



## Capital Assets

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### **POLICY STATEMENT**

Cornell University acquires, records, inventories, maintains, and disposes of capital assets. Each operating unit is responsible for following university procedures to achieve accurate capital asset reporting and compliance with government requirements.

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### **REASON FOR POLICY**

This policy outlines how the university complies with government regulations and accounting industry standards, and how it supports accurate reporting of the physical assets used to conduct its mission.

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### **ENTITIES AFFECTED BY THIS POLICY**

- All units of the university, excluding Weill Cornell Medicine

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### **WHO SHOULD READ THIS POLICY**

- Building coordinators
- College, unit, and department administrators
- Employees involved with capital assets acquisition and control

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### **WEB ADDRESS FOR THIS POLICY**

- [www.dfa.cornell.edu/policy/policies/capital-assets](http://www.dfa.cornell.edu/policy/policies/capital-assets)

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## POLICY 3.9 Capital Assets

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### RELATED RESOURCES

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#### University Policies and Documents

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[University Policy 2.1, Operation ID](#)  
[University Policy 3.1, Accepting University Gifts](#)  
[University Policy 3.4, Use of Cornell Vehicles](#)  
[University Policy 3.10, Recharge Entities, Ithaca Campus Units](#)  
[University Policy 3.14, Business Expenses](#)  
[University Policy 4.2, Transaction Authority and Payment Approval](#)  
[Subrecipient Monitoring: Financial and Technical](#)  
[Kuali Financial System \(KFS\) Standard Operating Procedures](#)

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#### External Documents

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[FAR 52.245-1, Government Property](#)  
[2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

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#### University Forms and Systems

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<i>Name</i>	<i>Description</i>
<a href="#">KFS e-docs</a>	Several e-docs in KFS are used for capital asset management.
<a href="#">Cornell Asset Transfer System (CATS)</a>	Use this system to post and browse ads of available and wanted items at Cornell.
<a href="#">Research Administration Dashboards</a>	Use to obtain integrated access to sponsored projects and sponsored finance information.

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### CONTACTS

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Direct any general questions about this policy to your unit's administrative office or business service center. If you have questions about specific issues, contact the following offices.

Subject	Contact	Telephone	Email/Web Address
Policy Clarification	Unit administrator		
	Capital Assets	(607) 255-5657	<a href="mailto:capitalassets@cornell.edu">capitalassets@cornell.edu</a> <a href="http://www.dfa.cornell.edu/capitalassets/capital">www.dfa.cornell.edu/capitalassets/capital</a>
Capital Construction Projects	Plant Accounting	(607) 255-9463	<a href="mailto:uco-plantacctg@cornell.edu">uco-plantacctg@cornell.edu</a>
Discarding Equipment	R5 Operations Manager	(607) 255-1082	<a href="mailto:recycle@cornell.edu">recycle@cornell.edu</a> <a href="http://fcs.cornell.edu/departments/facilities-management/r5-operations">fcs.cornell.edu/departments/facilities-management/r5-operations</a>
Disposition of Equipment	Capital Assets	(607) 255-5657	<a href="mailto:capitalassets@cornell.edu">capitalassets@cornell.edu</a> <a href="http://www.dfa.cornell.edu/capitalassets/capital">www.dfa.cornell.edu/capitalassets/capital</a>
Donating Capital Equipment	Community Relations	(607) 255-4908	<a href="http://universityrelations.cornell.edu/community-relations/">universityrelations.cornell.edu/community-relations/</a>
Gifts-in-Kind	Advancement Services, Alumni Affairs and Development	(607) 254-7121	<a href="mailto:is-ga-aad@cornell.edu">is-ga-aad@cornell.edu</a>
Grant and Contract Proposals	Office of Sponsored Programs	(607) 255-5014	<a href="mailto:osp-help@cornell.edu">osp-help@cornell.edu</a> <a href="http://researchservices.cornell.edu/offices/osp">researchservices.cornell.edu/offices/osp</a>
Grants and Contract Accounting	Sponsored Financial Services	(607) 255-0875	<a href="mailto:sfs-help@cornell.edu">sfs-help@cornell.edu</a> <a href="http://www.dfa.cornell.edu/sfs">www.dfa.cornell.edu/sfs</a>
Insuring Capital Assets	Risk Management and Insurance	(607) 277-1188	<a href="mailto:risk_mgmt@cornell.edu">risk_mgmt@cornell.edu</a> <a href="http://risk.cornell.edu">risk.cornell.edu</a>
Leases, Classification	Accounting	(607) 255-9463	<a href="mailto:accounting@cornell.edu">accounting@cornell.edu</a>
Leases, Obtaining	University Treasurer	(607) 277-1241	<a href="mailto:treasurer@cornell.edu">treasurer@cornell.edu</a> <a href="http://www.dfa.cornell.edu/treasurer/">www.dfa.cornell.edu/treasurer/</a>
New Equipment Records	Capital Assets	(607) 255-5657	<a href="mailto:capitalassets@cornell.edu">capitalassets@cornell.edu</a> <a href="http://www.dfa.cornell.edu/capitalassets/capital">www.dfa.cornell.edu/capitalassets/capital</a>
Recording Capital Assets	Cost Analysis	(607) 255-9368	<a href="mailto:uco-cost@cornell.edu">uco-cost@cornell.edu</a> <a href="http://www.dfa.cornell.edu/capitalassets/cost">www.dfa.cornell.edu/capitalassets/cost</a>
Tagging	Capital Assets	(607) 255-5657	<a href="mailto:capitalassets@cornell.edu">capitalassets@cornell.edu</a> <a href="http://www.dfa.cornell.edu/capitalassets/capital">www.dfa.cornell.edu/capitalassets/capital</a>

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## POLICY 3.9 Capital Assets

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### DEFINITIONS

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These definitions apply to these terms as they are used in this policy.

