

CAPITAL ASSET MANAGEMENT POLICY			
Effective Date	April 1, 2025	Policy Type	Administrative
Responsibility	Vice-President, Administration	Related Policies	<ol style="list-style-type: none"> 1. Contract Management Policy 2. Employee Code of Conduct Policy 3. Financial Signing Authority Policy 4. Fundraising Policy 5. Procurement Policy
Approval Authority	Executive Council	Related Forms	<ol style="list-style-type: none"> 1. Capital Approval Process 2. Property Disposal or Transfer Form
Review Schedule	Every 5 years		

1. Policy Statement

- 1.1 Northwestern Polytechnic (NWP) manages its tangible capital assets for financial accounting and reporting purposes, in a manner that establishes and adjusts the value of tangible capital assets and their associated amortization expense in accordance with the relevant sections of the Chartered Professional Accountants (CPA) of Canada Public Sector Accounting Standards (PSAS) Handbook.
- 1.2 When the PSA handbook is silent on a matter, other accounting standards, such as Canadian generally accepted accounting principles, will be consulted for an appropriate accounting treatment. This document does not intend to replace the PSAS Handbook or impede any application of professional judgment when applying PSAS Standards.
- 1.3 NWP has implemented processes and internal controls over capital asset acquisitions, amortization, tracking and disposals to ensure capital assets are accurately recorded, properly classified, and appropriately safeguarded.

2. Scope

- 2.1 This policy applies to all tangible capital assets acquired, constructed, donated-to, or otherwise owned by NWP, including student-constructed projects funded by NWP resources.

3. Reason for Policy

- 3.1 NWP acquires, records, inventories, maintains, and disposes of capital assets in the course of delivering its programs and services.
- 3.2 The objectives of this policy are to ensure:
 - 3.2.1 Capital assets are acquired and amortized at the appropriate rates
 - 3.2.2 Capital assets are appropriately safeguarded and maintained
 - 3.2.3 The existence and value of capital assets are periodically verified
 - 3.2.4 Capital assets are appropriately valued in NWP's financial records and removed from the records or written down to an appropriate value when required
 - 3.2.5 Capital assets are disposed of appropriately, in accordance with NWP policies, procedures, applicable legislation, and in a manner that achieves maximum financial return

3.2.6 Capital assets are accounted for in accordance with the requirements of the Public Sector Accounting Standards (“PSAS”).

3.3 This policy does not apply to intangible assets, natural resources, and Crown lands that have not been purchased by NWP.

4. Definitions

4.1 “Amortization” is the expensing of the cost of a capital asset proportionally over its estimated useful life.

4.2 “Bargain Purchase Option” is an option in a lease agreement that allows the lessee to purchase the leased capital asset at the end of the lease period at a price substantially below its fair market value.

4.3 “Betterment” is a cost incurred to enhance the service potential of a capital asset. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs decrease, the life or useful life is extended, or the quality of output is improved.

4.4 “Capital Assets” are assets with physical substance, with an adjusted cost base in compliance with Appendix I and that have all of the following criteria:

- 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;
- Have useful economic lives extending beyond a fiscal period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

4.4.1 Capital assets include computer software, but exclude:

- Works of art, historical treasures, and collections except library holdings;
- Furniture except furniture acquired as part of a construction, repurposing or other capital project; and,
- Licenses or leases, other than capital leases, to use capital assets that NWP does not own.

4.4.2 Capital assets are categorized as follows:

- Automotive: motor vehicles, including on-road, off-road, earth-moving and heavy motor vehicles, used for transporting people, goods or materials, including related removable attachments that require motor vehicles such as trailers, and heavy equipment attachments.
- Buildings – Permanent: non-movable structures with a roof and walls, such as non-modular buildings, and buildings anchored to a permanent foundation.
- Buildings – Portable: movable structures with a roof and walls, such as modular buildings, and sheds.
- Computer Equipment: electronic equipment that can store, retrieve, and process data, such as servers, routers, computers, and network devices.
- Instructional Equipment: equipment used for education, teaching or to otherwise provide learning to students, such as welders, nursing manikins and motorcycle engines assuming they were acquired to facilitate student learning.
- Land: real estate that is exclusive of any buildings or other assets situated on the property.
- Leasehold Improvements: additions, alterations, remodels, or renovations completed on a leased property by the tenant to improve the lease property.

