



Tangible Capital Assets Policy

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1. Policy

Tangible capital assets will be managed using a life-cycle approach that effectively manages and plans for the replacement and maintenance of capital assets and ensures that the capital assets' values are accurately communicated to the auditors and reflected in The Land Conservancy of BC's (TLC's) financial statements.

2. Purpose

The purpose of this policy is to provide guidance on the planning, management, and accounting treatments for tangible capital assets over the entire asset life cycle

3. Scope

This policy applies to TLC employees and the TLC Board of Directors.

4. Definitions

“Asset recognition criteria” means the criteria to be used to set the threshold for determining whether a tangible capital asset must be included in the tangible capital asset register and in the life-cycle management program.

“Cost” is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development, or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed tangible capital asset, is equal to its fair value at the date of contribution.

“Deferred Maintenance” is maintenance that was not performed when it was scheduled, or that was delayed for a future period and may result in a decrease in service levels and can affect the life expectancy of the asset. It is noted in the asset register.

“Fair value” is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

“Rehabilitation” includes alteration, extension and renovation but does not include routine maintenance.

“Replacement” includes substitution, in whole or in part of a tangible capital asset.

“Life-cycle management program” means the program of inspection, review and planning for the management of the TLC's tangible capital assets.

“Life cycle planning” is a key component of a life-cycle management program as it provides information for understanding the condition and assessing the performance of capital assets, anticipates the needs for replacements in the short and long term, and assesses the cost and sustainability of existing programs.

“Net book value” of a tangible capital asset is its cost, less both accumulated amortization and the amount of any write-downs.

“Residual value” is the estimated net realizable value of a tangible capital asset at the end of its useful life.

“Tangible capital assets” are non-financial assets having physical substance that:

- (a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance, or repair of other tangible capital assets;
- (b) have useful economic lives extending beyond an accounting period;
- (c) are greater than \$500 in value or cost;
- (d) are to be used on a continuing basis; and
- (e) are not for sale in the ordinary course of operations.

“Useful life” is the estimate of the period over which a tangible capital asset is expected to be available for use.

5. Responsibilities

- (1) The Executive Director, in consultation with the Board Treasurer and accounting staff is responsible for ensuring, overseeing, authorizing and/or approving:
 - (a) The asset recognition criteria;
 - (b) That tangible capital assets are tracked and tagged, and in the case of vehicles, keys to buildings etc., that a system is developed to monitor usage and control of the asset(s) such as sign-in/sign-out procedures;
 - (c) The maintenance of a tangible capital assets register;
 - (d) An annual inspection plan of the capital assets to assess the physical condition of the assets and to determine whether there should be a revision to useful life and/or maintenance requirements;
 - (e) Adequate insurance coverage for all pertinent capital assets;
 - (f) A specialized sub-budget for acquisitions and rehabilitation of capital assets (as required);
 - (g) Procedures for the safeguarding of tangible capital assets; and
 - (h) That any changes to tangible capital assets are communicated to the Board of Directors and the TLC auditor at year end.

(2) The Board of Directors is responsible for:

- (a) Reviewing the budget for acquisitions and improvements to tangible capital assets in concert with the tangible capital assets register and tracking documentation on an annual basis, at some time prior to the accounting year end.

(3) TLC employees, staff and volunteers are responsible for:

- (a) Notifying the Executive Director of any impairment or loss to the capital asset under his/her control;
- (b) Obtaining approval from the Executive Director when using any tangible capital asset off-site and abiding by the sign-in/sign-out procedures.

(4) Finance and accounting staff are responsible for maintaining the tangible capital assets register (inputting and calculating information).

6. Procedures

Tangible Capital Asset Register

(1) A detailed tangible capital asset register will be established, maintained, and kept current by the Finance and Accounting staff (or other assigned employee(s)). The asset register will facilitate the life-cycle management program with maintenance, rehabilitation, and replacement activities as well as providing an accurate inventory of tangible capital assets.

(a) The register will include the following:

- i. Location and intended purpose of the asset;
- ii. Restrictions on use (e.g. private use, pay-per-use, rental/lease);
- iii. Date of acquisition¹;
- iv. Inspection date(s);
- v. Original expected life of the asset at the time of acquisition²;
- vi. Most recent assessment of the condition of the asset and its expected remaining useful life³;
- vii. Original cost to acquire⁴;
- viii. Any costs capitalised after the initial acquisition or development of the asset (e.g. additions, betterments);

¹ Will apply to newly acquired assets unless information on assets prior to the effective date of policy application.

