents, notarial and legal services, building permits, inspection and filing costs, landscaping and wherever possible the cost of utilities if easily traceable.

3. Leasehold Improvements

Leasehold improvements to rented space are very similar to alterations and improvements in University-owned buildings. The only difference is that the renovation cannot be amortized beyond the term of the lease. A careful review of the lease is necessary before starting any project in order to ascertain whether the cost of the project is cost-effective. All costs relating to the renovation shall be capitalized if they exceed \$30,000.00 per lease. If they do not, all costs will be expended.



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4. Vehicles and Rolling Stock

Vehicles and rolling stock are motorized carriages or conveyors of any kind used on land including cars, trucks, buses, motorcycles, tractors, snowplows, snowmobiles and forklifts. Accessories or equipment forming part of some of the above-mentioned examples including trailers, platforms, caterpillar tracks, skis and wagons are considered as capital assets, as well, although they may not be motorized. Such accessories shall be capitalized if, when added to the major capital asset, they exceed the threshold set by the government's regulations. The minimum amount to capitalize the capital asset has been fixed at \$ 1,000.00 which is amortized over a five year period.

5. Library Holdings

Library holdings are documents and collections of materials including books, bound periodicals, microfilm and CD-Roms under the responsibility of a professional librarian. Books found in various departments throughout the University are not included in this category. The University shall record the entire collection regardless of its value for a period of forty years.

6. Equipment

General

The most commonly purchased capital assets fall under the equipment category. This category has been segregated by type of equipment to provide on-line information of the dollar value of each type. Equipment shall be capitalized if the cost is equal or greater than the threshold set by the government regulations. Amounts less than the threshold limit shall be expended.

Component parts which individually cost less than the capitalization level but when combined exceed it shall be capitalized when purchased as a unit. For example, when purchasing a hard drive, monitor, printer or keyboard and each part costs less than \$ 1,000.00 but as one functional unit has a total cost exceeding \$1,000.00, the capital asset shall be capitalized. When a keyboard is purchased as a replacement part, however, it shall not be capitalized.

Software

Computer software differs from equipment because it is not always tangible or separately identifiable. Software prices vary enormously and government regulations direct the University to amortize large expenditures rather than expense them all in one fiscal year. Two classifications of software have been created. The first covers desktop software and the limit to amortize this type of capital asset has been fixed at a maximum useful life of five years for all software purchases exceeding \$ 1,000.00.



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For major software applications, whether purchased or developed in-house, the threshold has been fixed at \$ 30,000.00 for a maximum amortization period of five years. Whenever possible, all production costs related to in-house software application must be taken into consideration in order to arrive at the actual value of the capital asset. The University spends a significant amount of time and money to develop or improve software applications and it is therefore important to include these factors in the fixed asset inventory system.

7. Major Specialized Equipment

Major and specialized equipment should not be confused with equipment improving the value of a building. Major equipment consists of individual items of machinery, equipment, computer systems and like items costing more than \$10,000.00. This category encompasses a wide variety of items. As such, each item should be examined individually and its useful life determined. Examples of major equipment purchases include satellite dishes, electric generators, medical equipment and musical instruments. The acquisition cost includes the purchase price and other acquisition costs such as installation costs, freight charges, transportation, taxes and duties as well as modifications or attachments which are required to make the item usable for its intended purposes.

8. Other Intangible Assets

An intangible capital asset is an asset with no physical substance which must be paid for by the University in order to be entitled to use it. The most frequently used capital assets which fall into this category are fees for royalties, patents, trademarks and goodwill. The threshold has been fixed at \$ 1,000.00 with a maximum amortization period of forty years.

9. Art Collection

These are capital assets with an exceptionally long or unlimited lifespan due to their cultural or historical value. Such capital assets include jewellery, paintings, sculptures, book collections, monuments, historical sites and chapels. Amounts exceeding \$ 1,000.00 shall be capitalized and added to the fixed asset inventory system. All other transactions shall be expensed.

10. Donations

Donations are gifts, whether tangible or intangible, received by the University. Cash and securities are not considered as a donation of a gift-in-kind. Donations which qualify as capital assets including equipment, books, artwork and copyright interests shall be added to the fixed asset inventory system at the fair market value of the asset at the time it was received. If the capital asset's fair market value cannot be determined, the capital asset shall be evaluated at a nominal amount. All indirect costs, such as transportation and installation, associated with the donation shall be included when evaluating the capital asset. The donation shall not be amortized beyond the useful life of the donation.



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APPENDIX B

Physical Control of Capital Assets

Definitions

1. “Department/Unit Head or Organization Manager” means :
 - the Chair of an academic Department
 - the Director or Manager of an administrative unit
 - the grant/contract holder in the case of a Research and Special Funds account
 - any person or group of persons specifically designated by the individuals listed above to oversee fixed asset control in their areas
2. “Accountable assets” means all assets that meet the University's capitalization criteria as defined in Appendix A of this policy.
3. “Controllable assets” means all other assets that do not meet the capitalization criteria but that the University wishes to physically control in order to properly maintain its resources level.

