THE AGENCY FOR CO-OPERATIVE HOUSING

POLICY MANUAL

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REVIEW CYCLE: 3 Years	**AUTHORITY:** Board of Directors
DUE FOR NEXT REVIEW: September 2010	**SUBJECT:** Accounting for Capital Assets

1. Policy

1.1 Capital assets acquired at a cost of $500 or more are capitalized when purchased and amortized on a straight-line basis over their estimated useful life, as set out in this policy. Capital assets acquired at a cost of less than $500 are fully expensed in the year of acquisition.

1.2 The cost of a capital asset includes all costs associated with its acquisition including delivery and installation costs.

1.3 For the purposes of this Policy, "capital assets" includes both purchased assets and assets acquired under capital leases where the lease satisfies the criteria for classification as a lease-to-own arrangement.

2. Office Furnishings

2.1 The cost of office furnishings is amortized on a straight-line basis at the following rates:

(a) one twentieth in the year of acquisition;
(b) one tenth in each of the nine years following the year of acquisition;
(c) one twentieth in the tenth year following the year of acquisition.

Office furnishings are assumed to have no residual value at the end of the amortization period.

3. Electronic Data-Processing Equipment

3.1 The cost of electronic data-processing equipment is amortized on a straight-line basis at the following rates:

(a) one sixth in the year of acquisition;
(b) one third in each of the first and second years following the year of acquisition;
(c) one sixth in the third year following the year of acquisition.

3.2 Electronic data-processing equipment is assumed to have no residual value at the end of the amortization period.

4. Other Office Equipment

4.1 The cost of other office equipment (e.g., photocopiers, printers, telephone systems), less any estimated salvage value, is amortized on a straight-line basis over between five and seven years, depending on the estimated useful life of the asset.

4.2 Amortization expense is charged at half the normal rate in the first and last year of the amortization period.

5. Electronic Data-Processing Software

5.1 The cost of data-processing software purchased off the shelf is amortized on a straight-line basis at the following rates:

(a) one sixth in the year of purchase;
(b) one third in each of the first and second years following the year of purchase;
(c) one sixth in the year following the year of purchase.

5.2 Costs associated with the initial acquisition of custom data-processing software that is expected to provide future benefits, whether internally generated or incurred externally, are capitalized until the software is substantially complete and ready for productive use and then amortized to income on the same basis as off-the-shelf software. Later modification costs that enhance the service potential of the software are considered a betterment and are capitalized and amortized from the time they are ready for productive use. Training, maintenance and other continuing support costs associated with the software are expensed as incurred.

5.3 Data-processing software is assumed to have no residual value at the end of the amortization period.

6. <u>Leasehold improvements</u>

Leasehold improvements to Agency office premises are amortized on a straight-line basis over the remaining term of the lease for the premises from the date at which the improvements are completed.

7. <u>Review of Amortization Rates</u>

The amortization period of a capital asset may be reviewed and shortened as necessary, or the value of the asset written down, if the asset is damaged, removed from service, or becomes technologically obsolete.