PROPERTY AND EQUIPMENT

Policy: *Purchases or acquisitions of property, plant, and equipment shall be properly authorized and accurate records shall be maintained for cost/ acquisition value and accumulated depreciation. Expenditures for tangible assets used actively in business operations that benefit a period exceeding one fiscal year, and meet the Capitalization Policy threshold, shall be capitalized. Proper control shall be maintained to ensure that all recorded assets exist and are in use for operations or maintained as collections. Disposal of capitalized assets or de-accession of collection items shall only occur after proper authorization has been given.*

Authorization for Purchase/Acquisiton:

Staff: The Executive Director and Director of Financial Services shall be authorized to approve purchases of fixed assets of property and equipment [excluding Real Estate]. *Any unplanned fixed asset purchase exceeding the limit of the annual operating budget shall be reported to the Finance and Property Committees at their next regular meetings.*

Gift Acceptance Council: Contributed Assets, also known as Gifts Inkind, valued at $5,000 or more, require approval from the Gift Acceptance Council in accordance with the Gift Acceptance Policy.

Property Committee: Gifts or purchases of Real Estate shall require approval by the Property Committee of the Foundation Board of Directors before any acquisition may take place.

Capitalization Policy

Physical assets acquired with unit costs in excess of $5,000 are capitalized as property and equipment on the organization's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land and certain items meeting the definition of Collections[1] [works of art and historical treasures], are subject to depreciation over their estimated useful lives, as described later.

Contributed Assets

Assets with fair market values in excess of $5,000 (per unit) that are contributed to the Foundation shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

[1] Collections include works of art, historical treasures, or similar assets that meet all of the following criteria: (a) They are held for public exhibition, education, or research in furtherance of public service rather than financial gain, (b) They are protected, kept unencumbered, cared for, and preserved, and (c) They are subject to an organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain items meeting the definition of Collections, are subject to depreciation over their estimated useful lives, as described later.

Real Estate

Real Estate purchases shall be reviewed on a case by case basis, given the liability and costs of ownership associated with holding real property. To initiate a proposal to acquire or accept real estate, contact the Director of Foundation Property Management who will coordinate with the Property Committee of the Foundation Board and the Gift Acceptance Council [if a gift].

Assets for the Benefit of a Campus Department

The Foundation holds temporarily restricted funds for the benefit of various departments and academic divisions of the College of Charleston. These departments and divisions may authorize the use of their restricted funds for the purchase of fixed assets. In general, purchases of fixed assets from restricted funds held at the Foundation will require that a "Change in Ownership" notification be provided to the College of Charleston Procurement office so that these items may be included on the College's fixed asset ledger. Accordingly, the Foundation will recognize an expense for fixed assets transferred to the College in this manner.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in the Fixed Asset ledger of Financial Edge. This ledger shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, serial number, and digital picture when possible)
4. Location of asset and contact information for responsible department/staff member
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis, which shall be managed by the Director of Foundation Property Management. This physical inventory shall be reconciled to the property in the Fixed Asset ledger and adjustments made as necessary. The Director of Financial Services shall approve any adjustments resulting from this reconciliation before changes shall be posted to the Fixed Asset ledger.

Receipt of Newly-Purchased Property and Equipment

At the time of arrival, all newly-purchased or acquired tangible property shall be inspected for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately. In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

The Senior Accountant in Financial Services shall complete a Property Addition form for fixed assets purchased and intended to be held by the Foundation. These items shall be added to the Fixed Asset ledger in Financial Edge by the Assistant Director of Financial Services upon receipt of the properly completed Property Addition form.

Depreciation and Useful Lives

All capitalized assets are maintained in the property and equipment account group and are not to be included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Financial Services Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 yrs
Horses	10 yrs
Vehicles	5 yrs
Watercraft	10 yrs
Books	3-5 yrs
Rare Books: Non-Depreciable	N/A
Artwork: Depreciable	5-10 yrs
Rare Artwork: Non-Depreciable	N/A
Musical Instruments	5 yrs
Machinery and Equipment	5-15 yrs
General office equipment	5 yrs
Computer hardware and peripherals	3-5 yrs
Computer software	2-3 yrs
Leased assets	Life of lease
Leasehold Improvements	Remaining lease term
Land	N/A
Land Improvements	Up to 15 yrs
Buildings	27.5 yrs
Building Improvements	Up to 27.5 yrs
All Other Assets	Determined by Financial Services Department

Alternatively, at the direction of the Director of Financial Services, capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Changes in Estimated Useful Lives

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful lives of capitalized assets must be approved by the Director of Finance.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the beginning net book value of the asset shall be used to determine the revised annual depreciation expense to be spread over the new estimate of useful life, in the organization's statement of activities. For example, if in the fourth year of an asset's life it is determined that the asset will last six years instead of the original estimate of seven years, depreciation expense for the year shall be equal to the beginning net book value, in year four, divided by three [for years 4, 5, & 6].