- Library: collection of learning resources such as books, films, and music.
 - Other Equipment: all other tangible capital assets that do not fall into the other tangible capital asset categories.
 - Site Improvements: alterations to the land that enhance the utility of the land and/or any structure placed on the site, such as roads, parking lots, sidewalks, landscaping, paving, fencing, drainage, irrigation systems.
 - Software: computer programs used to operate computers and execute specific tasks for individual or multiple users (i.e. lab packs), and for academic or administrative purposes that are newly purchased and not an upgrade to current software.
- 4.5 “Capitalize” is to delay the expensing of the cost of a capital asset by recording the expense as a long- term asset.
- 4.6 “Capital Lease” is a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee. It is assumed that the transfer of ownership of the leased equipment occurs when one or more of the following conditions are met:
- 4.6.1 There is reasonable assurance that NWP will obtain ownership of the leased property by the end of the lease term (i.e. a bargain purchase option exists).
 - 4.6.2 The lease term is of such a duration that NWP will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span (i.e. lease term is 75% or greater than the useful life).
 - 4.6.3 The minimum lease payments are equal to substantially all (i.e. 90% or more) of the fair market value of the leased property at the inception of the lease.
- 4.7 “Carrying Value” is the original cost of a capital asset, less the: 1) accumulated amount of any depreciation and 2) accumulated amount of any capital asset impairments.
- 4.8 “Composite Capital Asset” is a capital asset that is composed of a number of pieces/components that are purchased together, function together.
- 4.9 “Cost” (“Adjusted Cost Base”) is the amount of consideration given up and directly attributable to acquire, construct, develop, or better a capital asset, including composite capital assets, including but not limited to, installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, and duties. Cost also includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.
- 4.10 “Disposal” means to relinquish ownership of a capital asset by sale, exchange, retirement, transfer, involuntary conversion (i.e. damage, theft, repossession, etc.), abandonment or donation.
- 4.11 “Fair Market Value” is the amount of consideration that a knowledgeable, willing buyer would pay for an item in an arm’s length transaction.
- 4.12 “Impairment” is the condition that exists when the carrying value of a capital asset exceeds its fair value. It is typically a significant and / or unexpected decline in the value and / or utility of a capital asset due to physical damage, theft, loss or obsolescence.
- 4.13 “Leasehold Improvements” are additions, alterations, remodels or renovations completed on a leased property by the tenant to improve the lease property.
- 4.14 “Net Book Value” is the cost of a capital asset less both the accumulated amortization and the amount of any write-downs.

- 4.15 “Nominal Value” is the apparent or face value of a capital asset. For example, the value printed on the face of a security certificate that is unrelated to market value.
- 4.16 “Repairs and Maintenance” restore and maintain the predetermined service potential of a capital asset for a given useful life. Such expenditures are charged in the period in which they are incurred.
- 4.17 “Related Parties” exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control, or common significant influence. Related parties also include management and immediate family members.
- 4.18 “Residual Value” is the amount recoverable from disposal of the capital asset using prices prevailing at the date of the estimate for the sale of a similar capital asset that has reached the end of its useful life and has operated under conditions similar to those in which the capital asset will be used.
- 4.19 “Retire” is the withdrawal of a capital asset from normal use and / or service. It represents its other- than-temporary removal from service, including its sale, abandonment, recycling, or disposal in some other manner.
- 4.20 “Stewardship” involves basic safeguarding and physical security, keeping capital assets in good working condition, using the capital assets properly and complying with NWP’s record keeping policies.
- 4.21 “Surplus Property” are capital assets no longer required by the user.
- 4.22 “Transfers” occurs when a department or unit agrees to give a capital asset to another department or unit or when a department or unit moves a capital asset from one location to another within the department or unit.
- 4.23 “Unamortized Deferred Capital Contributions” are restricted funds received towards the purchase of capital assets.
- 4.24 “Useful Life” is the period over which a capital asset, singly or in combination with other capital assets, is expected to directly or indirectly contribute to the future cash flows of NWP.

