

The City University Of New York

Capital Asset Policy

July 1, 2016

Table of Contents

I. Introduction..... 3

II. Purpose 3

III. CUNY’s Primary Asset Management System 4

IV. Capital Asset Guidelines 4

 A. CUNYfirst Category Codes 4

 B. Property Bar Coding/Tagging..... 5

 C. Sensitive Items 5

 D. Asset Classes..... 5

 E. Tangible Assets 6

 1. Building..... 6

 2. Building Improvements 6

 3. Land 6

 4. Land Improvements 7

 5. Equipment 7

 6. Smart Classroom..... 8

 7. Infrastructure..... 8

 8. Infrastructure Improvements..... 8

 9. Works of Art and Historical Treasures 9

 10. Furniture and Fixtures..... 9

 11. Computer Software (Purchased)..... 10

 12. Computer Hardware..... 10

 13. Vehicles..... 10

 F. Intangible Assets..... 10

 1. Copyright 10

 2. Trademark..... 11

 3. Patent..... 11

 4. Easements 11

 5. Internally developed software (including Websites) 11

 6. Construction-in-Progress (CIP) 12

V. Reporting Capital Assets in the Financial Statements..... 12

VI. Major Renovations of Furniture and Equipment..... 12

VII. Maintenance, Warranties and Other Incidentals 13

VIII. Depreciation Guidelines 13

 A. Depreciation Definition 13

 B. Information Needed to Calculate Depreciation 13

 C. Estimated Useful Life 13

 D. Reporting Depreciation Expense in the Financial Statements and Depreciation Method 13

 E. Full-Year Convention 14

IX. Impairments 14

X. Disposal of College-Owned Property 15

XI. Physical Re-inventory 19

XII. Periodic Review of Capital Asset Policy 19

 XIII. Definitions..... 20

I. Introduction

Capital assets comprise a significant part of the City University of New York's (CUNY) resources and capital expenditures are a significant portion of CUNY's budget. It is CUNY's policy to maintain accurate and complete records of property, plant and equipment and to capitalize and depreciate these assets according to appropriate accounting, tax, and regulatory requirements. Once an asset's cost is capitalized, it will be written off periodically, or depreciated, in a systematic manner over the estimated useful life of the asset. Capital expenditures must follow an established review and approval process to ensure their appropriateness.

Capital assets are also subject to various legal provisions (e.g., building codes, copyright laws, property rights, etc.) as well as specific Internal Revenue Service (IRS) requirements (for instance, the IRS, has specific rules on how capital assets donated to the University as gifts are used, disposed of, recorded and reported).

This policy has been prepared to provide information about the Property Management Office and its role in maintaining accurate inventory records. This policy will also describe CUNY's requirements for capital asset tagging and the role of CUNY property asset departments in this process.

Changes from Prior Policy

- The capitalization threshold for computer hardware is increasing to \$5,000 from \$1,000.
- Smart Classroom added as a new asset class.
- The cost of major renovations of furniture and equipment are combined and capitalized in aggregate as one unit. Refer to Section VI for more detail.
- Purchasing Cards cannot be used to purchase capital assets.
- The sale of equipment to employees and individuals is prohibited.
- Physical re-inventory threshold changed to lower of \$300,000 or 5% of total inventory.

II. Purpose

The City University of New York requires every College and its respective departments or units, including Central Office, to acquire, record, inventory and dispose of capital assets according to the guidelines provided in this document. All assets meeting the definition of a capital asset shall be considered a long-term asset and shall be recorded CUNYfirst. CUNY and its related entities are responsible to account for all long-term assets under its jurisdiction. Such assets shall be systematically and accurately recorded; properly classified; and adequately documented. All entities shall establish an internal control structure over capital assets that provides reasonable assurance of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The policy will assist CUNY in implementing its accounting and financial

reporting requirements by providing asset category definitions, capitalization thresholds, conditions for impairment and depreciation guidelines for each asset class. The policy applies to the University and its Discretely Presented Business Units (e.g. Associations, Auxiliary Service Corporations, Child Care Facilities, etc.), as outlined in the Board by-laws and the Fiscal Accounting Handbook

III. CUNY's Primary Asset Management System

Effective February 2014, the CUNYfirst Asset Management system was implemented as the repository for tracking and recording all capital assets of CUNY. All asset classes are loaded to CUNYfirst Asset Management which will generate General Ledger entries to record additions, retirements and depreciation. In addition, the system will be used to conduct the annual physical inventory process.

IV. Capital Asset Guidelines

Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset in addition to having an estimated life of two years or greater.

Assets that are not capitalized are expensed in the year acquired. Capital assets should be recorded at the acquisition cost (at the date it is received) for purchased items and at fair market value (at the date of donation) for donated items.

