LOYOLA UNIVERSITY MARYLAND

— 1852 —

FIXED ASSETS POLICY

DIVISION WITH PRIMARY RESPONSIBILITY: Business and Finance
OFFICE FOR ENSURING COMPLIANCE: Financial Services/Controller's Office
CONTACT OFFICE: Controller's Office, controller@loyola.edu
EFFECTIVE DATE: May 2, 2016
REVISION HISTORY: N/A
SCHEDULED FOR REVIEW: Annually

POLICY SUMMARY

This Fixed Assets Policy (Policy) provides guidelines for Loyola University Maryland's (Loyola's or University's) capitalization of major expenses related to the acquisition, construction, and alteration of capital assets and for the depreciation and disposal of such assets.

REASON FOR POLICY

This Policy seeks to promote consistent and proper accounting for University assets and expenses in conformity with Generally Accepted Accounting Principles (GAAP) and to define those costs that are to be capitalized to properly reflect the cost of the asset during its useful life.

STATEMENT OF POLICY

Fixed assets are capitalized so that their acquisition costs can be expensed over the period of years that best matches their estimated useful lives. This methodology is prescribed in order to match the cost of the asset with the periods (years) that are expected to benefit from the ownership of the asset.

Costs incurred for the purchase of movable equipment should be capitalized if the total eligible costs related to the purchase equal or exceed $10,000 and the useful life of the assets purchased is beyond one year.

Costs incurred for the purchase or construction of buildings and/or of fixed equipment, renovation or alteration of buildings and/or fixed equipment should be capitalized only if the total eligible costs related to the purchase or project construction equal or exceed $10,000 and the costs extend the original planned useful life of the asset beyond one year.

Land costs should be capitalized but not depreciated. However, land improvements that increase the usefulness of the land, but have finite lives, such as the paving of a parking lot or installation of fencing or lighting, should be depreciated over the useful life of the improvement.

Treatment of costs incurred for the demolition of an existing building depends on the intention. If land is purchased with an existing building on it, with the intent to demolish the existing building in order to make way for the construction of a new building, the cost of the demolition is considered part of the cost of the land.

A. CAPITALIZATION AND DEPRECIATION POLICY

Fixed assets are defined as items with a unit purchase price of $10,000 or more and a useful life beyond one year; donations with an estimated (or appraised) market value of $10,000 or more with a useful life beyond one year; new construction and renovations with a cost of $10,000 or more; or, for renovations with a significant improvement of an existing asset or the extension of its useful life. The classification of a renovation as a fixed asset depends upon the significance of the renovation to the structure.

The University uses the straight-line method of depreciation for all depreciable fixed assets (land, art, and construction-in-progress are not depreciated). Generally, a full month of depreciation is recognized in the month of acquisition. Useful lives are based on information provided by the American Appraisal Associates. The useful lives are subject to modification if facts and circumstances at the University differ from these guidelines. Generally, equipment, furniture, fixtures and software have a useful life of 5 years, except for licensed and unlicensed vehicles. Vehicles have a useful life of 7 years. Land improvements have a useful life of 10 years. Buildings have a useful life of 50 years.

The useful lives are summarized as follows:

Fixed Asset	**Estimated Useful Life**
Buildings	50 years
Land improvements	10 years
Vehicles	7 years
Equipment, furniture, fixtures, software, and other (excluding vehicles)	5 years

B. CATEGORIES OF FIXED ASSETS

Fixed assets are defined as land, buildings and equipment that are held for purposes other than investment or resale. Categories of fixed assets include:

1. **Land**

   Real estate; not depreciated

2. **Land Improvements**

   Onsite sewer and water lines, paving of driveways, parking and other areas, curbs, sidewalks, retaining walls, fences, signs and yard lighting, etc.

3. **Buildings**

   Foundations, walls, floors, windows, doors, stairways, skylights, roof, interior fixtures, fire escapes, window/door screens, window blinds, linoleum and tile floor coverings, architectural fees, consultation and legal fees, etc., plumbing and sewage systems, heating systems, ventilating systems, air conditioning systems, electrical fire protection systems, buildings elevators and service systems, etc.