5. Capital Asset Acquisitions

- 5.1 Any capital asset acquired by NWP, either by purchase, lease, donation or other means, remains the property of NWP, regardless of the capital asset’s location, until its disposal in accordance with set policies.
- 5.2 Capital assets must be acquired in accordance with the Procurement Policy, Contract Management Policy (leases), the Capital Approval Process and the Budgeting Process.
- 5.3 The Director, Financial Services must review the acquisition of any capital assets obtained through a leasing arrangement to determine if it meets the criteria of a capital lease. Capital leases will be presented on the financial statements in accordance with PSAS.
- 5.4 Departments receiving donations of capital assets must comply with the requirements of the Fundraising Policy and must notify Financial Services of the gift upon receipt.

5.5 Abusive, unethical, or fraudulent, personal-use of NWP-owned equipment, capital assets, or property is not accepted per the Employee Code of Conduct Policy. Requests to use NWP equipment for non-work-related purposes must be approved in advance by the immediate supervisor.

6. Capital Asset Capitalization and Amortization

6.1 NWP will record capital assets, including composite capital assets, at cost and will be capitalized and amortized over their useful lives if the following criteria are met:

6.1.1 Meets the definition of a capital asset

6.1.2 Meets or exceeds the capitalization thresholds detailed in Appendix I

6.2 Capital assets with a cost below the thresholds detailed in Appendix I will be recorded as a operating expenses.

6.3 Capital assets meeting the criteria above will be amortized over their useful lives and in compliance with Appendix I.

6.4 NWP will capitalize land acquisitions and site improvements on a project and per parcel basis where applicable when criteria above is met.

6.5 Capital assets received from or provided to related parties will be recorded or disclosed in the financial statements according to PSAS.

6.6 Costs incurred to maintain and repair capital assets will be expensed as incurred and not included in the cost of a capital asset. Costs incurred as a betterment of the capital asset will be capitalized.

6.7 Donated or contributed capital assets from arm's length parties will be capitalized at fair market value on the date of donation, except in circumstances where fair market value cannot be reasonably determined, which will then be recognized at nominal value.

6.8 Many capital assets, particularly complex network systems such as those for water and sewage treatment, consist of multiple components. Whether NWP decides to record and account for each component as a separate asset will be determined by the usefulness of the resulting information to the entity and the cost versus the benefit of collecting and maintaining it.

6.9 NWP will not amortize construction in progress ("work in progress") capital assets, which includes facilities and improvement projects and development of information systems, until construction and development ceases or the capital asset is ready for use in producing goods and services. A capital asset is normally ready for productive use when the acquisition, construction or development is substantially complete.

6.10 NWP will amortize the cost, less the residual value, of capital assets, excluding land, on a straight-line basis over the estimated useful lives as detailed in Appendix I.

6.11 NWP will recognize unamortized deferred capital contributions as revenue in the periods in which the related capital asset(s) are amortized.

7. Capital Asset Tracking and Valuation

- 7.1 Financial Services will maintain a list of all capital assets acquired by NWP. A Capital Asset Continuity Schedule will be prepared annually, and updated regularly for capital asset additions, transfers, disposals, impairments, and amortization.
- 7.2 NWP will conduct periodic inspection of physical inventory to verify the value, existence and condition of capital assets and ensure the accuracy of the capital asset list.
- 7.3 NWP will write down capital assets when conditions indicate that the capital asset no longer contributes to NWP's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets is less than its net book value. The net write-downs will be accounted for as expenses in the statement of operations.

8. Disposals

- 8.1 Departments are responsible for the stewardship of all capital assets under their control and are in charge of:
 - 8.1.1 Ensuring disposal of equipment, chemical, radiation or biological hazards are properly decontaminated and documented in accordance with Health and Safety Standards.
 - 8.1.2 Ensuring that capital assets purchased with restricted donations or grants, are disposed of according to the acceptance agreement.
 - 8.1.3 Reporting lost or stolen capital assets as soon as the loss or theft is known.
 - 8.1.4 Identifying capital assets that become impaired or surplus to its needs, and initiating a disposal process.
- 8.2 Disposals of capital assets must be approved in advance of disposal by using the Property Disposal or Transfer Form, with the exception of library capital assets.
- 8.3 Disposal of library capital assets will be managed and approved by the Librarian, or designate. All capital asset disposals must be reported to Financial Services.
- 8.4 Departments can provide a recommendation to Financial Services on how NWP will dispose of capital assets on the Property Disposal or Transfer Form; however, the method may require Executive Council approval if deemed necessary by Financial Services.
- 8.5 Prior to disposing capital assets, all Property Disposal or Transfer Forms must be approved by Facilities (Manager, Capital or equivalent) and Financial Services.
- 8.6 Prior to disposing, Property Disposal or Transfer Forms must be approved by Vice President, Administration for the following instances:
 - 8.6.1 Capital assets with significant net book values (e.g., \geq \$100,000)
 - 8.6.2 Capital assets that are Buildings – Permanent, Buildings – Portable or Automotive
 - 8.6.3 Capital assets being traded in on replacement