<b>Accumulated Depreciation</b>	Total reduction in value over time of an asset since its acquisition, which is recorded for financial statement purposes.
<b>Acquisition Cost/Value</b>	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 (examples: freight, installation).
<b>Additions</b>	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.
<b>Appraised Value</b>	Estimated value of an asset based on the expertise of a qualified independent appraiser.
<b>Bar Code Tag</b>	Asset identification tag assigned and affixed to an asset to assist in its identification and the physical inventory of equipment.
<b>Book Value</b>	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.
<b>Building</b>	Roofed facility intended for the permanent or temporary shelter of persons, animals, plants, or equipment. Acquisition value is \$100,000 or greater. For restrictions on acquisitions of buildings, see <a href="#">University Policy 4.2, Transaction Authority and Payment Approval</a> .
<b>Building Component</b>	Equipment items designed and installed as an integral part of a structure. Building components differ from fixed equipment in that they are not separate from the building structure. Useful life of building components may differ from that of the building.
<b>Capital Asset</b>	<p>Tangible, permanent item with a life of more than one year that is held for purposes other than investment or resale and has a value of:</p> <ul style="list-style-type: none"> <li>• \$5,000 or more, for moveable and fixed equipment, except for computer software</li> <li>• \$50,000 for improvements other than buildings</li> <li>• \$100,000 for building, building components, and leasehold improvements</li> <li>• \$500,000 or more for computer software.</li> </ul> <p>There are six types of capital assets: moveable equipment, fixed equipment, buildings, building components, land, and improvements other than buildings.</p> <p>◆ <b>Note:</b> For other types of assets that must be inventoried in accordance with this policy, see the “Special Circumstances” section of this policy.</p>
<b>Capitalize</b>	To record the cost as an asset that is subject to depreciation over its estimated useful life, rather than as an expense for one accounting period.
<b>Capital Asset Representative</b>	Staff member designated by each unit as responsible for capital asset control. Control includes preparing and editing journal entries related to capital assets, barcode-tagging new assets, and completing the physical inventory.

## POLICY 3.9 Capital Assets

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### DEFINITIONS, continued

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<b>Depreciation</b>	Method for allocating the cost of buildings and equipment 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.
<b>Disposition</b>	Final status of an asset when it is removed from the inventory of assets and no longer physically located on-site (examples: sale, scrap, donation, lost, stolen, transfer to another university, etc.).
<b>Durable Supplies</b>	Items that have a useful life of more than one year with a value of less than \$5,000. Examples include most computers, file cabinets, calculators, chairs, printers, pictures, etc.
<b>Expense</b>	Charge incurred for the current fiscal period.
<b>Fabricated Equipment</b>	Equipment built on-site, not purchased in final form. The Division of Financial Affairs must approve the use of this classification.
<b>Fixed Equipment</b>	Equipment permanently affixed to a building, but separate from the building itself. Examples include light fixtures, wall-to-wall carpeting, and raised flooring.
<b>Gift-in-Kind</b>	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, artwork, or copyright interests.
<b>Gift-in-Kind, Capital</b>	Donation to the university of a tangible or intangible asset other than cash or securities that has a useful life of more than one year and a value of \$5,000 or more (\$500,000 or more for computer software).
<b>Government/ Corporate Property Control Tag</b>	Special tag affixed to an asset to indicate the asset's ownership by a government or corporate entity other than Cornell University.
<b>Improvement Other Than Building</b>	Modification costing \$50,000 or greater to an outside area, other than repairs. Examples include sidewalks, parking lots, utility lines, and fences.
<b>Intangible Asset</b>	Asset not having physical substance (examples: a patent, goodwill).
<b>Asset Number</b>	Sequential number generated by the Capital Asset System that is unique to each item of equipment.
<b>IRS Form 8282</b>	Form the university is required to send to both the Internal Revenue Service 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 IRS Form 8283 at more than \$5,000.
<b>IRS Form 8283</b>	Form that donors are required to attach to their Internal Revenue Service tax returns whenever they donate property to the university (other than cash or marketable securities) valued at more than \$500.  <b>◆Note:</b> If the property is valued at more than \$5,000, the Office of Advancement Services in Alumni Affairs and Development must sign the form, and return it to the donor.
<b>Land</b>	Solid part of the earth's surface, whether improved or unimproved.

## POLICY 3.9 Capital Assets

### DEFINITIONS, continued

<b>Lease, Finance</b>	Contract, longer than 12 months, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration, meeting any of the following circumstances: <ol style="list-style-type: none"> <li>a. Ownership transfers to lessee at end of lease</li> <li>b. Lease contains a purchase option that the lessee is reasonably certain to exercise</li> <li>c. Lease period is at least 75 percent of its useful life</li> <li>d. Present value of the sum of lease payments is at least 90 percent of the fair value of the underlying asset</li> <li>e. Lease asset is of such a specialized nature that it is not expected to have no alternative use to lessor at end of lease term</li> </ol>
<b>Lease, Operating</b>	Contract, longer than 12 months, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration, that does not meet any of the criteria of a finance lease.
<b>Leasehold Improvements</b>	Changes made to a rental property in order to customize it for the particular needs of a tenant. Threshold is \$100,000 or greater. Examples include any alterations such as painting, installing partitions, changing the flooring, etc.
<b>Library Materials</b>	Books, journals, bound periodicals, and microfilms purchased for and catalogued in libraries in the University Library system. Access to digital materials can be capitalized if the right-to-use license is greater than one year or is considered to be a perpetual license.
<b>Maintenance</b>	Activities related to the repair and upkeep of an asset, with the intent of preserving the original useful life and function.
<b>Market Value</b>	Cost to acquire an item in its current condition through an arm's-length transaction. Also referred to as "fair market value."
<b>Moveable Equipment</b>	Item that is neither permanently affixed to nor part of a building. Examples include centrifuges, copiers, oscilloscopes, vehicles, etc.
<b>Obsolescence</b>	Factor to consider when determining the disposition of assets. Assets are obsolete when no longer useful to the university.
<b>Office Landscaping</b>	Modular components that make up a work area. Examples include panels, work surfaces, drawers, and overhead shelves. Individual components that cost less than \$5,000 are not capital assets and should be expensed when purchased. Individual components costing \$5,000 or more should be identified with a barcode tag and capitalized as a piece of moveable equipment.
<b>On-Campus</b>	Location that is university-owned, operated, or affiliated. All university facilities have an official facility code. In addition to the Ithaca, Geneva, Cornell Tech, and Weill Cornell Medical campuses, examples include the Federal Nutrition Laboratory, the Harford Agriculture Facility, and the Shoals Marine Lab.
<b>Ownership Tag</b>	Identification tag affixed to equipment, other than collectibles, with an acquisition cost below \$5,000, and that is not subject to a physical inventory. The State University of New York requires ownership tags for contract college units. For sponsor-owned equipment, see the definition of Government/Corporate Property Control Tag.
<b>Project Approval Request (PAR)</b>	Defines all critical elements of a project and is used to obtain required approvals for projects greater than \$100,000.
<b>Renovation</b>	Construction activity that changes and/or improves the function of all or part of a facility. May be capitalized if actual cost is at least \$100,000, or if usable space is added. Renovation that costs less

## POLICY 3.9 Capital Assets

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### DEFINITIONS, continued

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	than \$100,000, and that does not add usable space, is expensed in the current period as repairs and maintenance.
<b>Scrap Equipment</b>	Item that can be discarded as worthless or broken down into parts for disposal or salvage.
<b>Software</b>	Entire set of programs, procedures, and related documentation associated with a computer system. <b>◆ Caution:</b> Personal computer operating and application software included with a purchase of a computer system (hardware) as part of the base system price is considered part of that hardware system, and the related software is be included in the value of the hardware.
<b>Special Collections</b>	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.
<b>State Appropriations</b>	Funds from the State of New York classified in sub fund group APSTAT.
<b>Surplus Equipment</b>	Item that is no longer needed or required.
<b>Unit</b>	College, department, program, research center, business service center, or other operating unit.
<b>Useful Life</b>	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 for a particular class of assets. For a chart of useful lives by asset class see Appendix A.