See also the policy on impairments in value of capitalized assets later in this section.

Repairs of Property and Equipment

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Disposal of Property and Equipment

Control over the disposition of property shall be maintained in order to preserve the accuracy of records and ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal. For disposal of Collection items, see De-accession of Collection items.

To initiate the disposal of a capital asset, a Property Disposal Request [PDR] form shall be completed and sent to the Director of Foundation Property Management [DFPM]. Donated property and equipment shall be held for a minimum of three years before consideration for disposal; however, the Property Committee of the Foundation board may approve the disposition of donated property before the three year holding period is met, in special circumstances.

The DFPM shall review and then forward the PDR form to the Director of Financial Services and Executive Director for approval and authorization of the disposal instructions.

The DFPM shall proceed with initiating disposal instructions upon receipt of a properly authorized PDR form. Upon completion of the disposal process, the DFPM shall sign where indicated to certify that disposal is complete and forward the PDR Form to Financial Services to update the Fixed Asset ledger and record related journal entries.

Capitalized assets that are sold, scrapped, donated or stolen, require adjustments to be made to the Fixed Asset ledger. If money is received for the asset, then the difference between the money received and the "book value" (purchase price or acquisition value less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

De-accession of Collection items

Control over the de-accessionment of Collection items shall be maintained in order to preserve the accuracy of records and ensure that these special assets are properly maintained, improper disposal is avoided, and the best possible terms are received through de-accessionment. When donated collection items are under consideration, special care shall be taken to review any commitments to donors.

The Foundation shall retain the right to de-accession objects considered to be Collection items in accordance with this policy. Review and recommendation by the Property Committee of the Foundation Board is required for any items valued at $10,000 or more. All other items shall require the joint approval of the Executive Director of the Foundation, Director of Financial Services, and the Director of Foundation Property Management. See Disposal of Property and Equipment.

Objects may be reviewed for de-accession upon careful consideration of the following:

- Relevancy to the mission of the College and the Foundation
- Integrity and impact on the development of the collection
- Conservation needs
- Duplication
- Forgeries, fakes, objects falsely identified or acquired improperly

To be considered for de-accession, an object must be in the permanent collection for at least three years; however, the Property Committee of the Foundation board may approve the disposition of donated property before the three year holding period is met, in special circumstances.

For donated property, the gift agreement conveying the property shall be reviewed for any specific instructions regarding disposal.

De-accessioned objects may be disposed of by submitting a Property Disposal Request Form to the Director of Foundation Property Management [DFPM]. The DFPM is responsible for routing the PDR form for appropriate review and authorization before acting on a disposal request. The DFPM shall also take care to review gift agreements when the PDR form pertains to donated property.

Objects in the Foundation's collection and those de-accessioned will not be sold privately or given as a gift to those affiliated with the university without careful attention to conflicts of interest.

Funds from the sale of de-accessioned works may not be used for College or Foundation operating expenses. These funds must be used solely for collections expansion or maintenance.

Write-Offs of Property and Equipment

The Executive Director of the Foundation, Director of Foundation Property and Management, and the Director of Financial Services shall approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Director of Foundation Property and Management. If not located, this property will be written off the Fixed Asset ledger with proper documentation to specifying the reason. A Property Disposal Request form must be executed for any items to be removed from the Fixed Asset ledger.

Impairment Losses

It is the policy of the Foundation to recognize an impairment loss in the statement of activities with respect to any property and equipment (or any other long-lived asset, including non-depreciable assets) whose carrying amount (net book value) possesses both of the following characteristics:

1. The amount is not recoverable and
2. The amount exceeds fair market value.

If only one of the preceding characteristics is present, an impairment loss will not be recorded. In determining whether a carrying amount is recoverable, all future cash inflows shall be considered, including cash flows from operations attributable to the asset, as well as cash flows from the sale of the asset. In cases in which no cash flows are directly attributable to an asset, the first characteristic is considered to have been met, and the determination of whether an impairment loss has been incurred will be based on the fair market value criterion.

Impairments are distinguishable from changes in estimates resulting from a determination that a depreciable asset will be useful for a shorter period of time than the original estimate (changes in estimated useful lives were explained earlier). When an impairment loss is incurred, the loss is recognized in the statement of activities in the period of the loss and the carrying amount of the long-lived asset is adjusted downward to the revised amount. If the asset is a depreciable asset, this lesser amount shall then be used for purposes of calculating future depreciation or amortization expense.