Note: Donated items require an appraisal and or valid statement from the donor detailing and supporting the market value of that item. The donor must complete IRS Form 8283 and must provide a copy to the university or related entity. See page 91 for more detail.

A. CUNYFIRST CATEGORY CODES

Category codes in CUNYfirst are used to identify assets:

- Category Codes ending in "1"
 - Computer equipment, equipment and other acquisitions with a purchase price \geq \$5,000 are considered assets and will be depreciated.

- Category Codes ending in "2"
 - Selected equipment with a purchase price less than \$5,000 identified as "sensitive" to theft
 - E.g. IPADS, laptops, desktops, A/V equipment, etc.

Category codes that end in “0” are neither depreciated nor tagged, and must not be used to identify assets.

B. PROPERTY BAR CODING/TAGGING

Assets that meet the capital asset threshold (see Exhibit A – Class of Asset, Threshold and Useful Life Matrix) and property classified as “sensitive items” are assigned Tag Numbers that have bar-coded tags affixed for the following Asset Classes:

- Equipment
- Computer Hardware
- Computer Software (Purchased)
- Smart Classroom
- Vehicles
- Furniture and Fixtures
- Works of Art and Historical Treasures

Certain items are not individually tagged or physically taggable (e.g. Artwork, Software, Vehicles). For these items, tag numbers are assigned and the bar code tag is attached to the purchase order copy.

C. SENSITIVE ITEMS

“Sensitive” Items – Selected equipment with a purchase price less than \$5,000 such as IPADS, laptops, desktops, A/V equipment, etc. are defined as “Sensitive” to theft and must be tagged.

D. ASSET CLASSES

CUNY uses the following 19 capital asset classes in their operations:

Tangible Assets

1. Building
2. Building Improvements
3. Land
4. Land Improvements
5. Equipment
6. Smart Classroom
7. Infrastructure
8. Infrastructure Improvements
9. Works of Art and Historical Treasures
10. Furniture and Fixtures
11. Computer Software (Purchased)
12. Computer Hardware
13. Vehicles

Intangible Assets

14. Copyright

15. Trademark
16. Patent
17. Easements
18. Internally developed software (including websites)
19. Construction-in-Progress (CIP)

E. TANGIBLE ASSETS

1. Building

- A. A **building** is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Equipment permanently affixed to buildings should be included as part of the building. Buildings should be recorded at either their acquisition cost or construction cost. Donated buildings should be recorded at its fair market value at the date of donation.
- B. A leased building is a building which CUNY does not own but rather pays rent to a landlord. Under current GASB standards leased buildings are considered Operating leases and the payments are treated as rent expense.

2. Building Improvements

Building improvements are capital events that materially extend the useful life of a building and/or increase the value of a building. A building improvement should be capitalized as a betterment and recorded as an addition to the value of the existing building if the expenditure for the improvement exceeds the capitalization threshold. Building improvements include components of buildings or systems affixed to buildings, which have useful lives shorter than the building. Included are attachments to buildings such as roof, wiring, electrical fixtures, plumbing, heating systems, air conditioning, etc.

3. Land

Land is the ground, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees. Land is an inexhaustible asset and is characterized as having an unlimited life (indefinite), and is therefore not depreciated. Expenditures related to preparing the land for its intended use upon its acquisition are also capitalized as land.

Note: This asset is not depreciable.

4. Land Improvements

Land improvements consist of betterments, site preparations and site improvements (other than buildings) that prepare land for its intended use. The costs associated with improvements to land are added to the cost of the land improvements.

Note: This asset is depreciable.

5. Equipment

Equipment is defined as fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from the date of acquisition. All amounts related to put the asset into service, including shipping, set up, etc., must be capitalized. Improvements or additions to existing equipment that constitute a capital outlay or increase in the value or life of the asset, with an acquisition cost of \$5,000 or more, should be capitalized as a betterment and recorded as an addition of value to the existing asset.

Jointly Funded Equipment is defined as equipment paid for in whole or jointly funded by CUNY and another entity and should be capitalized by the entity responsible for future maintenance.

Sensitive Equipment includes select equipment with a purchase price less than \$5,000, such as IPADS, laptops, desktops, A/V equipment, etc. Sensitive equipment are defined “sensitive” to theft and must be tagged for inventory purposes.

Leased Equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
 - ❖ A bargain purchase option is a provision allowing the lessee to purchase the leased property for a price that is significantly lower than the property's expected fair market value at the date the option becomes exercisable. At the inception of the lease, the difference between the option price and the expected fair market value must be large enough to make exercise of the option reasonably assured.

- The lease term is equal to 75 percent or more of the estimated economic useful life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.
 - ❖ Like most assets, leased tangible assets require the incurrence of insurance maintenance, and tax expenses - called executory costs - during their economic useful life.

Leases that do not meet any of the above requirements should be recorded as an operating lease, which is an expenditure in the current year.