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**POLICY 3.9**  
**Capital Assets**

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**RESPONSIBILITIES**

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<b>Advancement Services of Alumni Affairs and Development</b>	Value and record gift-in-kind capital assets. Comply with donor and Internal Revenue Service capital asset disposition requirements.
<b>Capital Assets</b>	Maintain and review the accounting records for accurate use of codes in recording capital asset transactions including depreciation. Maintain the capital assets inventory database. Provide units with tags to affix to capital assets. Review and approve disposition requests. Schedule physical inventories.
<b>Plant Accounting</b>	Capitalize construction projects and renovations. Assist with the present-value calculation of leased equipment.
<b>Unit</b>	Exercise stewardship responsibilities over assets under its control. Report capital asset acquisitions in a timely fashion. Tag capital asset acquisitions when appropriate. Consult with Office of Risk Management and Insurance if additional insurance coverage is appropriate or required. Notify police as appropriate when an asset is stolen or otherwise missing. Conduct a physical inventory, verifying the existence and condition of all capital assets, and reconcile to university accounting records. Update asset locations in the Capital Asset Module throughout the year. Dispose of capital assets properly and initiate an Asset Retirement Global e-doc in KFS.

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## POLICY 3.9 Capital Assets

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### PRINCIPLES

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#### **Overview**

Cornell University acquires capital assets in pursuit of its mission. In line with federal regulation and good business practice, this policy sets forth the requirements for acquiring, disposing of, and accounting for these assets, as well as the definitions of different types of capital assets.

To depreciate their value properly over time, amortizing over the useful life of the asset, physical assets must be recorded and capitalized in accordance with generally accepted accounting principles. If their value is below the capitalization threshold, assets neither are added to the capital inventory, nor are they depreciated, but are fully expensed at the time of acquisition.

This policy also addresses other topics, such as how to handle software purchases, process special collections, and appropriate personal use of assets.

#### **Stewardship**

Units are principally responsible for stewardship of university assets under their control. Stewardship of capital assets involves basic safeguarding and physical security, compliance with university, state, and federal record keeping requirements, keeping assets in good working condition, and using them safely and properly. Units are advised to obtain theft and other coverage for their assets from the All Risk program of the Office of Risk Management and Insurance, and are responsible for arranging appropriate coverage where required for compliance with sponsored project agreements.

## POLICY 3.9 Capital Assets

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### PROCEDURES

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#### Types of Capital Assets

At Cornell, a capital asset is an item that has a useful life of more than one year and a value of at least \$5,000. Capital assets are permanent, tangible, and held for purposes other than investment or resale.

There are six types of capital assets: moveable equipment, fixed equipment, buildings, building components, land, and improvements other than buildings.

◆ **Note:** For a discussion of computer software, artwork, and library materials, see the “Special Circumstances” section of this policy.

#### Moveable Equipment

These assets are neither permanently affixed to, nor part of, a building. For a list of types of moveable equipment, see Appendix A.

◆ **Note:** Some moveable equipment consists of more than one component. In these cases, especially when all components are required for normal use of the asset, the assembled components may be considered one item and recorded as a single capital asset. If several components are assembled to create a single asset, it may be necessary to create a separate account to capture the cost of the asset. For a fabricated asset to be capitalized, it must meet the criteria of a capital asset having a total cost of \$5,000 or greater and a useful life of more than one year. The asset is capitalized when it is placed in service. For more information, see “Fabricated Equipment” under the “Determining the Value of Capital Assets” section in this policy.

#### Fixed Equipment

These assets are permanently affixed to a building, but are separate from the building itself. Examples of fixed equipment include light fixtures, wall-to-wall carpeting, raised computer flooring, fire control apparatuses, laboratory benches, fume hoods, auditorium seats, and built-in display cabinets.

#### Buildings

These assets are roofed structures used to shelter people, animals, plants, or equipment permanently or temporarily.

◆ **Caution:** Any renovation or alteration to an existing building that costs less than \$100,000 and does not add useful space to the structure is considered maintenance and repairs, rather than a capital asset.

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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#### Building Components

Building components differ from fixed equipment in that they are not separate from the building structure, but are designed and installed as an integral part of a structure. Examples of building components include plumbing, electrical, elevator, heating, ventilation, and air conditioning systems.

#### Land

These assets are the solid part of the earth's surface, whether improved or unimproved.

◆ **Caution:** The Real Estate Department is the only Cornell unit with the authority to purchase or accept a gift of land.

#### Improvements Other Than Buildings

These assets are modifications to outside areas with a capital threshold of \$50,000. Examples include sidewalks, parking lots, utility lines, fuel farms, retaining walls, fences, yard lighting, and signs.

#### **Determining the Value of Capital Assets**

Based on how they were acquired, the university separates capital assets into these categories: purchased, donated, and leased assets, fabricated equipment, and constructed buildings and improvements/renovations.

#### Purchased Assets

To determine the value of the asset, include the purchase price, transportation costs, installation costs, value received from a trade-in, and any other direct expenses incurred by the university in obtaining the asset. Training, maintenance agreements, and warranty agreements are not considered part of the capital equipment cost and should be expensed.

◆ **Note:** To record the value of a trade-in, debit the capital object code used for the new asset, and credit object code 7099 for the amount of the trade-in. Reference the barcode tag number on any journals. For the item traded in, complete the Asset Retirement Global e-doc in KFS.

#### Special Rules for Sponsored Projects and Items Purchased on State Appropriations

Assets acquired under a grant, contract, or state appropriation must comply with all contractual obligations set forth by the sponsor. For example, if the contracting agency requires tracking of equipment valued below the \$5,000 threshold, the unit must barcode tag the item and add the non-capital asset using the Asset Global (Add) e-doc in KFS. The acquisition type should be "A" – non-capital and the Asset Status

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### PROCEDURES, continued

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Code should be "Y" - Non-Capital Reportable. Please also notify Capital Assets so that the proper Government Tag can be added.

#### Capital Gifts-in-Kind

When an asset is donated to the university, its value is recorded as the market value of the asset at the time it is received. To determine the market value of the asset, use the appraisal price, the selling price to educational institutions of an equivalent item, and/or information on Internal Revenue Service Form 8283. The market value is what it would cost the university to purchase the asset if it had not been donated. In most cases, Advancement Services of Alumni Affairs and Development will determine the market value of an asset.

