



# California Health Sciences University

UNIVERSITY

## POLICY ON CAPITAL ASSETS

### PURPOSE

California Health Sciences University (the university) acquires and uses capital assets in carrying out its mission and is responsible for the stewardship of and recordkeeping for those assets. This policy provides guidelines for the university to manage those fixed assets over the asset lifecycle through disposal.

### SCOPE

This policy applies to any faculty, staff or department who purchase, take custody of, or dispose of capital assets, as well as capital that are donated or otherwise transferred to the university.

### POLICY STATEMENT

The university is responsible for safeguarding, maintaining, disposing of and properly accounting for assets in accordance with Generally Accepted Accounting Principles and in compliance with all applicable laws and regulations. The Business Office is responsible for the proper identification of assets, recordkeeping, physical tagging and conducting of university-wide physical inventories for all assets, whether those assets are above or below the fixed asset threshold. Individual departments and their assigned asset custodians are responsible for stewardship and oversight of all university assets within their control.

### DEFINITIONS

- A. **Fixed Asset** is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months, and (2) was acquired or produced for a cost of \$5,000 or more. Capital assets must be capitalized and depreciated for financial statement and budgeting purposes.
- B. **Movable Equipment** is an article of non-expendable, tangible, free standing personal property.



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- C. **Depreciation** is an accounting method of allocating the cost of a tangible asset over its useful life.
- D. **Asset Useful Life** is the expected number of years an asset will be in service for its intended purpose.
- E. **Asset Custodian** is the individual who has stewardship responsibility for fixed assets under their departments control.

### RELATED INFORMATION AND PROCEDURES

#### A. Fixed Assets

Fixed Assets include property and equipment such as: buildings, office furniture, fixtures, and technological equipment. In addition to the cost of the asset, other costs may be considered as part of the total asset costs such as shipping, initial labor, and installation costs. All costs to get an asset into working condition must be considered when planning for a capital project.

Bulk purchases of similar items or sets of items that have an aggregate value of \$5,000 or more could also be considered a Fixed Asset regardless of the individual price of the item. The Business Office should be notified before such purchases are made, for the final determination whether or not to categorize as a Fixed Asset.

At the time a Fixed Asset is acquired and placed in service, its total cost (including materials used, sales tax, and labor costs for installation) is capitalized and subsequently depreciated over the asset's estimated useful life. The useful life and depreciation method will be determined based on the IRS published guidelines, but are subject to modification, if facts and circumstances at the University differ from the guidelines. Useful lives are reviewed periodically by the Business Office and changes are made as necessary.



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B. The following purchases are considered Fixed Assets:

1. **Moveable Equipment:** These items are not permanently affixed to a part of the building. Examples include chairs, desks, filing cabinets, bookcases, etc. Some moveable equipment can consist of more than one component. Before purchase, the Business Office should be notified for determination if the items being purchased are to be considered in this category.
2. **Leasehold Improvement:** These items are permanently affixed to a building but is separate from the building itself. Examples are light fixtures, water fountains, fire control apparatus, etc.
3. **Building Improvements and Renovations:** Major improvement projects that will extend the useful life of an existing asset, increase the efficiency, or add new capabilities will be capitalized. All costs including parts and labor will be included in the total cost of the project. An example of this would be replacing a roof to a building. Parts and labor used to perform minor repairs of an existing asset are considered routine maintenance and the costs of such repairs will be expensed in the period incurred. Examples of this would be painting an office, additions of offices, new walls, and partitions, replacing carpet in one area or replacing a faucet in a sink.
4. **Computer Software:** Computer software includes all programs designed to cause a computer to perform a desired function. It includes database or similar items that are in the public domain. Software that can be purchased “off the shelf” without modifications may be expensed in the year purchased. Subscription-based software and maintenance agreements, which are generally month-to-month or annual based, will be expensed in the periods they cover.
5. **Electronic Office Equipment:** Electronic office equipment includes computer hardware and related items purchased for a computer to function properly that fall within the Fixed Asset threshold, either individually or in aggregate total. It includes,



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but is not limited to: hard drives, audio visual equipment, servers, switches, printers and scanners.