6. Smart Classroom

Smart Classrooms typically consist of the following components: interactive white board, computer, projector, printers, podium cables and other accessories, as well as related labor costs.

All of the initial costs associated with setting up the Smart Classroom, including shipping, set up, etc., should be tagged and treated as one unit, subject to the University capitalization threshold regarding equipment of \$5,000 or more.

The tag should be placed on the lower right corner of the Smart Board. Once a Smart Classroom has been implemented, any subsequent individual Smart Board components purchased or replaced should follow the University Capitalization threshold regarding equipment of \$5,000 or more. If the replacement unit is less than \$5,000, the item should be expensed and no adjustment to the Smart Classroom asset is needed. If the replacement unit is greater than \$5,000, the item should be capitalized separately as a new asset. No adjustment to the original asset cost should be made.

7. Infrastructure

Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

8. Infrastructure Improvements

Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure. Infrastructure improvements should be capitalized as betterments and recorded as an addition of value to the infrastructure if the improvement or addition of value is at the capitalization threshold.

9. Works of Art and Historical Treasures

Special Collections or individual items of significance that are owned by the University which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Special Collections or individual items that are protected and cared for or preserved and subject to an organizational policy requires the proceeds from sales of collection items to be used to acquire other items for collections. This asset class will also include any books that are of historical or significant value and the University will expense (as incurred) the cost of all library books not included under this asset class.

Exhaustible collections or items – items whose useful lives are diminished by display or educational or research applications.

Inexhaustible collections or items – items whose economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinary long. Because of their cultural, aesthetic or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

For works of art, a footnote disclosure regarding the estimated current market value in lieu of reporting a cost-based amount is acceptable. Works of art may be excluded from inclusion in the financial reports if all of the following criteria are met:

- They are held for exhibition, education, or research in furtherance of public service rather than for financial gain;
- They are protected, kept unencumbered (i.e., not pledged as collateral), cared for and preserved;
- They are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections; and

The University's policy is to capitalize all works of art and historical treasures.

Note: This asset is not depreciable.

10. Furniture and Fixtures

Furniture and Fixtures includes the cost of all office furniture and fixtures (desks, chairs, filing cabinets, etc.). All amounts related to put the asset into service, including shipping, set up, etc., must be capitalized.

11. Computer Software (Purchased)

Computer Software (Purchased) includes the cost and installation of software that is purchased from an external vendor (e.g., license fees). All amounts related to put the asset into service, including shipping, set up, etc., must be capitalized.

12. Computer Hardware

Effective July 1, 2016, the capitalization threshold for computer hardware is increasing to \$5,000. Computer Hardware includes the cost and installation of computer equipment such as laptop computers, desktop computers, printers, servers on local area networks, and disk storage. All amounts related to put the asset into service, including shipping, set up, etc., must be capitalized. Improvements or additions to existing computer hardware that constitute a capital outlay or increase in the value or life of the asset, with an acquisition of \$5,000 or more, should be capitalized as a betterment and recorded as an addition of value to the existing asset.

Sensitive Computer Hardware

All computer hardware under \$5,000 such as IPADS, laptops, desktops etc. are defined as “sensitive” to theft and must be tagged.

13. Vehicles

Vehicles are assets used for transportation purposes and include automobiles, trucks, service vans and buses. All amounts related to put the asset into service, including shipping, set up, etc., must be capitalized.

F. INTANGIBLE ASSETS

Intangible assets are assets that possess all the following characteristics:

- a. Non-physical in nature
- b. Nonfinancial nature - not cash, or an investment, receivable, or prepayment for goods or services
- c. Intangible assets can be acquired through non-exchange transactions, purchased or licensed computer software (which includes acquisition through an installment contract), or internally developed

Types of Intangible Assets

1. Copyright

An exclusive right to reproduce, publish, sell, or distribute the matter and form of something (as a literary, musical, or artistic work).

2. **Trademark**
A distinctive name, symbol, figure, letter, word, or mark used to represent an entity or product.
3. **Patent**
A grant made by a government that gives an inventor or their assignee the sole right to make, use, or sell the invention.
4. **Easements**
A right to use or pass over the real property of another without possessing it.
5. **Internally developed software (including Websites)**
Software developed in-house by CUNY personnel, or developed by a third-party contractor on behalf of CUNY, or commercially available software that is modified using more than minimal incremental effort before installation.

Special Considerations for Internally Generated Intangible Assets

Intangible assets are considered internally generated if they are created within CUNY. Copyrights, trademarks, patents, and internally developed software are often internally generated.

The cost incurred in creating internally generated intangible assets or computer software should be capitalized only if management is committed to funding the project and all of the following specified conditions criteria are met:

- 1) An objective to create a specific internally generated intangible asset exists.
- 2) The service capacity to be provided by the asset upon its completion is determinable.
- 3) The completion of the project is technically/technologically feasible.
- 4) Intention, ability, and effort to complete or continue the development of the intangible asset can be demonstrated.