◆ **Note:** Transportation and installation costs provided when valuing a donated asset may also be included in the calculation of the asset's value.

Because it is common for vendors to grant educational discounts for computer equipment, the following rules apply when determining their market value:

List Price of Donated Computer Equipment:	Calculate Value at:
\$10,000 or less	List price
\$10,001 or more, and a standard item on the company price list	List price, less the company's educational discount
\$10,001 or more, and not on the company price list	Company's established price

◆ **Caution:** In all cases, to facilitate proper stewardship and meet Internal Revenue Service requirements, Advancement Services of Alumni Affairs and Development must be notified when gifts of assets are received. Also, if the gift's value is above the capitalization threshold, it must be added to the Capital Assets Inventory System. See [University Policy 3.1, University Fundraising](#).

#### Transferred or Government-Furnished Equipment

Sponsored activity may result in the university obtaining use and/or ownership of equipment outside of the procurement process. Equipment may be transferred to Cornell along with a sponsored agreement, most often when the principal investigator takes a position at Cornell.

In some cases, the university receives an asset furnished by the government or a corporation, and its title is held by the funding agency. Any government-furnished equipment should be added to the inventory system regardless of the asset value. Please see "Special Rules for Sponsored Projects" under the "Determining the Value of Capital Assets" section of this policy. When title is transferred, the university receives a gift-in-kind for the market value of the item as of the date it was

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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transferred, not for the original acquisition amount. Upon title transfer to the university, all government tags and indicia must be removed.

In both cases, the asset must be added to the Capital Asset Module using the Add Asset (Global) document in KFS. The items must be valued by methods described in “Capital Gifts-in-Kind” under the “Determining the Value of Capital Assets” section of this policy.

#### Leased Assets

These are assets purchased under a finance lease. To determine the lease classification, please refer to “lease classification” on the Division of Financial Affairs website ([www.dfa.cornell.edu/accounting/topics/lease-classification](http://www.dfa.cornell.edu/accounting/topics/lease-classification)).

◆ **Note:** It is seldom to the university’s advantage to acquire an asset using a lease agreement, as leases are a means of financing and always contain an interest expense component. If your unit cannot pay for an asset, the Treasurer’s Office may be able to assist you with financing.

When using a finance lease, units must record the capital asset as follows:

1. Record assets purchased under a finance lease when the asset is placed in use.
2. Value all finance leases at the current market value, exclusive of interest.
3. Use a present value calculation based on the monthly payments to determine the cost, minus imputed interest, if the current market value of the asset is not known. Units should contact Plant Accounting to receive assistance with the calculation

◆ **Caution:** Items paid for with an operating lease are not considered capital assets.

#### Fabricated Equipment

The value of a fabricated asset is equal to the total federal allowable costs associated with its construction. These costs include the following:

- Original invoice prices paid for components
- All costs for shipping, handling, in-transit insurance, and storage related to delivery and installation of the asset’s components
- All of the asset’s installation costs, including site preparation
- All testing costs
- All books, manuals, and training necessary for the asset’s initial operation
- Service charges from CCMR, LASSP, CLASSE, and Chemistry shops

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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◆ **Caution:** Except for the above-mentioned service facilities, units may not charge university employee labor to a fabricated equipment account.

For a further explanation of federal allowable costs, see [University Policy 3.14, Business Expenses](#).

An asset is treated as fabricated equipment if it both meets the definition of an asset being constructed through this process and has a defined development period. These assets are not depreciated until capitalized, and such assets are generally assumed unusable until fabrication period is complete. If any phase of a multi-phase project will be an independent, functional unit once that phase is completed, the project should be treated as individual fabrications. Additions to capitalized fabricated equipment are treated like those to traditional equipment.

To value a fabricated capital asset properly, when the fabrication period begins, units must work with Sponsored Financial Services to establish a unique related account with a 4320 function so that all allowable costs associated with the fabrication can be tracked independently. Once the fabrication is complete and the asset is placed into service, the unit should reverse the expenses charged to the account and debit the correct capital object code. Expenses charged to the fabrication account with a function code of 4320 and/or object code 629X will not be assessed indirect costs. Assets must be capitalized no later than the closeout of the award. For larger fabrications that have a total balance of \$250,000 or more, the unit should capitalize the project annually using the asset type of 40004. Once the fabrication is complete and put into service, the asset type should be changed to a depreciating asset.

If an asset is fabricated using non-sponsored funds, the unit can use object code 3800 and keep adding to the value of the asset. Notify Capital Assets when the item is placed into service, so the asset can start depreciating.

The fabricated asset must meet the criteria of a capital asset; that is, it must have a total cost of \$5,000 or more and a useful life of more than one year.

#### Constructed Buildings and Improvements/Renovations

The value of these assets equals the total amount paid for acquiring or improving the asset, such as labor, materials, architectural and design fees, charges by brokers, agents, and notaries, building permits, inspections, and filing costs. Also included are costs of utilities during construction and landscaping related to the building.

The unit submitting the payment request for an acquisition of a university-owned permanent structure must record it as a capital asset. If the payment request is for an alteration/renovation of an existing facility, the unit must record the project as a capital asset if it accomplishes either of the following:

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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- Adds net assignable square footage of facility space, regardless of cost (example: when a closet is renovated into office space)
- Extends the facility's useful life, and costs at least \$100,000

◆ **Notes:**

- For a flow chart showing this decision process, see Appendix C.
- Alterations are considered repairs/maintenance if they (1) do not add useable space, or (2) cost less than \$100,000.

#### **Recording a Capital Asset**

The majority of capital assets are added when purchasing the asset in KFS. When purchasing an asset, the unit is responsible for using the correct capital asset object code. Any payment made on a capital object code is added to the Capital Asset Builder (CAB) queue on a nightly basis. From the information that was provided on the Capital Edit Tab, Capital Assets adds the asset. The unit is responsible for adding the barcode tag information and serial number, and updating the location if necessary.

Other capital items that were not acquired or purchased using Cornell funds can be added using the Add Asset (Global) e-doc in KFS.

Please refer to the KFS Standard Operating Procedures for Capital Assets. The Standard Operating Procedures provide detailed information on how to manage assets in KFS.