Categories of Capital Assets

4. It is the University's policy that all property of substantial value be properly controlled and accounted for. However, because of the wide range in value and volume of different assets owned by the University, it would not be practical nor economical to maintain elaborate inventory records for all categories of assets. As such, the University has designated two different types of assets: accountable assets and controllable assets.
5. Accountable assets, which are normally included in the Fixed Asset Inventory System, include but are not restricted to:
 - Vehicles
 - Computers, printers, facsimile machines and photocopiers (when owned by the University)
 - Audio-visual equipment
 - Office furniture such as desks and filing cabinets
 - Major specialized equipment
6. Controllable assets, which are normally not included in the Fixed Asset Inventory System, include but are not restricted to:
 - Chairs (unless worth more than \$300/unit)
 - Tables (unless worth more than \$300/unit)



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7. Assets normally excluded from this policy include:
- Lamps
 - Magazines and books
 - Decorations
 - Lab inventories - special count procedures will be established for lab inventories due to the specialized nature and usage of this equipment. Please communicate with the Coordinator for further information.

Tagging Assets

8. Asset tagging is a crime prevention measure aimed at discouraging theft and facilitating the physical count process. The level of control applicable to University assets is dependent upon the category to which the asset belongs:
- a. For controllable assets - ownership tags on controllable assets valued below the capital threshold should be affixed to indicate the ownership of Concordia University, where applicable. Bar coding is not mandatory for this category. Items identified by ownership tags do not generally require physical inventory;
 - b. For accountable assets - accountable assets must be bar coded to facilitate asset control and safeguarding as well as the physical inventory process. Bar code tags are assigned a number that matches a specific asset in the Fixed Asset Inventory System.
9. All departments should maintain a supply of bar code tags and ownership tags. If you require additional tags or have questions as to which category a particular asset may fall into, please send a request to the Coordinator.
10. Engraving of assets is recommended but not mandatory. You may contact the Security Department to borrow an engraver.
11. Sensitive scientific equipment which may be damaged in the branding or engraving process should not be marked. Branding and engraving are intentional acts. Therefore, if property damage is caused as a result of the branding or engraving process, that damage will not be covered by the University insurance policies. Tagging artwork, sensitive technical equipment or other items is also not recommended if it is likely to affect its function, value or the University's ability to return an asset under warranty. A file must be maintained by the department for all untaggable capital assets that would otherwise be considered as accountable property.



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Incentive and Insurance

12. In the event of theft, damage or loss of University property:
 - a. The Department/Unit Head or Organization Manager shall be responsible only for the applicable insurance deductible amount if the department has tagged and has maintained an inventory of its accountable assets;
 - b. If the Department/Unit Head or Organization Manager has not tagged or maintained an updated list of its accountable assets, its assets will not be considered as insured property and the department will be responsible for the total cost of replacing the missing, stolen or damaged asset.
13. The levels of applicable insurance deductibles depend upon the category of property to which the asset belongs. For further information on the University's insurance policies, please contact the Coordinator.
14. Refer to Appendix C for procedures for dealing with the loss of University property.

Maintenance of the Fixed Asset Inventory System

15. For the first year of application of these procedures (fiscal year 1999-2000), all Department/Unit Heads or Organization Managers are responsible for listing all accountable assets under their control at the time the first physical count is conducted. This list, to be submitted electronically on the "Fixed Asset Inventory Form", will then be updated by the Coordinator, on a yearly basis, with all new purchases recorded in the book of accounts during the year. This updated list will be sent annually to the Department/Unit Heads or Organization Managers for review and update.
16. Because accounting transactions do not provide all the information needed to ensure adequate control of the University's capital assets, Department/Unit Heads or Organization Managers will be responsible for verifying the accuracy of the following information included in the Fixed Asset Inventory System:
 - University building code and room number where the asset is located
 - Funding source and amount which includes the account number(s) used for the acquisition of the item and the amount charged to each account. Due to the difficulty in assessing the estimated value and original cost of assets purchased in previous years, this information will not be mandatory for the initial count during the fiscal year 1999-2000. Information pertaining to the acquisition costs will, however, be provided by the accounting system, starting with acquisitions made during the fiscal year 1999-2000 and will be available for review



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- Description of the asset
 - Manufacturer
 - Model number - manufacturer's designation
 - Serial number
 - Acquisition month and year
 - Purchase order number assigned by Purchasing Services
 - Bar code number
 - Preparer's name and telephone number
17. The list must be verified by the Department/Unit Head or Organization Manager for completeness and accuracy. The list must be signed by someone in a supervisory level who is at least one level above the individual responsible for maintaining the department's capital asset records confirming its accuracy or detailing any discrepancies.
18. Random test counts of fixed assets inventory listings shall be conducted from time to time by Financial Services staff.

