

**ST. ANDREWS HEIGHTS COMMUNITY ASSOCIATION**  
**ASSET CAPITALIZATION POLICY**

Beginning with the fiscal year April 1, 2015 to March 31, 2016, all capital asset acquisitions will be recorded in the financial books as Assets, rather the previous policy of recording them as expenses of the current fiscal year.

This policy change was recommended during the 2014-15 Audit, in order to comply with accounting standards for not-for-profit organizations. The result is that cost of the future assets will be spread over many fiscal years, based on the expected useful life of the asset; the past policy had the full cost of the asset show as an expense in the year of acquisition.

Assets acquired prior to April 1, 2015 will not be re-stated in the financial records.

An acquisition capital needs to cost more than \$500 in order to be classified as a capital asset. Assets acquired for less would be treated as an expense, as in the past.

A capital asset also would be expected to have a useful life of more than one year.

## APPENDIX

An asset will usually be a specific item, such as a refrigerator or a snow-blower, but it could also be hall fixtures, such as new lights. In general, replacing something in the hall to be same standard would be treated as an expense (as “Hall Maintenance”), whereas a replacement that is more of an upgrade would be treated as an Asset – the expense of removal and disposal of the old asset, preceding the new installation, should also be included in the amount to be capitalized. This could also be seen as extending the life of the asset.

Administrative process will be that the purchase of an asset will be coded to a new account, # 15500 “Capital Asset Purchases”. When the auditor is preparing year-end adjusting entries, they will transfer these funds to the appropriate asset account, as well as prepare the associated depreciation bookkeeping entries.

### Example of expenditures, with the correct accounting treatment:

Purchase of snowblower for \$550	Asset
Purchase of microwave oven for \$200	Expense – under \$500
Purchase of kitchen and washroom supplies for \$600	Expense – useful life less than one year
Replacing a window to same standard for \$600	Expense – this is a replacement, not an upgrade
Replacing a window with better quality for \$1,000	Asset – this is an upgrade
Re-surfacing the entire tennis courts for \$2,000	Asset – extends the life of the asset
Patching the tennis courts for \$600	Expense – more like ongoing maintenance
Purchase of new furnace for \$2,000, plus installation cost of \$100 and disposal charge of \$50	Asset, at a cost of \$2,150