

**Sec. 1. PURPOSE OF POLICY.**

Through this policy, the Board of Directors (“Board”) of IPS Enterprises, Inc. (“IPS”) shall address best practices adopted by non-profit corporations relating to capital assets. This policy shall also track the policies of IDEA Public Schools subject to Board differentiation contained herein or otherwise approved by the IPS Board.

**Sec. 2. AUTHORITY OVER FISCAL MATTERS.**

- (a) Subject to the provisions of Section 4.4 of the IPS Bylaws relating to actions to be approved by the Chief Executive Officer (“CEO”) or the Sole Member, the business, property, and affairs of IPS shall be managed and all powers of IPS shall be exercised by or under the direction of the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Authority Over Fiscal Matters Policy (the “Controlling Policy,” Finance Policy 1.0) for requirements applicable to this policy.
- (b) The Officers of IPS (as defined in Sec. 5 of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an Officer and any conflicted, interested or related party, as defined in other Board policy or applicable law. IPS (and its Officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

**Sec. 3. CAPITAL ASSETS.**

**Sec. 3.1. Capital Assets Defined**

*Capital assets* means any tangible or intangible item of property acquired by IPS, regardless of funding source used or if donated, with a cost of \$5,000 or more and a useful life of greater than one year at the time of acquisition.

The broad range of capital assets that are used in operations, include:

- (a) Land & Land Improvements;
- (b) Buildings and Building Improvements;
- (c) Leasehold Improvements;
- (d) Facilities and Other Improvements;
- (e) Construction in Progress; and
- (f) Personal Property:
  - (1) Furniture & Equipment, other than computer hardware;
  - (2) Computer hardware and software;
  - (3) Contract rights, intellectual property, and other intangible property;
  - (4) Vehicles; and
  - (5) Any other form of personal property recognized by Texas law.<sup>5</sup>

**Sec. 3.2. Capitalization Thresholds**

IPS shall capitalize assets pursuant to the thresholds set forth in the following table.

<b><u>Class of Asset</u></b>	<b><u>Threshold</u></b>	<b><u>Depreciation Method</u></b>
Land	Capitalize Only	Inexhaustible assets do not depreciate
Land Improvements	\$5,000	Straight-Line
Buildings	\$5,000	Straight-Line
Building Improvements	\$5,000	Straight-Line
Leasehold Improvements	\$5,000	Straight-Line
Construction in Progress	Capitalize Only	N/A
Furniture & Equipment	\$5,000 per unit	Straight-Line
Vehicles	\$5,000 per vehicle	Straight-Line
Other Personal Property	\$5,000 per unit	Straight-Line

**Sec. 3.3. Capital Asset Purchase Approval**

The Board shall approve the purchase of land or the acquisition of personal property with a per unit cost or value of \$50,000 or more prior to its acquisition. With respect to the purchase of land or real estate, the Board shall approve the acquisition during feasibility and authorize the closing of the purchase. After approval from the Board, IPS may proceed with the purchase or construction project.

This policy may be subject to state specific addendum and requirements specific to each state that IPS operates in.

**Sec. 3.4. Asset Acquisition Cost**

Capital assets are recorded at their historical cost, which include:

- (a) Vendor invoices (plus value of any trade-in);
- (b) Initial installation cost (excluding in-house labor);
- (c) Modifications;
- (d) Attachments; and
- (e) Accessories or apparatus necessary to make the asset usable and ready to be placed in service.

Historical cost also includes ancillary charges such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets are recorded at their estimated fair market value on the date of donation.

**Sec. 3.5. Capital Asset Recording****Sec. 3.5.1. Land**

Land will be capitalized but ***not*** depreciated. It is recorded at historical cost/acquisition price plus incidental costs including real estate commissions, attorney, escrow, survey, title recording fees,

etc. and remains at that cost until disposed.

#### *Sec. 3.5.2. Land Improvements*

Land improvements include items such as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, retaining walls, fencing, outdoor lighting, and other non-building improvements that make the land ready for its intended purpose. Land improvements and land are recorded separately because land improvements have a limited life and are depreciated. Land is assumed to last indefinitely and will not be depreciated.