Costs incurred prior to meeting the criteria should be expensed.

Internally Developed Software is unique in that it is an intangible asset that is constructed in stages.

Once the specified conditions criteria described above have been met, costs incurred should be capitalized or expensed, according to the various project stages as follows:

- a. Preliminary Project Stage - Activities in this stage include outlining and planning for the desired model and evaluation of alternatives, the determination of needed technology, and the final selection of alternatives for the development of software. Costs associated with activities in this stage are *expensed* as incurred.
- b. Application Development Stage - Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, hardware installation, and testing. Once the four specified criteria for capitalization have been met (see above), then costs incurred in the Application Development Stage should be capitalized. Once the computer software is substantially complete and ready for its intended use then capitalization should cease.
- c. Post-Implementation/Operation Stage - Activities in this stage include training and software maintenance. Costs associated with activities in this stage are expensed as incurred.

6. Construction-in-Progress (CIP)

A CIP asset reflects the cost of construction work undertaken, but not yet completed. For construction-in-progress assets, depreciation is **not recorded** until the asset is placed in service. When construction is completed, the asset should be reclassified as building, building improvement, or land improvement and should be capitalized and depreciated. Construction is considered as completed when project expenditures have been incurred equal to or greater than 95% of the total budget for the project.

V. Reporting Capital Assets in the Financial Statements

Capital assets are reported in the Statement of Net Position net of accumulated depreciation and amortization. Capital assets, that are not depreciated (e.g., land) are reported separately, if the value is significant. In the footnotes of the financial statements, a roll forward of capital assets and related accumulated depreciation/amortization is presented by major categories of asset (for example, buildings and improvements, equipment, infrastructure and improvements).

VI. Major Renovations of Furniture and Equipment

Periodically, Colleges replace a significant portion of furniture and equipment as part of a major renovation project (e.g. refurnishing an entire floor of a building). In these situations, the cost of the major renovation should be combined to include all the individual items purchased and all costs needed to put the items into service (e.g. shipping, labor, etc.). It should be noted this is not the same situation as a non-major renovation project (e.g. replacing desks in 2 – 3 offices) where the asset should be assessed individually. **The cost of major renovations of furniture and equipment are combined and capitalized in aggregate as one unit, subject to the University**

capitalization threshold regarding equipment of \$5,000 or more. A tag number is assigned and the bar code tag is attached to the purchase order copy.

Once the renovation is complete, any subsequent purchase or replacement should follow the University Capitalization threshold regarding furniture and equipment of \$5,000 or more. If the replacement unit is less than \$5,000, it should be expensed and no adjustment to the renovation asset is needed. If the replacement unit is greater than \$5,000, the item should be capitalized separately as a new asset. No adjustment to the original asset cost should be made.

VII. Maintenance, Warranties and Other Incidentals

If the first year's maintenance is included in the asset cost, then the full cost amount is capitalized. However, subsequent maintenance costs are to be expensed.

Amounts paid separately for annual maintenance, warranties (e.g. AppleCare) and other incidentals that are included as part of the overall purchase price are NOT capitalized.

VIII. Depreciation Guidelines

A. Depreciation Definition

Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost less the salvage value. CUNY will not be assigning salvage value for capital assets.

B. Information Needed to Calculate Depreciation

To calculate depreciation on a capital asset, the following five factors must be known:

- The date the asset was placed in service
- The asset's cost or acquisition value
- The asset's estimated useful life
- The depreciation method

C. Estimated Useful Life

Estimated useful life refers to the number of years that an asset is able to serve for the purpose for which it was purchased. Capital assets should be depreciated over their estimated useful lives.

D. Reporting Depreciation Expense in the Financial Statements and Depreciation Method

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible (items for which the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinary long). For some assets, such as works of art or historical treasures, because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic or historical value. Such assets should not be depreciated.

CUNY utilizes the straight-line method of depreciation for capital assets. Under the straight-line depreciation method, the amount of annual depreciation is determined by dividing the depreciable cost of the asset by the estimated life.

For example, a \$10,000 copier with a useful life of 5 years is placed in service on March 16, 2020. The depreciation calculation, using the straight-line method would be:

Original Cost	\$10,000
Estimated Life	5
Depreciation per year	\$ 2,000

E. Full-Year Convention

To avoid the complications of depreciating each asset from the specific date on which it was placed in service, GAAP supports guidelines that assume various assets are placed in service or disposed of at designated dates throughout the year. CUNY uses the full-year convention assumption to depreciate capital assets.

Under a full-year convention, property placed in service at any time during the given year is treated as if it had been placed in service at the beginning of the year. The depreciation is taken for the entire year in which the asset is placed in service. Depreciation is taken through the date the property is disposed, or the end of its useful life, whichever comes sooner.

