

<b>STATEMENT of POLICY and PROCEDURE</b>			
Manual:	O'Keefe Ranch and Interior Heritage Society	OKR No.	<b>4.04</b>
Section:	Financial Management	Approved	Mar 2018
Subject:	<b>Assets</b>	Amended	
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## **1 POLICY**

- 1.01 Only capital assets with a cost exceeding **\$1,000** shall be capitalized. Only costs that are disbursements to third parties may be capitalized: internal costs such as salaries and overhead costs may not be capitalized.
- 1.02 Fixed asset purchases or leases approved in the capital budget must be authorized by the Senior Leadership Team
- 1.03 Fixed asset purchases not approved in the capital budget must be authorized by the Board of Directors.
- 1.04 Fixed asset purchases greater than **\$5,000** will not be approved without an accompanying business case including cash flow impact.
- 1.05 All fixed asset purchases will follow expense authorization procedures except where superseded by this policy.
- 1.06 O'Keefe Ranch and Interior Heritage Society shall carry insurance at replacement levels for all fixed assets.
- 1.07 Physical inventories of both fixed assets and sales inventories will be conducted once annually and reconciled to records. Discrepancies will be investigated and reported to the Senior Leadership Team
- 1.08 In the event of dissolution, assets will be used to meet the financial obligations of the organization and any residual assets or residual value will be directed to another operating organization with similar purpose.

## **2 PURPOSE**

- 2.01 The purpose of this Statement of Policy and Procedure is to provide appropriate controls over the purchase, recording and disposition of assets.

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### **3 SCOPE**

- 3.01 This policy applies to the Board of Directors, the Senior Leadership Team and all employees involved in the purchase and handling of organization assets.

### **4 RESPONSIBILITY**

- 4.01 It is the responsibility of the Board of Directors to approve the capital budget for the coming year and to assure itself that capital costs are being managed and controlled effectively.
- 4.02 It is the responsibility of the Senior Leadership Team to ensure that capital costs are authorized appropriately, both at time of commitment and at time of payment, that they are consistent with the intent of the capital budget, and that appropriate internal controls are established over asset purchases.
- 4.03 It is the responsibility of the Senior Leadership Team to ensure that appropriate insurance coverage and security measures are in place to protect the organization's major assets.
- 4.04 It is the responsibility of the Finance Director to assess cash flow impacts of major asset purchases, and to advise the Finance Director on the pros and cons of specific lease vs. purchase decisions.
- 4.05 It is the responsibility of the Finance Director not to approve capital expenditures which will put the organization onto tenuous financial footing.
- 4.06 It is the responsibility of the Finance Director to perform an inventory and reconciliation of assets annually.
- 4.07 It is the responsibility of the Finance Director to perform an inventory and reconciliation of sales inventory annually.

### **5 DEFINITIONS**

- 5.01 "**Amortization**" is the process of taking into expense an appropriate portion of the cost of a capital asset each year.

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- 5.02     **“Barter”** means the exchange of goods or services without cash being involved in the transaction.
- 5.03     **“Capital asset”** refers to anything of enduring value. It includes tangible assets such as building and equipment (also called fixed assets) and intangible assets such as patents and trademarks.
- 5.04     **“Capitalization”** means recording a disbursement as an asset rather than an expense.
- 5.05     **“Capital budget”** means a financial plan outlining expected capital purchases, which is formally reviewed and approved by the Board of Directors.
- 5.06     **“Controls”** are mechanisms such as reports, reviews and procedures that are designed to ensure policies are carried out and reduce the risk of fraud or error.
- 5.07     **“Depreciation”** is another word for amortization, although it is only applied to tangible assets
- 5.08     **“Dissolution”** means the wind-down of the organization’s operations and disposition of obligations and assets existing at the time.
- 5.09     **“Fixed assets”** are tangible capital assets such as buildings or equipment.
- 5.10     **“Sales inventories”** are the goods and materials on hand for sale.

## 6       **REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE**

- OKR 2.05 – Risk Management
- OKR 4.01 – Financial Management Primer
- OKR 4.03 – Expenses
- OKR 4.05 – Cash Management
- OKR 4.06 – Budgets, Forecasts and Reporting

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## **7 PROCEDURES**

### **7.01 Capital Purchase Authorization**

- (a) Authorization for any capital asset purchase must be made in advance in accordance with expense policy except where otherwise indicated in this policy.
- (b) Authorizations for barter transactions involving assets shall follow the same process as for a standard purchase.
- (c) For all capital asset purchases greater than **\$5,000** whether already approved in the capital budget or not, the Finance Director will perform an assessment on cash flow impact and overall financial impact taking replacement insurance costs into account.
- (d) Where cash flow impact and overall financial impact are not of concern and the purchase is approved in the budget, the Finance Director may authorize the purchase.
- (e) Where cash flow impact and overall financial impact are of concern, the Finance Director will refer the decision, along with his/her analysis to the Finance Director
- (f) For capital asset purchases greater than **\$5,000**, the Board of Directors with the assistance of the Finance Director will develop a business case for the purchase taking cash flow, insurance costs and overall financial impact into account. Where a lease option is available for the asset, information about this option will be included. The business case will be reviewed and approved by both the Finance Director and the Treasurer before referral to the Board of Directors for a final decision on the purchase.
- (g) Upon purchase of a fixed asset, a record of the purchase must be provided to both the Finance Director for addition to the Fixed Asset record and the Finance Director for entry into the accounts.
- (h) Upon purchase of a fixed asset, the Finance Director will obtain a quote for replacement insurance for the asset and provide this to the Finance Director

### **7.02 Asset Records**

- (a) The following information will be recorded for each fixed asset:
    - (i) Tag number (if applicable).
    - (ii) Description.
    - (iii) Location (if applicable).
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- (iv) Date acquired.
  - (v) Value at acquisition.
  - (vi) Accumulated amortization.
  - (vii) Date of disposition.
  - (viii) Details of disposition.
  - (ix) Proceeds at disposition.
- (b) Annually, the Finance Director will perform a physical inventory of fixed assets and investigate any differences that arise. A copy of the inventory will be submitted to the Finance Director
- (c) Annually, the fixed asset accounts will be adjusted to reflect the actual fixed assets on hand.

#### 7.03 **Disposition of Fixed Assets**

- (a) At the end of its useful life to the organization, a fixed asset may be junked, sold or given away. The difference between the amortized value of the asset and the proceeds of disposition will be booked as a gain or loss on the disposition of fixed assets.
- (b) The Finance Director must approve the decision to junk or give away any fixed asset.

#### 7.04 **Sales Inventory Reconciliation**

- (a) Annually, or more frequently if deemed necessary, the Finance Director will perform a reconciliation of product inventory to sales records for each product.
- (b) Differences between physical count and theoretical inventory (opening inventory minus sales plus additions to inventory) will be investigated by the Finance Director.
- (c) A copy of the sales inventory reconciliation will be provided to the Finance Director
- (d) Annually, the sales inventory accounts will be adjusted to reflect the actual count of products.