² *ibid*

³ The expected remaining useful life of each asset must be re-assessed annually at a minimum. Any changes to this estimate must be accounted for prospectively as a change in estimate which will need to be communicated to the auditor for depreciation/amortization changes.

⁴ Will apply to newly acquired assets unless information on assets prior to the effective date of policy application.

- ix. Any amounts de-recognised because of the sale or disposal of the asset;
- x. Any proceeds received because of the sale of the asset;
- xi. The amount of depreciation expense calculated for the current period⁵;
- xii. The total accumulated depreciation expense as at the end of the current period⁵;
- xiii. Any increase to accumulated depreciation made during the current period to reflect an impairment in the carrying value of the asset⁵;
- xiv. The total cost, accumulated depreciation and carrying value (i.e. net book value) of the asset as at the end of the current period⁵;
- xv. Estimated residual value of the asset (i.e. the estimated net realizable value of the tangible capital asset at the end of its useful life to TLC)⁵;
- xvi. Insurance coverage details for the asset; and
- xvii. Information pertaining to the seller or person/entity donating the asset.

(2) An asset tracking (i.e. serial) number will be assigned to each tangible capital asset which will be recorded in the tangible capital asset register.

(3) The finance and accounting staff will regularly reconcile the general ledger to the tangible capital asset register. Please refer to Appendix A for additional guidance on the Tangible Capital Asset Register.

Amortization/Depreciation

(4) A suitable method for amortizing (or depreciating) each category of tangible capital assets held by the TLC has been determined. All capital assets are initially recorded at cost and are amortized using the declining balance method applying the following rates:

- Buildings 5%;
- Furniture and Equipment 5%, 20%, 30% and 50% (depending on the type of equipment and in accordance with classifications used by CRA);
- Computer equipment and software 30% and 50% (depending on type); and
- Vehicles 30%.

(5) Should there be any acquisition of new tangible capital assets which do not fall within any of these categories, the Executive Director, in consultation with the accounting and finance staff, the Board Treasurer and/or TLC's auditor will determine the appropriate depreciation method based on the use and type of asset acquired.

⁵ Can include this information post audit as such calculations are normally reconciled during the audit. As this information is usually kept as a separate stand-alone document, it may be kept independently and excluded from the tangible capital asset register.

- (6) The amount of depreciation for a tangible capital asset will initially be based on the cost less any residual value of a tangible capital asset with a limited life.
- (a) The useful life of a tangible capital asset depends on its expected use by TLC. Factors to be considered in estimating the useful life of a tangible capital asset include:
- i. expected future usage;
 - i. effects of technological obsolescence;
 - ii. expected wear and tear from use or the passage of time;
 - iii. the maintenance program;
 - iv. studies of similar items retired; and
 - v. the condition of existing comparable items.
- (7) The amortization method and estimate of the useful life of the remaining unamortized portion of a tangible capital asset should be reviewed on a regular basis by consulting the tangible capital asset register and revised when the appropriateness of a change can be clearly demonstrated.

Annual inspection and review

- (1) On or before [March 31st], the Executive Director will initiate an annual inspection of TLC's capital asset inventory. The inspection task may be delegated to an employee who is more familiar with the asset.
- (2) Should the inspection reveal a potential or likely impairment, a more detail review and analysis of the asset(s) will follow. The services of an external specialist to assist in the valuation of certain specialised assets (e.g. land, buildings, etc.) may be used to assist with the review.
- (3) Any changes necessary to the tangible capital asset register will be documented by the employee noting the changes and then communicated to the Executive Director for review and approval. Once reviewed and approved, the changes will be input in the tangible capital asset register by the finance and accounting staff.
- (4) Should there be evidence of damage to or a loss of an asset identified during the inspection process or at any other time of the year, the Executive Director will investigate the matter and initiate the insurance claim process if applicable. The tangible capital asset register will be updated based on this new information.

Safeguarding Assets

- (1) The Finance and Accounting Staff (or designate) will ensure that there is a tagging or marking identification system in place for all tangible capital assets subject to the risk of theft (e.g. equipment, vehicles, furniture, etc.). Markers should include a unique identifier including a notation indicating that the property belong to the TLC.
- (2) Physical security arrangements over capital assets will be reviewed by the Executive Director (or designate) on an annual basis and shortfalls communicated to the Board for review and consideration of the need for heightened security.
- (3) Insurance coverage for tangible capital assets will be obtained and remain in force unless an asset is to be self-insured based on a risk management assessment that balances any potential loss with the cost of insurance, replacement value of items, etc.
- (4) Each staff will advise the Executive Director if a tangible capital asset under his/her control or awareness is found to be missing or vandalized as soon as possible. The Executive Director will review the situation, report incidents to the insurance company (as appropriate), and consider whether heightened security or enhanced safeguarding protocols are warranted.

