



POLICY AND PROCEDURE MANUAL

SECTION: Financial

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DATE: May 2025
April 2023

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TANGIBLE CAPITAL ASSETS POLICY

PURPOSE

This accounting policy establishes the criteria for recording and classifying capital assets in Contract Brant's financial statements. Capital Assets must be capitalized and amortized for financial statement purposes.

A "Capital Asset" is defined as a unit of property that:

- (1) has an economically useful life that extends beyond 12 months; **and**
- (2) was acquired or produced for a cost of \$1,000 or more.

Definitions

Restricted contribution: A contribution subject to externally imposed stipulations as specified by the contributor.

Unrestricted contribution: A contribution that has no externally imposed conditions and Contact Brant is free to use the funds in any manner it chooses.

POLICY

Capital Assets will be capitalized and amortized for financial statement purposes when it has a value of over \$1,000.00.

PROCEDURES

1. A capital asset is any tangible asset purchased for use in the day-to-day operations of Contact Brant from which an economic benefit will be derived over a period greater than one year. Capital assets include items of property and equipment such as buildings, leasehold improvements, office furniture, fixtures, computers, printers, and other related technology equipment.
2. The cost of a fixed asset is capitalized when it is acquired unless its value is \$1,000 or less, in which case it is expensed in the period acquired.
3. The acquisition cost of a capital asset includes all of the costs necessary to place the asset in service for its intended use. In general, this should include, but not necessarily be limited to, the net invoice price of the asset, including the cost of any attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired. Also included in the acquisition cost are freight, transit insurance and installation charges.

4. For donated assets, the fair market value at the date of the gift will be used as the acquisition cost.
5. Repairs and maintenance that do not materially increase the useful life of the asset or increase its value should be expensed, not capitalized.
6. For each purchase, the CEO shall evaluate whether the acquisition will impact insurance coverage, determine whether present coverage valuations are adequate, and obtain additional coverage if necessary.

Capital Asset Classifications

7. Capital assets will be classified according to the following categories:
 - a. *Furniture and Equipment*. Furniture includes assets such as storage racks, office cubicles, desks and chairs. Office equipment includes equipment such as copiers, printers, and video equipment.
 - b. *Computer equipment*. Computer equipment accounts can include desktop and laptop computers, routers, servers, and backup power generators.
 - c. *Computer software*. The software account includes larger types of departmental or company-wide software, such as enterprise resource planning software or accounting software. Many desktop software packages are not sufficiently expensive to exceed the corporate capitalization limit.

Amortization of Capital Assets

8. The cost, less any residual value, of a tangible capital asset with a limited life will be amortized over its useful life. When an amortization expense is charged to the income statement, the net value of the long-term asset is recorded on the balance sheet by the same amount. This continues until the cost of the asset is fully expensed or the asset is sold or replaced.
9. Amortization shall begin in October of the year in which the costs were incurred. That means, capital assets will be treated as if they have been in service for one-half of their first year, regardless of when it was actually acquired.
10. No amortization shall be recorded in the year an asset is disposed of.
11. Amortization is calculated on capital assets as follows:
 - a. *Furniture and Equipment* - Declining balance 20%
 - b. *Computer equipment* - Declining balance 55%
 - c. *Computer software* - Declining balance 100%
12. The formula for calculating amortization value using the declining balance method is: $\text{Amortization on per annum} = (\text{Net Book Value} - \text{Residual Value}) \times \% \text{ Amortization Rate}$.
Net Book value is the cost of a capital asset minus the accumulated (total) amortization. It is the asset's net value at the beginning of an accounting period.