Units are responsible for updating the following information:

- Org Owner Account Number of the unit responsible for the asset; the code may or may not be the same as the account numbers used for the acquisition. This account should not be an account that will expire. This is used for routing and physical inventories. The account is associated with the unit responsible for the asset.
- Official building code where the asset is located, as designated by the Facilities Inventory
- Room number where the asset is located, as designated by the Facilities Inventory; if the location is off-campus (example: not found on university-owned or leased property), an off-campus address can be added into the system
- Brief description of the asset
- Barcode tag number



## POLICY 3.9 Capital Assets

### PROCEDURES, continued

- Manufacturer name
- Model number, if available; use the manufacturer's designations
- Serial number; if no serial number is provided, use "NSN"
- Acquisition cost/value and date acquired if not purchased through the Cornell Financial System
- Funding source; specifically, the account number(s) used for the acquisition of the item, and the amount charged to each account if not purchased through KFS
- Organization Tab: add any information necessary to track or inventory the asset properly. This can include an individual's name or additional location descriptions.
- Condition code if not purchased new. System defaults to excellent for any new purchases.

#### Tagging Assets

The following table illustrates how to use and obtain different types of identification tags.

	Used On	What is on the Tag	Endowed/Contract College Information	To Obtain, Contact
<b>Ownership Tag</b>	Items valued below the capital threshold to indicate ownership where required by special circumstances or desired by unit	No identifying number	Endowed (yellow): "Property of Cornell University" (use is optional) Contract colleges (green): "Property of Contract Colleges at Cornell University" (use is mandatory)	Capital Assets (units should keep a supply of tags on hand)
<b>Barcode Tag</b>	Moveable and fixed capital equipment to facilitate physical inventories or other items required by special circumstances	Number matching a specific asset in the inventory system	Endowed: should be affixed to all moveable capital assets acquired on or after July 1, 1996 Contract colleges: should be affixed to all moveable capital assets; new tags read "Property of Contract Colleges at Cornell University"	Capital Assets (units should keep a supply of tags on hand)
<b>Govt./Corp. Property Control Tag</b>	Moveable assets to indicate ownership by a government or corporate entity other than Cornell; tag indicates owner. Used in conjunction with a barcode tag.	Barcode number or item sequence number used for older assets Contract identification number	Endowed and contract colleges government (silver, with red lettering): "Property of US Government" Endowed and contract colleges corporate (silver, with blue lettering): "Property of <corporation name>"	Capital Assets (provided to unit after asset is entered into the capital asset system)

To identify ownership and complete the physical inventory process, barcode tags must be affixed to all new, moveable capital equipment valued at \$5,000 or more. The barcode tag is a unique number that the unit can scan electronically to update the

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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inventory records. All units should maintain a supply of barcode tags. To obtain more tags, contact Capital Assets.

An ownership tag identifies who owns equipment that is valued below the capital asset threshold.

◆ **Caution:** Do not tag artwork, sensitive technical equipment, or other such items if tagging is impractical or affects its function, value, or the ability to return it under warranty. The unit or business service center must maintain a specific file for all such untagged capital assets.

Once final disposition of tagged capital asset, including those that are government or corporate-owned, has been determined, units should remove all tag(s) before disposing of the asset. See the “Before Disposing of Capital Assets” section of this policy. Removed tags should be returned to Capital Assets.

The following are current requirements for tagging assets:

#### Contract College Assets

Units must assign barcode tags to all new, moveable capital assets. Contract college barcode tags read “Property of Contract Colleges at Cornell University.”

◆ **Note:** Older barcode tags read “Cornell University.” A State University of New York Record ID tag must be added to all assets identified with this older barcode tag.

Non-capital equipment valued below \$5,000 requires an ownership tag. These green ownership tags read “Property of Contract Colleges at Cornell University.” There is space provided on these tags for unit use.

#### Endowed Assets

Units must assign barcode tags to all new, moveable capital assets. Endowed barcode tags read “Cornell University.”

Ownership tags are optional for non-capital equipment valued below \$5,000.

#### Government or Corporate-Owned Assets (Contract College or Endowed)

Government or corporate-owned equipment must be tagged with a Government/Corporate Property Control tag and a barcode tag. The Property Control tag information comprises the barcode number, the contract identification number, and the agency. Capital Assets provides the Government/Corporate Property Control tag to units to affix to the asset in an easily visible area. If Cornell receives the title to an asset, the government tag should be removed and sent to Capital Assets.

◆ **Caution:** This policy does not address all governmental rules and regulations governing the purchase, use, and disposal of government-funded, furnished, or

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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transferred equipment. Please review all pertinent regulations identified in the sponsored agreement.

#### **Relocation of Equipment within a Unit**

To comply with federal cost allocation regulations, location information for all movable equipment must be kept current. At the time equipment is relocated, update the location information using the Asset Edit e-doc or the Asset Location Global e-doc.

#### **Transferring Equipment to Another Cornell Unit**

When capital equipment is transferred from one unit to another within the university, units must complete an Asset Edit e-doc and choose Transfer from the action list. The transfer e-doc will be automatically routed to both the releasing and receiving units. If funds are exchanged, prepare a Transfer of Funds e-doc. The item is still considered capital equipment to the university, and it will continue to be depreciated for the university's financial statements regardless of the selling price to the new unit.

A Transfer of Funds e-doc is not required if the transfer does not involve an exchange of funds.

◆ **Caution:** Special requirements may apply when transferring assets acquired on sponsored agreements.

#### **Conducting Physical Inventories**

The purpose of a physical inventory is to verify the existence, location, and condition of equipment and ensure the accuracy of university accounting records. The unit must perform physical inventory of all moveable equipment every two years.

Inventories are conducted on a rotating schedule by fiscal year. See "inventory procedures" on the Division of Financial Affairs website ([www.dfa.cornell.edu/capitalassets/capital/inventory-overview](http://www.dfa.cornell.edu/capitalassets/capital/inventory-overview)) for the most current schedule. The KFS Capital Asset Module is the official university record for capital asset inventories. Accuracy of the information within this system depends on units to complete the appropriate e-docs to add, delete, and relocate equipment properly.

To maintain accurate inventory lists throughout the year, units should update capital asset information in KFS as changes occur. The physical inventory process will reveal discrepancies between recorded data and physical assets. Units must reconcile discrepancies and update the records.

#### Instructions for Units That Have Barcoded Their Entire Inventory

Capital Assets can provide specifications to acquire a low-cost scanner to be used with a laptop or tablet and a web-based application to perform physical inventories using a barcode scanner. Units must scan all capital equipment within the unit's assigned space. After the scanning is complete, Capital Assets will match the scanned

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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file with the university's records. Units must reconcile both the items not on the university's records and items not scanned.

Capital Assets will provide detailed instructions and training to individuals who perform the scanning. Questions about or technical difficulties with the barcode scanners should be directed to Capital Assets.

#### Instructions for Units That Have Not Barcoded Their Entire Inventory

Capital Assets will supply units with current equipment inventory lists or instructions for the preparation thereof. These lists will identify (1) Cornell-owned equipment, (2) government-owned equipment, if applicable, and (3) other owned equipment, if applicable.