Physical Counts

19. Beginning with fiscal year 1999-2000, Department/Unit Heads or Organization Managers must undertake a formal physical count of their department's offices, conference and seminar rooms and laboratories, every three years. It is recommended that the inventory be performed on a room by room basis. Refer to sections 5-7 of this Appendix in order to identify the assets to be included in the count.
20. The Coordinator, along with the Department of Facilities Management, is responsible for taking the physical inventory of the assets found in common spaces used by the University community such as classrooms, lounge areas and auditoriums. They are also responsible for all data concerning buildings, building service systems, improvements other than buildings and land.
21. Scheduling of the University-wide count will be the responsibility of Financial Services which will then inform the University community, at least two months in advance, by way of a written memorandum.



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22. A schedule will be established by Financial Services to ensure that each Department/Unit Head or Organization Manager will have access to the bar code scanners needed to complete the inventory. A certain amount of time will be allotted to each department to take the physical inventory based on the size and the complexity of the inventory it holds. The University's overall physical count should be completed within one month.

Communication of Changes

23. Communication of all changes to the Coordinator throughout the year to maintain the accuracy of the Fixed Asset Inventory System is consequently highly recommended since the basis for the inventory reports are the listings updated annually by the departments. Accurate information from this system is therefore dependent upon the completion by departments of the appropriate forms for additions and equipment relocation to other departments.

24. Data updates are required for the following changes:

- Change in departmental ownership
- Change from location on record (for longer than 6 months)
- Change in usage of equipment
- Change in operating condition (operable, inoperable)
- Change of property title
- Disposal of property through surplus sale, trade-in, theft or other insurable loss

Refer to Appendix C for further details on these updates.

25. Department/Unit Heads or Organization Managers will be required to reconcile and explain major discrepancies between University records and the Physical Count results.



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APPENDIX C

Disposal of Capital Assets

Disposal of Assets

1. Accountable assets, as defined in Appendix B, are disposed of for various reasons. They may be obsolete or fully depreciated and should be removed from the Fixed Assets Inventory System. Other times, the asset may no longer be useful for one department but may be transferred or stocked away for some other department to use. Whatever the situation, any disposal of an accountable asset by a department must be recorded on the "Reallocation or Loss of Assets Form".
2. The same transaction authority used to purchase the asset must be used when disposing of it. Please remember to remove all tags and official University seals or indicia before disposal.
3. Due to the potential sensitivity of transactions involving gifts-in-kind, departments must contact both the Office of University Advancement and the Coordinator before making arrangements for disposing of any gift-in-kind.

Internal Reallocation

4. In the first instance, departments must try to internally reallocate the asset. Information from the "Reallocation or Loss of Asset Form" shall be displayed on a Stockroom Website for no less than two weeks for other departments' consideration. The selling price shall be fair market value as determined through a competitive bidding process or alternate acceptable means administered by Purchasing Services. The selling price shall be on account for the selling department.
5. When a capital asset is transferred between departments, the transaction shall be recorded by way of a journal entry even if the amount of the transfer is below the capital threshold and the current book value. The journal entry must be authorized by both the releasing and receiving departments. The new location and a bar code tag number for the equipment shall be recorded in the journal entry.

If the transfer does not involve a charge, a journal entry is not required.



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Sale

6. If there is no internal interest in the asset after a minimum of two weeks, departments may attempt to sell the assets, at the cost set by Purchasing Services, to a University employee or to an outside party.
7. When selling branded or engraved equipment, the bar code number must be included on the bill of sale.
8. All sales records must be kept for a minimum of five years.

Donation

9. If there is no internal interest in the capital asset and no University employee or outside party is interested in purchasing the asset, departments may arrange to donate the asset to a non-profit organization in consultation with the Coordinator.

Off-Campus Transfers

10. As a general rule, all moveable capital assets shall remain at the physical location assigned to them within the University.

Capital assets may only be removed from the University in the course of conducting University related business (i.e. equipment used for University recognized research projects, use at home or on business travel).

11. In order to protect University property, to provide insurance coverage and to avoid potential embarrassment to individuals the "Reallocation or Loss of Assets Form" must be completed. For insurance purposes, this form must be completed and returned to the Coordinator prior to any equipment leaving University premises. Equipment transferred off-campus must be marked as the property of Concordia University. The use of a University tag will facilitate tracing in the event of equipment being lost or stolen.
12. The same transaction authority used to purchase the asset must be used when authorizing the use of University assets at other sites. This requirement applies to all assets, regardless of the source of the funds used for the acquisition.
13. As part of their duties, Security Agents may question individuals removing equipment in order to prevent theft. Faculty and staff transporting equipment should, therefore, be prepared to present suitable identification such as a Concordia University I.D. card or a letter from the account signing authority.



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Report of Stolen, Missing or Damaged Assets

14. The "Reallocation or Loss of Assets Form" must be completed to report stolen, missing or damaged assets. A copy of this form should be sent to the Coordinator and to the Security Department on the day of the loss for insurance claim and investigation purposes.