

ST. JOSEPH ACADEMY
(SJA)

Department:	Finance
Number:	200.1.3
Effective Date:	7/3/08
Review Date:	January 7, 2021
Revised Date:	October 23, 2019
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- I. **Policy:** The purpose of accounting for capital assets is an important part of the stewardship responsibility of the ministry's assets, including safeguarding, financial and managerial reporting and ensuring that there is appropriate insurance coverage in effect.
- II. **Procedures:**
 - A. **Definition of Capital Assets:**

Capital assets are defined as land, land improvements, buildings, building improvements and movable/tangible property and equipment that are used in operations that have useful lives that extend beyond one year. The cost of these assets must also meet the established capitalization threshold.

 - Assets should be reported at historical cost
 - The capitalized cost will include all costs incurred to place the asset in service
 - The straight-line method of depreciation should be used (cost/useful life)
 - A half year of depreciation should be taken for the year assets are placed into service or disposed
 - Useful life will be assigned to each asset based on depreciation lives listing attached
 - B. **Donated capital assets:**

Donated capital assets will be recorded at their estimated fair market value at the date of the donation. An appraisal will be obtained if the value is material or not easily determined.
 - C. **Capitalization Threshold:**

Assets that cost or have a fair market value less than \$2,500 will be expensed in the period that the costs are incurred.
 - D. **Companion or Multiple Item Purchases:**

Companion items can be defined as items with a related compatibility. An example of combined items is the furnishing of an office with the purchase of a desk, chairs, file cabinets and similar items. If companion items are purchased at different time intervals, the combined cost of the items (not the individual cost of each item) is used to determine if the asset meets the capitalization threshold.

Multiple items can be defined as items, which function on a stand-alone basis. An example of a multiple item is the purchase of printers, which will be used in separate offices. If multiple items are purchased at the same time, the individual cost of each item (not the combined cost of multiple items) is used to determine if the asset meets the capitalization

threshold.

Categories of Asset Classifications:

Land:

- Land is always capitalized regardless of the cost or threshold policy.
- Any costs incurred to raze existing structures with the purpose of building new structures will be added to the land value (not to exceed the market value of the land) and not the new structure depreciable building value.
- Land is not depreciated

Land Improvements:

Includes improvements directly to or added to the land. These improvements include sidewalks, parking lots, driveways, roads, shrubbery and fences.

Building:

Buildings include permanent structures and fixtures, machinery, and appurtenances that cannot be readily moved without the basic building structure or services to the building.

Building Improvements:

- Building improvements are significant additions, alterations, renovations or structural changes that extend the useful life or enhance the value of an existing building or structure.
- Any major renovations or alterations within an existing building will be added to the cost of the original building and be depreciated over the remaining life of the building or structure.
- For buildings with less than 5 years remaining useful life, the useful life of the improvement should be used.

Construction in Progress

- Project costs, including capitalized interest, will be tracked separately and will be capitalized and not subject to depreciation until it is determined that the project is placed in service. Depreciation on major projects may be calculated based on the month that the project is placed in service.

Equipment

- All personal computer system units or servers valued at \$2,500 or more are capitalized.
- Computer units will include any and all peripheral devices including pre-loaded software.
- Other office equipment includes but is not limited to printers, fax machines, telephone systems, copiers, paper shredders, etc.

Furniture and Fixtures

- Desks and chairs may be defined as working stations with individual pieces which when assembled, functions as a stand-alone working unit.
- A board room with chairs would be considered a working unit
- The working units are "companion items" and accounted for as such in the property records

Automobiles/Transportation

- Includes vehicles, vans and buses.

School Curriculum

- Hard Cover textbooks that are used for more than one year.
- Science kits that are used for more than one year.

Warranties and Service Agreements

Computer equipment is usually "bundle priced" with a warranty for a period, which usually extends for one year. Initial purchase warranty costs are not usually itemized and are therefore not expensed when incurred but instead are capitalized along with the cost of the equipment. By contrast, extended warranties and/or service agreements usually involve a separate contract for a specified period and are expensed when incurred.

Repairs and Maintenance

Ordinary repairs and maintenance costs should be expensed in the period in which they are incurred. Maintenance costs are incurred to keep operational assets in usable condition. Ordinary repairs are also recurring and usually involve small expenditures, and do not add materially to the value of the asset nor prolong its life.

Recordkeeping/Fixed Asset Tracking

- The capitalized assets are tracked using an excel spreadsheet.
- Only book depreciation is calculated (tax depreciation not necessary).

Disposition of Assets:

When fixed assets are sold or otherwise disposed of, the depreciation report will be relieved of the cost of the asset and the associated accumulated depreciation.

(Attachment on page 4)

Approved by:



President/CEO

Date:



St. Joseph Academy, Inc. Capitalization Policy		
		Useful Life
	Land Improvements	15
	Building	
	New Construction	27.5
	Existing Building/Major renovation	27.5
	Building Improvements	
	General - Plumbing, roofing and HVAC	15
	Carpet replacement	7
	Painting	7
	Equipment	
	Computers & peripheral equip	3
	Office Machines (Copiers, paper shredders)	5
	Communications (Telephone systems)	7
	Other - Dietary, maintenance and similar	10
	Furniture & Fixtures	
	Office - desks, files and safes	7
	Residential - Furniture and Appliances	10
	Program - Classroom furniture and toys	7
	School Curriculum	
	Text Books	6
	Science Kits	3
	Automobiles/Transportation	
	Automobiles	5
	Light Trucks	5
	Buses/Vans	7
	Adopted: October 23, 2019	