IX. Impairments

Asset impairment is a significant, unexpected decline in the service utility of a capital asset. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. With the occurrence of a prominent event or changes in circumstances, the University should evaluate whether an impairment of a capital asset has taken place.

Five events can indicate asset impairment:

- a. Evidence of physical damage, the level of damage is significant enough such that restoration effort is required to make the asset useful again.
- b. New law and regulations or other changes in environmental factors, such as new water quality standards that a water treatment plant does not meet (and cannot be modified to meet).

- c. Technological development or evidence of obsolescence, such that a major piece of equipment is rarely used because newer equipment provides better service.
- d. A change in the manner or expected duration of use of a capital asset, such as closure of a school building prior to the end of its useful life.
- e. Construction stoppage, such as stoppage of construction of a building due to lack of funding.

An impairment loss is then calculated using one of several methods depending on the cause of impairment:

Restoration cost approach - for impairment due to physical damage,

Service units approach – for impairment due to obsolescence or changes in laws, and

Deflated depreciated replacement cost approach – for impairment due to a change in manner or duration of use

For more information, refer to GASB 42.

Any insurance recovery money received due to the impairment of a capital asset should be netted with the impairment loss.

An impairment survey is distributed annual in order to identify, evaluate and determine reportable losses. Any impairment loss will be reported centrally based on the data reported in the survey and adjustments will be made to the asset value accordingly.

X. Disposal of College-Owned Property

When it has been determined that CUNY assets will be disposed, the disposition of assets should follow the University Purchasing Policy Manual section 970.80 “Fixed Asset Disposal Policy”.

970.80 **FIXED ASSET DISPOSAL POLICY**

970.801 Definitions

Available	No longer required by the college.
Cannibalize	Dismantle and used parts in other Fixed Assets.
Computer Equipment	Computers, computer memory cards, and associated peripheral devices, including and not limited to floppy disk drives, hard disk drives, printers, modems, monitors, scanners, software, computer-related cables, and networking devices.
Fixed Equipment	Those Fixed Assets, regardless of the funding source, which are fixed or attached to something

permanently as an appendage, and are not removable.

Obsolete

Has been replaced by a newer version.

Salvage

Dispose of Fixed Assets at New York City Department of Surplus Activities

970.802 General Disposal Policy

Fixed Assets of The City University of New York (CUNY) as defined in Purchasing Policy Manual, Vol 1, Section 970.0, has been determined to be no longer useful except for vehicles. Fixed assets should be disposed of as follows:

The President and /or Vice President/Dean of Administration (Senior Vice Chancellor for Central Office) having control of such property, should:

- a. Reuse the fixed assets within CUNY. The college shall periodically, at least semi-annually, distribute copies of an inventory of equipment that is available for redistribution, or
- b. Use the sale of a fixed asset as partial payment for a new item, or use the fixed asset as a trade-in, or
- c. With the consent of the President or his/her designee a college may donate the property to a community not-for-profit organization which has 501(c)(3) status as defined by the IRS, or is licensed by the city or state to accept such property donations, or the Board of Education, or
- d. Dispose of such college /CUNY property by sale to the highest bidder if it is deemed to be in the best interest of the college/CUNY. Detail procedure under 970.804, the bid should indicate that the Fixed Asset is an "as is condition". A release form stating this condition must also be signed, or
- e. Utilize the NYC Dept. of Surplus Activities, or
- f. If (a) to (e) is not used, the college may discard equipment provided the policy established under 970.803 is followed.

970.803 College Formal Procedure

To utilize this policy, each college must establish a formal procedure whereby an authorized college official (other than the individual responsible for the fixed asset) attests to the condition (repairable) and usefulness (obsolete) of this fixed asset to be disposed. For example, computer equipment disposition would best be determined by the Director of Computer Operation on each campus. The actual disposal of this property would be handled by the college's Director of Facilities or a designee who would document how and when the property was discarded.

970.804 Sale of Available Fixed Assets

Where it has been determined that the CUNY fixed asset shall be sold, the following process shall be followed:

a. The Purchasing Office shall advertise:

at least once,

at least one week prior to sale,

in one or more of the following publications:

New York State Contract Reporter,
New York City Record,
local newspaper, and/or
any other appropriate publication.

b. Such advertisement shall:

list the number and types of Available Fixed Asset, or if too numerous and/or complex, provide information as to how a

prospective bidder can get a complete list of the Fixed Assets for sale, and

identify the Fixed Assets as being in "as is condition", and

required a signed release form (section 970.805)
provide the terms of sale or, if too numerous and/or complex,
provide information as to how a prospective bidder can get such terms, and

provide the date upon which sealed offers will be received.

The Purchasing Office will promptly accept the highest offer which meets the terms and conditions of the sale.