6. **Research Equipment:** Research equipment includes movable equipment related to an investigator/faculty's approved research. All research equipment must be in compliance with University's research priorities.
7. **Right of Use Assets:** In accordance with the Accounting Standards Codification 842, leases are classified and accounted for as either operating or finance leases.

Finance leases are treated as the acquisition of a capital asset and credit to lease liability by the lessee. Depreciation of the asset would be recorded with university guidelines stated elsewhere in this policy. For a lease to be classified as a finance lease, it must meet one of these five criteria:

- i. Transference of title/ownership to the university by the end of the lease term.
- ii. The lease grants the university an option to purchase the asset at the end of the term and the university is reasonably certain that it will exercise the option.
- iii. The lease term is for a major part (75% or more) of the remaining economic life of the asset. For purposes of this policy, the estimated economic life is the same as useful life used for depreciation.
- iv. The present value of the sum of the remaining lease payments equals or exceeds substantially all (90% or more) underlying asset's fair value.
- v. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

Operating leases, Accounting Standards Codification (ASC) topic 842 requires recognition of a right of use (ROU) asset and a corresponding lease liability upon lease commencement. The university has made an internal accounting policy election to capitalize any operating leases more than 12 months in length and with a present fair market value of \$15,000 or more will be capitalized according to ASC 842.



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### C. Donations

Donation of assets are at times offered to an organization and must be accounted for properly at the fair market value and may be considered income to the university. As such, departments that become aware of the possibility of donated items should reach out the Business Office before acceptance of an asset to determine proper accounting and consider tax implications to the university.

### D. Non-capitalized Assets

Operating leases valued below \$15,000 or tangible assets costing below the \$5,000 threshold or assets with a useful life of 12 months or less are required to be expensed for financial statement purposes in the month of purchase, regardless of the acquisition or production cost. Although they may not be considered Fixed Assets for accounting purposes, they could still be considered capital assets which are monitored CHSU's physical inventory system and eligible for annual inventories.

### E. Physical Inventory

Physical inventories are conducted as good practice to verify the existence, location, condition and use of an asset which will ensure records are accurate and current. The university conducts annual reviews of asset inventories and physical inventories at least every two (2) years.

### F. Movement of Fixed Assets

Prior to any movement of a university asset, both the Business Office and Operations Departments must be notified as this will affect inventory tracking. If movement will be temporary, the dates during which the asset will be relocated, and the return date must be communicated to the Business Office and Operations Departments. If the movement will be



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permanent, the new location of the asset must be communicated to the Business Office in order to correctly account for its location within the inventory management system. No fixed asset will be permitted to be moved off the CHSU premises.

### G. Disposal of Assets

All acquired assets have a value and expected useful life, when the asset's usefulness warrants disposal from a department, the asset may have value to other departments or members of the community. Asset Custodian's should review their departments assets throughout the year and must complete an Asset Disposal Form as soon as they are aware that an asset is no longer being utilized. This form must be submitted to the Business Office within thirty (30) days of asset non-use and will be used to determine proper disposal procedures.

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## RESPONSIBILITIES

- A. The Business Office is responsible for managing and updating this policy as necessary and providing guidance to departments as needed.
- B. Colleges and Departments are responsible for adhering to the policy, identifying and budgeting properly for assets needed in the upcoming year, and identifying and notifying the Business Office of Assets no longer needed or in use.

## HISTORY (R\*)

Approval Date:

09.16.2024

Revision Date(s):

Reviewed Date(s):

09.11.2024

## RACI

**R:** Chief Financial Officer

**A:** Controller and Business Office

**C:** VP or Operations, Director of IT, VP of Research

**I:** CHSU Community, Budget Managers