When inspecting equipment:

- Add to the capital assets system capital assets that were found during the inventory process but were not on the inventory list by completing a Add Asset (Global) e-doc in KFS.
- Identify those items on the inventory list that have since been disposed of. Units should retire the asset in the KFS Capital Asset Module using the Asset Retirement Global e-doc. The e-doc is routed to the fiscal officer associated with the origination owner account as well as Capital Assets.
- Any corrections to the location, description, status (examples: active and identifiable, and storage), condition, etc., can be updated using the Asset edit e-doc in KFS.
- During the inventory upload process, only the building and room location, inventory date, and condition are updated. All other changes must be made using the appropriate KFS e-doc.

◆ **Caution:** The appropriate transaction authority must approve all disposals noted on an inventory.

◆ **Note:** For information on equipment used at home, see the "Special Circumstances" section of this policy.

#### **Before Disposing of Capital Assets**

Before disposing of a capital asset, units must communicate disposal plans to Capital Assets via the Cornell Asset Transfer System (CATS).

Assets should be listed on CATS for a period of 30 days. Once the item has been listed for 30 days, the unit can dispose of the equipment. Please see the "Disposing of Capital Assets" section of this policy.

Capital Assets either approves the request in CATS, or makes the unit aware of any disposal limitations.

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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#### Government or Corporate-funded Assets or Contractor-furnished Assets

Assets acquired with government or corporate funds are subject to terms of the agency and those stated in the various agreements. Title to equipment may belong to the sponsor or the university.

In each case, it is likely that permission from the agency is needed before disposing of government or corporate-funded assets.

To begin the required disposal process for these items, contact Capital Assets.

#### Capital Gifts-in-Kind

◆ **Caution:** Because of the potential sensitivity of these transactions, before disposing of any capital gift-in-kind, units must contact both Advancement Services of Alumni Affairs and Development, and Capital Assets.

The Internal Revenue Service has specific reporting requirements for disposing of capital assets received as gifts. Specifically, gifts valued at \$5,000 or more that are disposed of within three years of the date of the gift must be reported to the Internal Revenue Service on Form 8282.

Advancement Services of Alumni Affairs and Development and the Division of Financial Affairs must meet these reporting requirements based on information received from units.

#### **Disposing of Capital Assets**

To comply with federal, state, or other regulations, once all required notices have been completed, items recommended for sale must be offered to the university community. See the "Before Disposing of Capital Assets" section of this policy.

◆ **Caution:** Contract college units with surplus capital assets must offer the surplus item(s) only to contract college units for three weeks from the original posting date.

In general, items are sold to the highest bidder. However, there may be occasions when a unit's bid may be given preference, even if it is lower than another bid.

Items remain on the surplus list for one month. Preferences for equal bids should be given in the following order:

1. Other university units, with preference given to grants and contracts
2. Local school districts or charitable organizations
3. Employees, for personal use
4. General public

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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If no bids are received after four weeks, the items may be discarded. When disposing of capital assets, follow these steps:

1. Before disposal, remove all tags and official university seals or logos. Government Tags should be sent to Capital Assets.  
**◆ Note:** Before disposing of computer equipment, to preserve confidentiality and protect university interests, units must remove all data and university-licensed software through disk formatting, degaussing, or other permanent means.
2. Physically remove from the property items approved for disposal. When necessary, units may move them to a temporary storage location within your unit's buildings. The asset status should be changed to T- Storage.
3. Include only items that have been formally approved for disposal  
**◆ Caution:** Units must receive approval to dispose of a capital asset from the unit capital asset representative. The appropriate transaction authority must approve the disposal if the book or market value of the asset is \$10,000 or greater. Transferring or donating an asset to a third party is considered disposing of a Cornell asset.
4. In all circumstances, units must complete the Asset Retirement Global e-doc in KFS to remove the asset from the university inventory.

The Office of Community Relations coordinates equipment requests from the off-campus community. Before donating to an individual or outside agency, units must notify and obtain approval from Community Relations.

Assets must be discarded in an environmentally responsible fashion. Even common items, such as computers and refrigerators, may be considered regulated waste and/or require special handling. For guidance, contact your building coordinator or the R5 Operations Manager.

#### Special Circumstances

#### Capital Equipment Used in Service Facilities and Recharge Operations

Units must notify Capital Assets of equipment that is used in service facilities or recharge operations, so that the service facility flag in the Capital Asset System can be set to "Y," thereby ensuring the depreciation is not included in the facilities and administrative (F&A) rate calculation. For further information, please refer to [University Policy 3.10, Recharge Entities, Ithaca Campus Units](#).

#### Computer Software

Computer software differs from capital assets because it is not always tangible or separately identifiable. Therefore, for control and accounting purposes, software is

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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not classified as moveable equipment. However, large expenditures for software must be amortized, rather than written off as an expense in one fiscal year.

To accomplish this, units must capitalize software in the following manner:

1. Record any new, individual software purchase or an upgrade to an existing software package of \$500,000 or more as an intangible asset using the 3660 object code.
2. Charge as an expense any individual software purchase or upgrade costing less than \$500,000 within the fiscal year of purchase using the 6580 (Supplies – Computer and Related) object code.
3. Do not tag software boxes and storage media. However, software costing \$500,000 or more is subject to periodic verification of current use.

◆ **Caution:** Personal computer operating and application software included with the purchase of a computer system (hardware) is considered part of that hardware system, and the total value of hardware includes software costs.

There are also special rules for accounting for implementation costs associated with a cloud computing arrangement or software as a service. Contact Capital Assets or Plant Accounting for assistance.

#### Equipment Used at Off-campus Locations

To facilitate work-related projects, occasionally it is necessary to take moveable equipment off campus (examples: to use at home, on business travel, or at off-site laboratories).

When removing university-titled capital equipment from the campus for more than seven consecutive days, the individual removing it must notify the unit administrative manager or whoever is responsible for tracking the equipment. The unit administration may complete an “Equipment Loan/Return” e-doc in KFS.

Removal of government-titled equipment requires immediate notification to the unit administrative manager. At a minimum, this notification must include all of the following:

- Item description and barcode number
- Specific description of the off-campus location
- Date of removal
- Expected return date

◆ **Caution:** For internal or external audit purposes, units may be required to verify at any time the existence and location of capital assets. This requirement applies regardless of the source of funds used for the acquisition.

## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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#### Personal Use of Capital Assets

Personal use of university assets is prohibited when such use shortens the life of the asset or accelerates its maintenance schedule (examples: personal use of machine tools, grounds equipment, and fleet vehicles).