Note: The sale of equipment to employees and individuals is prohibited.

970.805 Release Form (Agreement for Donation)

A “Release Form” shall be signed by the party receiving any disposed equipment from the college and “as is condition” must be indicated on the form.

970.806 Emergency or Special Circumstances.

Such notice may be waived by the college president if at least three separate and independent offers are solicited and obtained. Every sale shall be made to the highest offer complying with the terms and conditions of the sale. All documentation, including written waiver by the President for each sale, shall be retained and subject to audit.

970.807 Proceeds of Sale

Proceeds of sales shall be:

- a. Deposited at the college and segregated from other funds and utilized to acquire similar Fixed Assets, and
- b. If fixed assets was City and/or State funded and not utilized within two (2) years, be deposited with the State or City as miscellaneous income.

970.808 Vehicles

Vehicles shall be used as trade-in. When this option is not offered, the above procedures will be in effect.

970.809 Hazardous Wastes

If the items require disposal of a hazardous waste or hazardous material, consult the OSHA representative at the college to insure that disposal procedures are in compliance with the law.

970.810 Computer Equipment

All computer equipment shall follow the above regulations. In addition, obsolete computer equipment shall be placed on the semi-annual list of property available

for distribution with the notation that it is considered obsolete for college purposes.

Note:

College must take necessary precautions to ensure that data and programs are completely removed from the hard drive. Before disposing of any memory device, the college's Director of Computer Services should certify that:

- a. All University/College data has been completely removed, and
- b. All licensed software has been completely removed.

Note: The sale of equipment to employees and individuals is prohibited.

970.811 Update to Fixed Assets System

It shall be the responsibility of the college to reflect disposal of all fixed assets appropriately in the CUNYfirst Asset Management system with all supporting documentation in accordance to CUNY Purchasing Policy Manual, Vol. 1, Section 970.0

XI. Physical Re-inventory

An audit of capital assets that meet capitalization thresholds and sensitive inventorial items must be performed annually (i.e. re-inventory). Re-inventory scope includes all assets acquired or in-service through December 31st of the prior calendar year. **All Colleges must complete their re-inventory by December 31st of the current year, unless otherwise specified.** Colleges must comply with the requirement that the total value of items "Not Found" is the lesser of \$300,000 or 5% of a College's total inventory value.

Re-inventory categories include the following asset classes:

- Equipment
- Computer Hardware
- Computer Software (Purchased)
- Smart Classroom
- Vehicles
- Furniture & Fixture
- Works of Art and Historical Treasures

XII. Periodic Review of Capital Asset Policy

The Office of Budget and Finance is responsible for the implementation, periodic review and revision of this policy as well as ensuring that all appropriate parties are informed of the policy.

XIII. DEFINITIONS

Accumulated Depreciation - Total reduction in value over time of an asset since its acquisition, which is recorded for financial statement purposes.

Acquisition Cost/Value – Value of an asset at the time it is acquired. May be the invoice price or, if donated, the fair market value. Also included are costs incurred to place the asset into service such as freight, or installation).

Additions - Acquisition of new assets, or modifications to existing assets that increase the useful life or the service potential of these existing assets. Examples include addition of a wing to a building or installation of a central air conditioning system in an office.

Appraised Value – Estimated value of an asset based on the expertise of a qualified independent appraiser.

Bar Code Tag – Asset identification tag assigned and affixed to an asset to assist in its identification and the physical inventory of equipment.

Book Value -- Difference between the acquisition cost and accumulated depreciation. At the time of acquisition, book value equals acquisition cost. For gifts, it is the market value at the time of donation.

Capitalize – To record the cost of an asset that is subject to depreciation over its estimated useful life, rather than as an expense for one accounting period.

Capital Asset representative - Staff member(s) designated by each unit as responsible for capital asset control. Control duties include preparing and editing journal entries related to capital assets, bar-code tagging of new assets, and completing the physical inventory.

Capitalization Asset Threshold – Established dollar value that capital assets must exceed before they are reported in financial statements.

Depreciation – Method for allocating the cost of capital assets over time. Generally accepted accounting principles and federal regulations dictate that the value of capital assets must be written off as an expense over the life of the asset.

Disposition – Final status of an asset when it is removed from the inventory of assets and no longer physically located on-site. Types of disposition includes sale, scrap, donation, transfer to another college, obsolescence, etc..

Expense – Charge incurred for the current fiscal period

Gift-in-Kind – Donation to the university of a tangible or intangible asset other than cash or securities. Can be something consumable, such as office equipment or supplies; or something with a longer duration, such as books, equipment, artwork, or copyright interests. **Donated items require an appraisal and or valid statement from the donor detailing and supporting the market value of that item. The donor must complete IRS Form 8283 (see below) and give a copy to the university or related entity.**

Intangible Asset – Asset not having physical substance (examples: a patent, goodwill).