8.7 The disposal method chosen must take into consideration the fair market value, demand, and estimated disposal costs, of the items being disposed. The following methods should be considered:

- 8.7.1 Formal tendering procedures
- 8.7.2 On-site Auction
- 8.7.3 Public Auction (e.g., GovDeals)
- 8.7.4 Silent Auction
- 8.7.5 On-site Sale
- 8.7.6 Donation to other public sector entities or non-profit organizations
- 8.7.7 Trade-in on replacement it, with approval of the Vice-President, Administration

8.8 Capital assets acquired with government or other funding must be managed and disposed of in accordance with applicable contractual or agreement terms and conditions (i.e. it may be necessary to obtain permission from the funder to dispose of the capital asset).

8.9 Prior to disposing of donated or gift-in-kind capital assets, appropriate approval from Vice President, External Relations must be obtained. Disposal of donated or gift-in-kind capital assets must comply with both the terms and conditions agreed to when accepting the capital asset and the Fundraising Policy.

9. Roles and Responsibilities

STAKEHOLDER	RESPONSIBILITIES
Executive Council	<ul style="list-style-type: none"> • Approve and formally support this policy
Vice President, Administration	<ul style="list-style-type: none"> • Oversee the implementation of this policy • Review and approve any exceptions to the requirements of this policy • Review and approve disposals of tangible capital assets with significant net book values (e.g., ≥\$100,000), that are permanent buildings, portable buildings, or automotive, and being traded in on replacement.
Vice President, External Relations	<ul style="list-style-type: none"> • Approve the disposal of donated or gift-in-kind capital assets
Director, Financial Services	<ul style="list-style-type: none"> • Review the acquisition of capital assets obtained through leasing arrangements to determine if it is a capital or operating lease
Financial Services	<ul style="list-style-type: none"> • Manage and record the capital asset acquisition, disposals, impairments and amortization.
Departments	<ul style="list-style-type: none"> • Maintain custody over capital assets and ensure appropriate stewardship

10. Exceptions to the Policy

10.1 Exceptions to the guiding principles in this policy must be documented and formally approved by the Vice-President, Administration. Evidence of the approval must be sent to Financial Services for processing.

10.2 Policy exceptions must describe:

- 10.2.1 The nature of the exception;
- 10.2.2 A reasonable explanation for why the policy exceptions are required; and,
- 10.2.3 Any risks created by the exceptions to this policy

11. Inquiries

11.1 Inquiries regarding this policy can be directed to the Director, Financial Services.

12. Amendments (Revision History)

12.1 This Policy was created on April 16, 2019 which replaced the Fixed Asset Capitalization Policy and the Disposal of Furnishings and Equipment Policy

12.2 Revised March 11, 2025

Appendix I Capitalization Threshold and Estimated Useful Life

The table below outlines the threshold and estimated useful life applicable to each tangible capital asset category. A threshold of ALL means that all tangible capital asset purchases, regardless of cost, are recorded.

Tangible Capital Asset Category	Threshold	Estimated Useful Life
Automotive	\$5,000	5-25 years
Buildings – Permanent	\$5,000	10-50 years
Buildings – Portable	\$5,000	5-25 years
Computer Equipment	\$5,000	5-10 years
Instructional Equipment	\$5,000	5-15 years
Land	ALL	Indefinite
Leasehold Improvements	\$5,000	Lesser of useful life of tangible capital asset and lease term
Library	\$5,000	5-10 years
Other Equipment	\$5,000	5-15 years
Site Improvements	\$5,000	10-40 years
Software	\$50,000	5-10 years