TRINITY INTERNATIONAL UNIVERSITY

TIU POLICY: **Asset Capitalization and Depreciation Policy**

TIU POLICY #: **P-201**

STATUS: **Approved, November 2009**
Updated, July 2017

I. PURPOSE:

The purpose of this policy is to specify the criteria for:

1. The capitalization of institutional purchases;
2. The capitalization of donated assets;
3. The depreciation of tangible capitalized assets;
4. The amortization of non-tangible capitalized assets.

II. SCOPE:

Definitions:

A. Capitalization of Institutional Purchases: any expenditure of unrestricted or restricted funds that could be categorized within one of the capitalizable asset categories identified in Section III, B and meets the capitalization criteria.

B. Donated Assets: any donated item received by Trinity International University (University) that could be categorized within one of the fixed asset categories identified in Section III, B and meets the capitalization criteria.

C. Depreciation and Amortization of Fixed Assets: any capitalized asset recorded in the financial records of the University.

III. POLICY:

A. Capitalization Criteria

The following criteria must be met in order for an item to be capitalized as a fixed asset in the financial records of the University:

1. Dollar Threshold – $5,000 (inclusive of all appropriate costs, see Sec. III, C, 1) and is able to be identified as a segregated item. Exceptions to the “segregation” requirement may include furniture and Information Technology (IT) “bundled” or grouped equipment.
   a. Dollar Threshold for grouped furniture purchases: $50,000
   b. Dollar Threshold for grouped IT purchases: $15,000

2. Intended Use – The item must be intended for use in the University's operation and not be intended for resale.
3. Useful Life – The item must have a useful life greater than one year.
4. Items purchased under an operating lease agreement are not to be capitalized. Items purchased under a capital lease agreement are to be capitalized if the underlying asset(s) meet the other capitalization criteria.

B. Capitalizable Asset Categories

All capital assets shall be classified as one of the following:

1. Autos;
2. Buildings;
3. Building Improvements;
4. Construction in Progress;
5. Equipment (including technology) and Furniture;
6. Land;
7. Land Improvements (excluding landscaping);
8. Leasehold Improvements;
9. Library Books;
10. Refinance Costs.

C. Capital Asset Valuation

1. Purchased Assets – In accordance with generally accepted accounting principles, a capitalizable asset will be recorded at acquisition cost, including all costs necessary to place the asset into service. Thus, the cost will include purchase price, sales tax (if paid), freight, installation costs, and any capitalizable interest. Capitalized assets are not to be "written-up" to reflect appraisal, market, or current values that are above cost.
2. Donated Assets – Donated assets will be recorded at appraised value.
3. Repairs and maintenance costs that do not add to (extend) the useful life of the asset will be expensed. Remodeling and refurbishment projects will be evaluated on a case-by-case basis with the Chief Financial Officer and/or Senior Vice President of Finance and Operations deciding whether such projects are to be expensed or capitalized.

D. Audits of Fixed Assets

The Senior Vice President of Finance and Operations will initiate periodic reviews of the fixed asset list to verify that recorded assets are physically present.

E. Depreciation and Amortization of Capitalizable Assets

The following will be employed unless expressly stated otherwise within this policy:

1. Method of Depreciation and Amortization: Straight Line;
2. Salvage Value: $0 salvage value is assumed;
3. Recording: depreciation expense will be recorded monthly in the University's general ledger system;
4. Useful Life: useful life for capitalizable assets is presented in the chart on the following page:

Capitalizable Asset Categories	**Useful Life**	**Comments**
Autos	4 years if purchased with cash. If financed, depreciate over the term of the financing.	Includes trucks, vans and items requiring a vehicle registration tag.
Buildings	40 years	a. Generally a transfer from construction in progress. b. Interest costs will be included for bank financed projects, but not for internally and/or donor financed projects.
Building Improvements	10 years	Includes roof replacement and structural repairs that extend the useful life of the building.
Construction in Progress	n/a	Not depreciable until placed in service.
Equipment and Furniture	a. Building Equipment: 10 years b. Computer Equipment: 3 years c. I.A.S. Equipment: 5 years d. Furniture: 5 years	a. Includes boilers, A/C units, etc. b. Includes servers, A/V Equip. including items “bundled” to make the equipment operational. c. Both major and minor.
Land	n/a	Not depreciable.
Land Improvements	a. Major Paving: 10 years b. Minor Paving: 5 years c. Other: 5 years	a. Includes new or resurfaced roads and new or resurfaced parking lots. b. Includes sidewalks and building entrance areas. c. Includes irrigation/sewer, lighting, etc. Excludes purchases that would be labeled as “landscaping”.
Leasehold Improvements	Over the remaining life of the lease.	Include any lease extension options if at the time of capitalization there is a reasonable assumption that the option will be exercised.
Library Books	Amortize over 15 years using ½ year convention.	Amortization is recorded annually at fiscal year-end close.
Refinance Costs	Amortize costs associated with new or refinanced debt over the term of the financing agreement.	