IRS Form 8282 - Form the university or related entity is required to send to both the IRS and the donor if the donated property (other than publicly traded securities) is disposed of within three years of the date of the gift, and the donated property was valued on Form 8283 (see below) at more than \$5,000.

IRS Form 8283 - Form the donor is required to attach to their tax returns whenever they donate property to the university or related entity (other than cash or marketable securities) valued at more than \$500. The university or related entity receiving the donation (i.e. donee) must complete Section IV of Form 8283 “Donee Acknowledgement” signed by an official authorized to sign tax returns of the university or related entity. The university or related entity must keep a copy of Form 8283 in its records.

Lease, Capital -- Installment payment agreement made to acquire capital assets. Leases are considered capital leases under any of the following circumstances:

1. Ownership transfers to lessee at end of lease
2. Lease contains bargain purchase option
3. Lease period is at least 75 percent of its useful life
4. Present value of lease payment is at least 90 percent of fair market value

Lease, Operating -- Installment payment agreement that does not meet the criteria of a capital lease.

Library Materials -- Books, journal, bound periodicals, and microfilms purchased for and catalogued in libraries in the University Library system.

Maintenance -- Activities related to the repair and upkeep of an asset, with the intent of preserving the original useful life and function.

Market Value – Cost to acquire an item in its current condition through an arm’s-length transaction. Also referred to as “fair market value.”

Obsolescence - Factor to consider when determining the disposition of assets. Assets are obsolete when no longer useful to the university.

Renovation - Construction activity that changes and or improves the function of all or part of a facility.

Scrap equipment – Item that can be discarded as worthless or broken down into parts for disposal or salvage.

Software Entire set of programs, procedures, and related documentation associated with a computer system.

Special Collections – Works of art, rare books, historical treasures, or scientific specimens that are held for public exhibition, education, or research, rather than for financial gain. They are protected and preserved, and are subject to a formal policy that recommends that the proceeds of items sold be used to acquire other items for collections.

Useful Life – Period over which a capital asset has use to the university in performing the function for which it was purchased. May be determined by a schedule of averages of a particular class of assets. For a chart of useful lives by asset class see Appendix A.

Appendix A – Class of Asset, Threshold, and Useful Life matrix

	Class of Asset	Threshold	Examples of Expenditures	Useful Life
1	Building	ALL	<p><u>Purchased Buildings:</u></p> <ul style="list-style-type: none"> · Original purchase price · Costs associated with the remodeling, reconditioning or altering of purchased buildings · Environmental compliance (asbestos abatement) · Professional fees (legal, architect, inspections, title searches) <p><u>Constructed Buildings:</u></p> <ul style="list-style-type: none"> · Completed project costs · Cost of building improvements (including professional fees) · Additions to buildings (i.e. expansions, extensions, etc.) · Permanently attached fixtures or machinery that cannot be removed without impairing building use · Interest accrued during construction cost of excavation or grading or filling land for a specific building · Expenses incurred for the preparation of plans (i.e. specifications, blueprints, etc.) · Costs of temporary buildings during construction 	40 years
2	Building Improvements	\$25,000	<ul style="list-style-type: none"> <input type="checkbox"/> Structures attached to the building such as enclosed stairwells, garages, etc. <input type="checkbox"/> Installation or upgrade of heating and cooling systems, including ceiling fans and attic events, energy conversion projects <input type="checkbox"/> Structural changes such as reinforcement of floors or walls <input type="checkbox"/> Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc. <input type="checkbox"/> Exterior renovation such as installation or replacement of siding, roofing, masonry, etc. 	25 years

			<input type="checkbox"/> Equipment that is attached or fastened to a room or building but not permanently affixed (i.e. built-in cabinets, counters, tables, fume hoods, built-in shelves, autoclaves, sterilizers and washers, and fixed furniture) Professional fees (legal, architect, inspections, title searches)	
3	Land	ALL	<input type="checkbox"/> Purchase price or fair market value (if donated) <input type="checkbox"/> Commissions <input type="checkbox"/> Professional fees (title searches, title guarantee insurance policies, appraisal, real estate surveys, etc.) <input type="checkbox"/> Land excavation, fill, grading, drainage <input type="checkbox"/> Demolition of existing buildings <input type="checkbox"/> Removal, relocation or reconstruction of property <input type="checkbox"/> Interest on mortgages, accrued and unpaid taxes at date of purchase	Not depreciable
4	Land Improvements	\$25,000	<input type="checkbox"/> Fencing and gates <input type="checkbox"/> Yard lighting, fountains, lagoons <input type="checkbox"/> Parking lots, parking barriers <input type="checkbox"/> Recreation areas and athletic fields (including bleachers, tennis courts, swimming pools and golf courses) <input type="checkbox"/> Retaining walls <input type="checkbox"/> Paths and trails <input type="checkbox"/> Septic Systems <input type="checkbox"/> Flagpoles <input type="checkbox"/> Professional fees (legal, architect, etc.)	15 years
5	Equipment	\$5,000	<input type="checkbox"/> Purchase price or fair market value <input type="checkbox"/> Assembly and installation costs <input type="checkbox"/> Freight and handling charges <input type="checkbox"/> Insurance on equipment while in transit <input type="checkbox"/> Professional fees (consultant, maintenance, etc.)	5 years
6	Smart classroom	\$5,000	<input type="checkbox"/> Interactive white board, computer, projector, printers, podium cables and other accessories <input type="checkbox"/> Related labor costs	5 years
7	Infrastructure	\$100,000	<input type="checkbox"/> Communications system – Fiber optic cabling, telephone distribution systems (b/t buildings) <input type="checkbox"/> Pavement systems – highways, roads, streets, curbs, alleys, sidewalks, fire hydrants, bridges, guard rails <input type="checkbox"/> Utilities – gas distribution systems, electric, water, gas (main lines and distribution lines, tunnels), septic systems <input type="checkbox"/> Traffic lights, street signage and lighting	20 years