Personal use of university assets is also prohibited when that use obstructs other university personnel who need the asset from performing their job duties or results in uncompensated incremental costs (example: personal use of a copier). Occasional, immaterial, or insignificant use of certain university assets is allowed with supervisory approval, as long as the use falls outside of the above two prohibitions.

#### Library Materials

Library materials are a subset of capital assets that the university records as long-lived assets, although the market value of an individual item is generally below the capital threshold. This category consists of books, journals, bound periodicals, and microfilms purchased for and catalogued in libraries that are part of the university library system. These assets are depreciated over a useful life of ten years.

To record these materials accurately, units should record acquisitions to object code 3600. Non-catalogued acquisitions are considered expendable supplies.

#### Special Collections

Special collections are a subset of capital assets having a very long (or infinite) useful life, and they are managed differently. The university records collections as long-lived assets and depreciates them over a useful life of 100 years. Units must record these types of assets to object code 3610. Units with special collections should maintain subsidiary records. Regardless of cost, these items are recorded as capital assets.

◆ **Note:** Use of the 3610 object code is limited to units that maintain special collections (examples: Johnson Museum, Department of Entomology). Artwork purchased or donated to the university, meeting the criteria for capitalization, that is not part of a special collection should be coded with a 3630 moveable equipment object code.

#### Vehicles

For information on registering, insuring, maintaining, and operating university vehicles, see [University Policy 3.4, Use of Cornell Vehicles](#). Record any trade-in allowance as described in the “Determining the Value of Capital Assets” section of this policy. Vehicles should be added using object code 3640.



## POLICY 3.9 Capital Assets

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### PROCEDURES, continued

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#### Government-Owned or Government-Furnished Equipment

Awards with government-owned or government-furnished equipment are identified in the award instrument, on the Office of Sponsored Programs award summary, and in the Sponsored Projects Portal. Such equipment must be acquired and managed in accordance with FAR 52.245-1, Government Property and agency award terms and conditions. These requirements cover areas such as subcontractor responsibilities; the use, stewardship, tagging, reporting, inventorying, and disposition of equipment; and project closeout. Government property must be utilized as authorized under the contract, and any surplus equipment should be disclosed to the sponsoring agency. Government property records should include the asset's description (that is, name, part number, manufacturer, and model); quantity; acquisition cost; tag number; unit of measure; accountable contract number; location; disposition information, if applicable; posting references; and the date it was placed into service. Discrepancies due to loss, theft, or damage, or discrepancies found in physical inventory results, audits, or self-assessments must be reported immediately to the sponsoring agency.

Any subcontracts issued must include the appropriate flow down of terms and conditions, and clearly identify the assets that were provided to or acquired by the subcontractor. Further information is available in the Office of Sponsored Funds Policy –“Subcontract Procedures.”

Capital Assets maintains a volume of agency-specific requirements, and may be contacted for further information.

Also see “Transferred or Government-Furnished Equipment” under the “Determining the Value of Capital Assets” section of this policy.

#### Equipment Acquired Through Sponsored Projects

Refer to “Special Rules for Sponsored Projects” under the “Determining the Value of Capital Assets” section of this policy.

**POLICY 3.9**  
**Capital Assets**

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**APPENDIX A: ASSET TYPE AND USEFUL LIFE**

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<b>Asset Type Code</b>	<b>Type of Asset</b>	<b>Useful Life (Years)</b>
<b>EQUIPMENT</b>		
010	Fixed Equipment	15
011	Office Equipment	5
012	Computer Equipment	3
013	Audio/Video/Telecom	5
014	Research Lab Mechanical	10
015	Shop Machines/Tools	10
016	Furniture and Fixtures	10
017	Musical Instruments	10
018	Vehicles	4
019	Misc. Appliances/ Security Systems	10
020	Athletic Equipment	10
021	Clinical Lab High Tech	5
022	Clinical Lab Mechanical	10
023	Agricultural/Grounds Equipment	15
024	Research Lab High Tech	5
025	Collections	99
026	Computer Software	5
<b>BUILDINGS AND IMPROVEMENTS</b>		
A	Steel/Fire Resistive	50
B	Masonry/Wood Frame	40
C	Wood Frame	30
D	1900 to 1930	100
E	Historic	100
F	Building Equipment	15
G	Improvements other than building	15
H	Building Components	25
I	Roof Cover	20
J	Interior Construction	20
K	Building Fixtures	10
L	Site Preparations	50
M	Greenhouses	20
N	Fire Protection	25

**POLICY 3.9**  
**Capital Assets**

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**APPENDIX A: ASSET TYPE AND USEFUL LIFE, continued**

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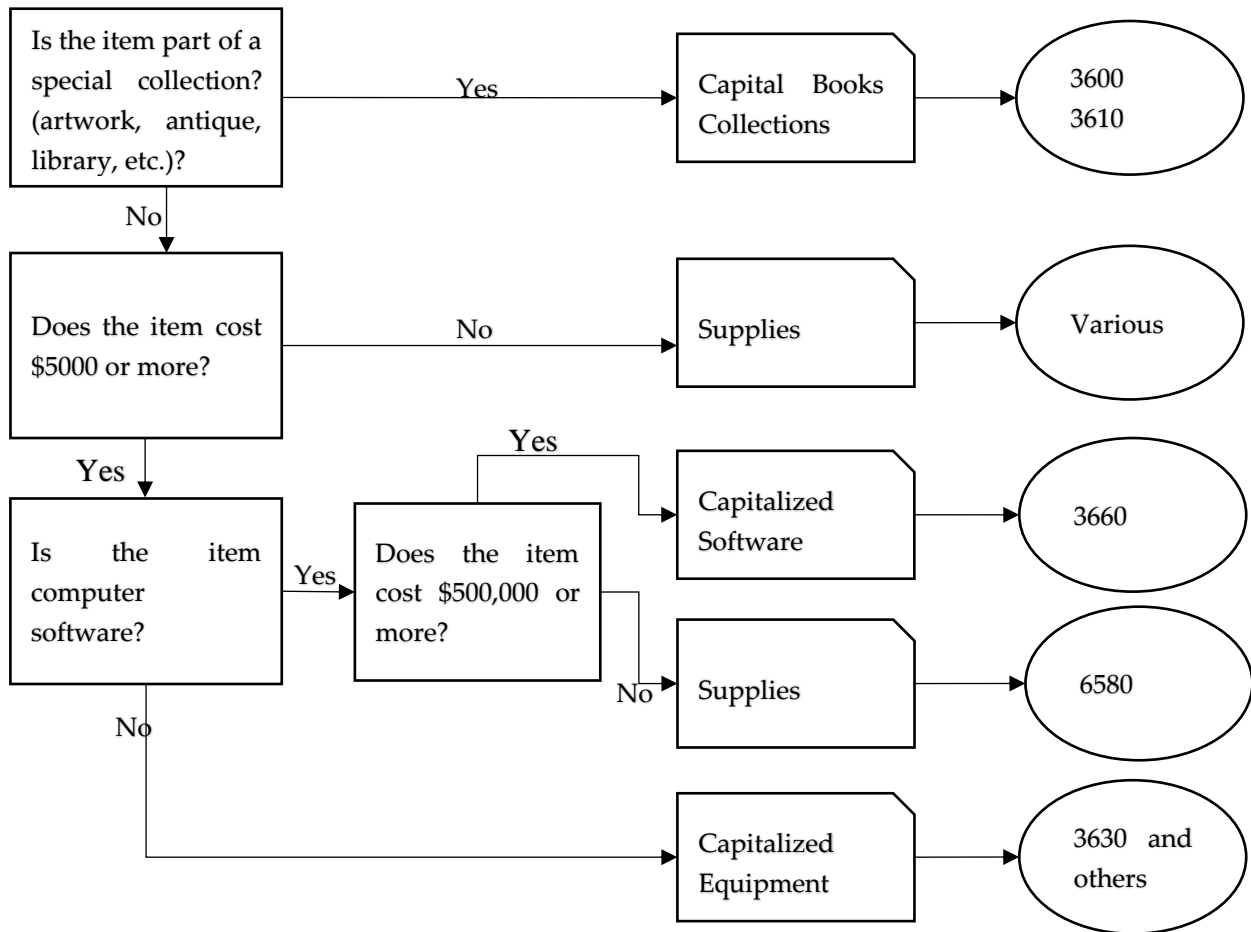
<b>Asset Type Code</b>	<b>Type of Asset</b>	<b>Useful Life (Years)</b>
O	Electrical	25
P	Plumbing	25
Q	Window/Entrance Doors/Veneers	40
R	Elevators	25
S	Floor Structure	50
T	Floor Cover	15
U	Exterior Construction	40
<b>LAND</b>		
		Infinite