Maintenance of Assets

- (1) For tangible capital assets over \$5,000, periodic maintenance assessments will be performed. Assessments should include:
 - (a) Any deferred maintenance;
 - (b) A description of the performance and condition of the asset;
 - (c) An overall rating based on the following scale: Excellent, Good, Fair, Poor, or Failing;
 - (d) A forecast of the maintenance, repairs, betterment, and replacement costs over the course of the remaining useful life of the asset.
- (2) The Executive Director will ensure the tangible capital asset register and accounting records are updated by the Finance and Accounting staff, and, in consultation with the Board Treasurer, determine whether specific assets should be upgraded or replaced with consideration given to the following year's budget to be approved by the Board of Directors.

Life Cycle Management Program

- (1) Based on the information in the tangible capital asset register and consultations with staff, the Executive Director will prepare a capital plan to accompany the presentation of the annual budget to the Board of Directors (as required).

- (2) The capital plan will include short and long-term forecasts for asset rehabilitation and/or replacement including the following information:
 - (a) A description of each asset to be replaced or refurbished;
 - (b) The rationale for the replacement or refurbishment;
 - (c) Estimated cost, including contingencies, of each proposed acquisition or refurbishment project;
 - (d) Estimated timeframe and schedule for completion of each asset acquisition or proposed refurbishment project;
 - (e) Ongoing maintenance requirements and costs and the impact on TLC's budget.

Acquisition of Tangible Capital Assets

- (1) Department managers will advise the Executive Director of assets that need/should be acquired as part of the annual budget and any capital plan, by March 31st. It is recognized however that unforeseen asset acquisitions will occasionally be necessary.
- (2) Subject to emergency expenditures as outlined in the Expenditure Policy, all purchases or leases of capital assets are to be made in accordance with the annual approved budget. Should an acquisition be required that has not been budgeted for, the Executive Director must discuss the issue with Board Treasurer, to determine whether adequate finances are available for the asset and ongoing maintenance costs and then bring forth the request to the Board of Directors for decision.
- (3) Following acquisition and delivery of a tangible capital asset, the Accounting and Finance staff will ensure the asset is reflected in the accounting records. An asset tracking number will be assigned and the asset added to the Tangible Capital Asset Register.

Disposal of Tangible Capital Assets

- (1) Department managers will identify to the Executive Director the asset to be disposed of, and the method of disposal, as part of the annual budget and capital plan. It is recognized however that unforeseen asset disposals will occasionally be necessary.
- (2) The fair market value must be determined for all disposals. The Executive Director will consult with external specialists in establishing the fair market value where appropriate.
- (3) Disposals of capital assets with a fair market value in excess of \$5,000 must be approved by the Board of Directors prior to proceeding with any transaction.

APPENDIX A – TANGIBLE CAPITAL ASSET CATEGORIES

Capital Asset Category	Examples of Capital Assets
Land	<ul style="list-style-type: none"> land acquired for conservation purposes, building sites and other programs
Land improvements	<ul style="list-style-type: none"> fencing and gates, parking lots, paths and trails and landscaping
Buildings	<ul style="list-style-type: none"> buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs buildings with reinforced concrete frames and concrete or masonry floors and roofs buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slabs on grade operational storage facilities, sheds, small buildings, inventory storage buildings
Building improvements	<ul style="list-style-type: none"> major repairs or upgrades that increase the value or useful life of the building or which reduce future operating costs such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems
Leasehold and occupancy improvements	<ul style="list-style-type: none"> improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)
Operating equipment	<ul style="list-style-type: none"> equipment specific to maintenance, appliances, and security systems
Vehicles	<ul style="list-style-type: none"> used primarily for transportation purposes such as automobiles, trucks under one tonne
Computer software	<ul style="list-style-type: none"> off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges
Computer hardware	<ul style="list-style-type: none"> servers, voice logging equipment, scanners, printers, hard drives, and external hard drives
Office furniture and equipment	<ul style="list-style-type: none"> desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras
Assets under construction	<ul style="list-style-type: none"> roads, buildings, or other tangible capital assets that are under construction and have not yet been placed into service