Marywood University
Policies and Procedures

Asset Capitalization Policy

Policy Statement:

This Policy describes the general guidelines for capitalization in order to exercise appropriate accountability for all capital assets of Marywood University. All assets meeting the definitions and valuation thresholds set forth in this Policy will be recorded in the University's financial records and depreciated on its financial statements in accordance with generally accepted accounting principles. Land and Construction in Progress are not subject to depreciation.

Assets obtained by the University include those purchased with University and/or grant funds. Marywood University is the owner of all University property unless ownership is required otherwise by the funding source. Ownership of University property does not belong to any department or employee, regardless of the source of funds or donations associated with the acquisition.

Definitions:

A. Capital assets include land, land improvements, infrastructure, buildings, building improvements, construction in progress, furniture and equipment; intangible assets such as software, easements, and library books. The University will no longer capitalize Library Books after the end of Fiscal Year 2021-2022.

B. Depreciation is the process of allocating the cost of exhaustible tangible capital assets over a period of time rather than deducting the cost as an expense in the year acquired.

C. Amortization is the process of allocating the cost of exhaustible intangible assets over a period of time rather than deducting the cost as an expense in the year acquired.

D. Valuation of capital assets is the amount, expressed in dollars, assigned in the University's financial records as the recorded value of a long-lived asset.

E. Land

Land acquired by purchase is recorded at cost and includes the amount paid for the land itself.

G. Buildings and Building Improvements

Buildings acquired by purchase are recorded at cost and include all permanent structures and all integral fixtures that cannot be readily removed without disrupting the basic building structure or services to the building.

When buildings are constructed, all identifiable costs are included, such as, but not limited to, contract costs, insurance premiums and the interest expense incurred during the period of construction. Costs are accumulated in Construction in Progress until the date the building is placed in service.

Structural renovation and additions are capitalized when they enhance or extend the life of the building beyond its original useful life.

H. Construction in Progress

Construction in Progress includes all expenditures directly related to building construction, renovations, or costs including contract costs (materials, labor, and overhead) as well as professional fees and interest expenses incurred during the construction period. Upon completion, construction-in-progress costs are transferred to buildings, improvements or equipment.

I. Furniture and Equipment

Furniture and equipment include all personal property that is (i) not permanently affixed to land or buildings, (ii) has a useful life greater than one year, and (iii) has a unit cost of $5,000 or more.

A unit of equipment is defined for purposes of this Policy as an individual item, or group of items, which is usable for its intended function and which cannot be separated without a diminishment in the usability of the item for its intended purpose. Freight and installation costs also are included if they are shown on the original invoice.

J. Library Books and Materials

When library books and materials are considered to have a useful life of more than one year and when a collection has a modest value, books are capitalized. Beginning with Fiscal Year 2022-2023, the University will no longer capitalize Library Books.

DEPRECIATION

Depreciable capital assets include all tangible capital assets except land and construction-in-progress. Depreciation is calculated using the straight-line method over the useful life with no salvage value. Useful life is determined by commodity codes associated with the asset category. Depreciation begins in the month following acquisition and ends in the month following disposal or at the end of the assigned useful life, whichever comes first. The acquisition date for capital construction and renovation projects is the occupancy date.

The estimated schedule for the Useful Life of an Asset follows:

Computer Equipment - Three (3) years
Vehicles - Five (5) years
Furniture - Seven (7) years
Equipment -Seven (7) years
Remodeling - Twenty (20) years
Land Improvements –Twenty-five (25) years
Buildings –Fifty (50) years

N/A

Procedures:

N/A

Related Policies/ Committees: Medicare and Social Security

Policy History:
05/11/2022 – Sister Mary Persico, IHM, President of the University, approved the establishment of the policy upon recommendation of the Policy Committee of the University.

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Mary Theresa Gardier Paterson, Esquire
Secretary of the University and General Counsel