**POLICY 3.9**  
**Capital Assets**

**APPENDIX B: CAPITAL ASSET DECISION TREE**

**Flow Chart 1**

*Chart of Object Code Classifications of Items with a Useful Life of Greater than One Year*



Capitalization thresholds: \$5,000; Software: \$500,000.

Capitalized equipment: an item with a useful life greater than one year, and cost greater than or equal to the capitalization threshold.

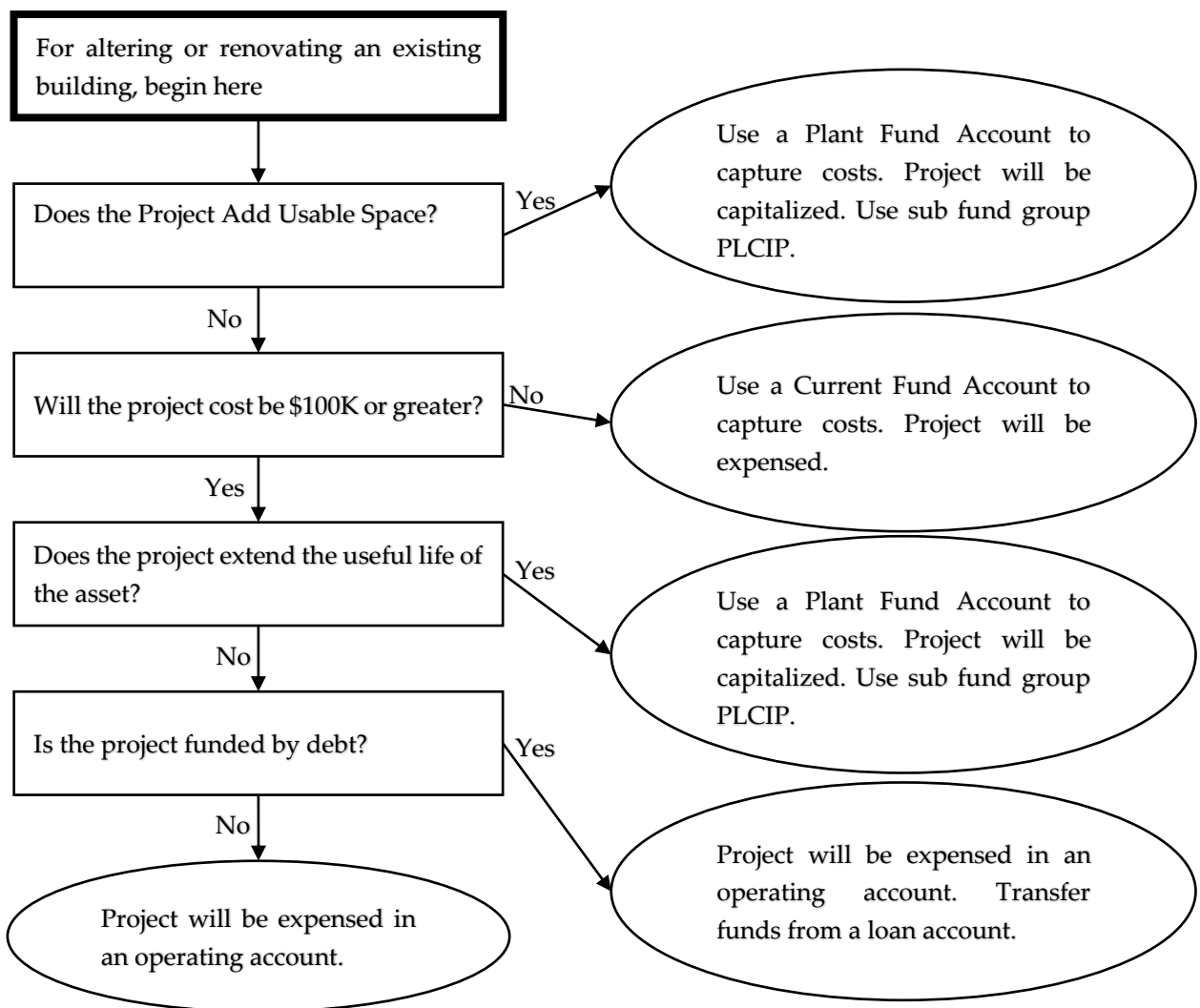
Supplies: items with useful lives of less than or equal to 1 year, or with a cost less than the capitalization threshold.

POLICY 3.9  
 Capital Assets

**APPENDIX C: FLOW CHART, CAPITALIZING  
 CONSTRUCTION PROJECTS**

**Flow Chart 2:** *Capitalizing Construction Projects*

This chart provides instruction for determining when construction projects are to be capitalized, and what fund and function groups should be used.



◆ **Note:** Adding usable space means adding additional, physical space to a building and changing any area from unusable to usable space (example: when a closet becomes part of an office).