4. Equipment, Furniture, Fixtures and Software

Equipment affixed to a building, fume hoods, office furniture, fixtures, machines, athletic equipment, laundry equipment, cafeteria and kitchen equipment and furnishings, licensed and unlicensed vehicles

5. Other

Art and conditional asset retirement obligations

6. Investment in Loyola/Notre Dame Library

Loyola/Notre Dame Library, Inc. is a separate legal corporation formed in February 1968 for the mutual benefit of the University and Notre Dame of Maryland University. The land and the building, including improvements, were contributed in equal shares by Loyola and Notre Dame and are the property of the Library. This category includes contributions for land and building, including improvements, made to the library.

7. Construction in Progress

Significant improvements of an existing asset or the development of an asset not yet placed in service. Construction in progress (CIP) is not depreciated.

C. ACQUSITION OF FIXED ASSETS

This Policy addresses the basic requirements for capitalization and depreciation of fixed assets and does not address specific regulations related to the approval, authorization and appropriation of building construction or capital outlay projects. Fixed assets are generally acquired either by purchase, by construction, or by gift to the University.

The University follows the same basic procurement policies and procedures for the purchase of equipment and other fixed assets as it does for the purchase of any other goods or services. The Controller's Office is responsible for recording all newly acquired fixed assets into the University's fixed asset system. When Accounts Payable reviews and processes a payment, they will identify if a cash disbursement should be reviewed for capitalization. Fixed asset custodians must complete a Fixed Asset Memo and forward the completed form to the Controller's Office for processing.

The Facilities Department will provide information concerning construction and renovation to the Controller's Office throughout the fiscal year. All costs charged to a capital project account require authorization and approval by the project manager and are subject to scrutiny by the Controller's Office. To qualify for capitalization, indirect costs shall be directly allocable to a specific project that meets the University's criteria for capitalization.

Advancement will notify the Controller's Office if gifts-in-kind (GIK) (gifts other than cash and securities) are contributed that may require capitalization. All departments receiving a GIK should notify Advancement immediately upon receipt as the failure to comply with Internal Revenue

Service (IRS) regulations could result in a loss of the tax deduction to the donor and/or penalties to the University. When the donor's claimed value of the gift exceeds $5,000, IRS Form 8283 (Noncash Charitable Contributions) must be properly completed and attached to the donor's tax return for the gift to be tax deductible. If a department receives this form from the donor, it must be forwarded to the Controller's Office for review and the vice president for finance and treasurer for signature. The department should not complete IRS Form 8283 for the donor.

D. DISPOSAL, TRANSFER OR SALE OF FIXED ASSETS

Fixed asset custodians (custodians) are responsible for safeguarding all equipment and other fixed assets assigned to their department(s). Prior to the disposal, transfer or sale of a fixed asset, the custodian should contact the Office of Budget and Planning and the Controller's Office. Within 10 business days following the disposal, transfer, or sale of a fixed asset the custodian should contact the Controller's Office and provide specific information regarding the asset, the date of disposal, transfer or sale, any proceeds resulting from the sale related to the transaction, etc. See Fixed Asset Disposition form.

E. OWNERSHIP OF FIXED ASSETS

All fixed assets (land, buildings, fixed and moveable equipment, and infrastructure) are owned by the University and not by a specific individual, department or division. Generally, the University has sole ownership of all equipment acquired regardless of the source of funding or method of acquisition with the following exceptions:

1. Equipment acquired through sponsored projects where the federal government or other sponsor retains title to the equipment or where the sponsor furnishes equipment merely for the duration of the project.
2. Leased equipment – owned by the lessor.

F. FIXED ASSETS INVENTORY

Fixed asset custodians are responsible for conducting an annual inventory of assets in their department. Departmental inventory listings are provided by the Controller's Office. The custodian is responsible for ensuring that the details related to the asset are correct. The fixed asset custodian is responsible for providing an annual Inventory Certificate of Completion Report indicating the date the inventory was conducted.

DEFINITION(S):

Fixed asset custodian: Department designated individual(s) responsible for the safekeeping and reporting of a specific asset.

CROSS-REFERENCED POLICIES AND PROCEDURES:

- Fixed Asset Disposition Form
- Fixed Asset Memo
- Inventory Certificate of Completion Report