City University of New York Capital Asset Policy

8	Infrastructure Improvements	\$100,000	<input type="checkbox"/> Improvements on current infrastructure <input type="checkbox"/> Rewiring of communication systems <input type="checkbox"/> Re-paving of current pavement systems <input type="checkbox"/> Professional Fees (architect, engineer, etc.)	20 years
9	Works of Art and Historical Treasures	\$5,000	<input type="checkbox"/> Collection of rare books, manuscripts <input type="checkbox"/> Historical maps, documents and recordings of significant value <input type="checkbox"/> Works of art such as paintings, sculptures, and designs <input type="checkbox"/> Artifacts, memorabilia, exhibits <input type="checkbox"/> Unique or significant structures <input type="checkbox"/> Purchase price or fair market value at the date of donation <input type="checkbox"/> Books of historical or significant value	Not depreciable
10	Furniture and Fixtures	\$5,000	<input type="checkbox"/> Purchase price or fair market value <input type="checkbox"/> Assembly and installation costs <input type="checkbox"/> Freight and handling charges <input type="checkbox"/> Insurance on equipment while in transit <input type="checkbox"/> Professional fees (consultant, maintenance, etc.)	5 years
11	Computer Software (Purchased)	\$5,000	<input type="checkbox"/> External direct costs of materials and services <input type="checkbox"/> Costs to obtain software from third parties <input type="checkbox"/> Travel costs incurred by employees in their duties directly associated with development <input type="checkbox"/> Payroll and payroll-related costs of employees directly associated with or devoting time in coding, installing or testing <input type="checkbox"/> Interest costs incurred during the application development <input type="checkbox"/> Professional fees	5 years
12	Computer Hardware	\$5,000	<input type="checkbox"/> Purchase price or fair market value <input type="checkbox"/> Professional fees relating to assembly and installation costs <input type="checkbox"/> Freight and handling charges <input type="checkbox"/> Insurance on computer hardware while in transit	5 years
13	Vehicles	\$5,000	<input type="checkbox"/> Purchase price or fair market value <input type="checkbox"/> Automobiles, trucks, service vans, buses	5 years

14	Copyrights	\$25,000	<input type="checkbox"/> Salary of employees for pro-rated for time spent in the creation of the copyrighted material (i.e. book, magazine, or TV program), after all specified conditions criteria have been met. <input type="checkbox"/> Costs related to registration of copyright (i.e. attorney fees, registration fees)	80 years
15	Trademarks	\$25,000	<input type="checkbox"/> Consultant fees or salary of employees for pro-rated time spent in the creation of trademarked material (i.e. college logo), after all specified conditions criteria have been met. <input type="checkbox"/> Costs related to registration of trademark (i.e. attorney fees, registration fees)	Not depreciated, unless otherwise stated or not renewed in the agreement. If stated, amortize based on the agreed terms.
16	Patents	\$25,000	<input type="checkbox"/> Costs which occur during the invention creation stage after all specified conditions criteria have been met. <input type="checkbox"/> Cost of obtaining a patent to protect an invention (i.e. attorney fees, registration fees)	20 years or the economic life of the patent.
17	Easements, water, timber, mineral rights and other land use rights, permits, and licenses	\$25,000	<input type="checkbox"/> Cost in obtaining the easement, right, permit, or license	Not depreciable, unless otherwise stated. If stated, amortize based on the agreed terms.
18	Internally developed software (including websites)	\$100,000	<input type="checkbox"/> Cost of construction of college website or software, after all specified conditions criteria have been met.	5 years
19	Construction in Progress	N.A.	<input type="checkbox"/> Costs to construct item.	Not depreciable