



A culture of recognition and mutual respect where the MRSA is an equal and valued partner in the MRU community.

Fixed Asset and Capitalization Policy		
First Draft:	October 2021	Sponsor: Audit & Finance Committee
Current Version:	v.1.02	
Last Amended:	February 2022	Approved by: MRSA Executive Board
Next Review:	June 2027	

Preamble/context

The purpose of this policy is to develop a process for managing the Association’s fixed assets both from an accounting perspective and from an inventory management perspective. This includes a capitalization threshold, or (the specific dollar amount at which an item is recorded as a capitalized fixed asset and then depreciated over time). Many mid-sized nonprofits have a capitalization threshold of \$1,000. This threshold is an effort to ensure the capitalization policy makes sense for our organization in terms of depreciation and inventory management.

Policy

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the fixed assets that will be recorded in the Mount Royal Staff Association’s (MRSA) annual financial statements. This policy also outlines the capitalization method and record keeping procedures associated with managing fixed assets.

Definitions

1. **Fixed assets** - Tangible pieces of property or equipment with a useful life of more than a year, (E.g. computers, printers, office furniture, vehicles, buildings and land, etc.) and are directly involved in the operation of the Association. For the purposes of this policy there are two types of fixed assets.



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- a. **Capitalized fixed asset** are physical entities such as equipment, furniture, and other property that:
 - i. have an economic useful life that extends beyond 12 months; and
 - ii. were acquired or produced for a cost of \$1000 or more.

Capitalized fixed assets must be capitalized and depreciated for financial statement purposes.

 - b. **Non-Capitalized fixed assets** are physical entities such as equipment, furniture, and other property that, in the context of this policy,
 - i. have an economic useful life that extends beyond 12 months; and
 - ii. were acquired or produced for a cost of less than \$1000.
2. Capitalization: the process of expensing the costs of attaining an asset over the life of the asset, rather than the period the expense was incurred.

Capitalization method and procedure

The capitalization threshold shall be \$1,000 or greater. Assets valued at \$999 or less shall be considered non-capitalized.

All capitalized fixed assets are recorded at the original purchase price as of the date acquired. This will be coordinated with the Association's bookkeeper and auditor to update financial records for proper depreciation.

Non-capitalized fixed assets are recorded as a one-time expense within that fiscal year for the MRSA's annual financial statements.

Assets with an economic useful life of twelve (12) months or less are required to be fully expensed in the fiscal year of purchase for financial statement purposes, regardless of the acquisition or production cost.



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Record Keeping

All capitalized and non-capitalized fixed assets shall be marked with a MRSA capital assets sticker.

Annual depreciation expenses for capitalized fixed assets will be included in the MRSA's annual operating budget.

An annual inventory of all capitalized and non-capitalized fixed assets will be conducted and will be coordinated with the Association's auditor to update financial records for disposals and depreciation of capitalized fixed assets.

The Audit and Finance committee will be responsible for ensuring the annual physical inventory process occurs prior to year end.

Version Number	Date Approved	Approved by	Description
1.02	June 22, 2022	Executive Board	Creation of Fixed Asset and Capitalization Policy