- (a) Non-Exhaustible Additions are additions to the cost of land and are generally not exhaustible and therefore, not depreciable. These types of expenditures relate to improvements that:
  - (1) do not require maintenance or replacement;
  - (2) bring land into condition to commence erection of structures; and
  - (3) do not deteriorate with use or with the passage of time.
- (b) Exhaustible Improvements are expenditures for improvements that are part of a site and will be depreciated. These types of improvements include:
  - (1) Parking lots
  - (2) Sidewalks
  - (3) Walkways
  - (4) Landscaping; and
  - (5) Fencing.

#### *Sec. 3.5.3. Leasehold Improvements*

A leasehold improvement is the permanent improvement of a building that is being rented under an operating lease; the lease will likely state that all improvements to the building will belong to the owner of the building. The amount of the leasehold improvements will be depreciated by the tenant over the useful life of the improvements or over the life of the lease, whichever is shorter.

#### *Sec. 3.5.4. Buildings*

Buildings will be recorded at either their acquisition cost or construction cost.

#### *Sec. 3.5.5. Building Improvements*

Building improvements that extend useful life of the building and meet the capitalization threshold will be capitalized. Examples of building improvements include projects such as: roofing, major energy conservation, remodeling, and replacing major building components.

#### *Sec. 3.5.6. Construction in Progress*

Construction in progress is a general ledger account in which costs that are directly associated with constructing an asset are recorded. Once an asset is placed in service, all costs associated with it, which are stored in the construction in progress account, are shifted into whichever fixed asset account is most appropriate for the asset.

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The most common fixed asset account to which these costs are shifted is buildings, since most construction projects relate to that type of fixed asset. Once the asset is placed in service and shifted to its final fixed asset account, it will be depreciated as of the in-service date.

*Sec. 3.5.7. Furniture and Equipment*

Assets such as furniture, machinery, and equipment (that meet the set threshold) will be identified, inventoried, and depreciated.

*Sec. 3.5.8. Vehicles*

Vehicles will be identified, inventoried, and depreciated. Titles to all vehicles will be safeguarded by the Fixed Asset Accountant.

**Sec. 4. DEPRECIATION.**

**Sec. 4.1. Depreciation Defined**

Depreciation is the allocation of the total acquisition cost of a capital asset over its estimated useful life; consequently, reducing the value of the capital asset due to its use. The same depreciation method is not required for all capital assets. Land, construction in progress, and similar assets are not depreciated.

**Sec. 4.2. Authorized Method of Depreciation**

The Chief Financial Officer (“CFO”) or designee shall utilize the straight-line method of depreciation which shall be calculated as follows:

$$\text{Acquisition Cost of Asset} / \text{Estimated Useful Life} = \text{Annual Depreciation Expense}$$

**Sec. 4.3. Estimated Useful Life**

Estimated useful life is the period during which a capital asset is projected to generate revenue or provide other valuable service to the organization and not how long the asset will last. An asset must have an estimated useful life greater than one year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost, or worn-out within one year will not be capitalized.

**Sec. 4.4. Useful Life Table**

<b><u>Asset Type</u></b>	<b><u>Examples</u></b>	<b><u>Depreciable Life in Years</u></b>
Land		No Depreciation
Land Improvements (Exhaustible)	Sidewalks, walkways, parking lots, landscaping (mulch is considered maintenance, unless installed initially), fences, external lighting, irrigation system, drainage, service connections to municipal services and public utilities	15
Buildings		30
Modular Buildings	Portables, Sheds	10
Building Improvements:		Over the term of the pertinent lease agreement
HVAC Systems	Heating, air conditioners	15
Electrical/Plumbing		15
Roofing	roofs, canopies	15
Carpet Replacement		7
Cabling	Computer network, projectors	5
Computer Hardware	Computer network, projectors desktops, laptops	5 3
Computer Software	Off the shelf, non-customized	3
Duplicating Equipment	Copiers, scanners, fax machines	5
Custodial Equipment	Floor scrubbers, vacuums	7
Office and Classroom furniture, fixtures and equipment	Desks, tables	7
Grounds Equipment	Mowers, tractors	7
Kitchen Equipment	Appliances	7
Audio-Visual Equipment	Projectors, security systems	5
Motor Vehicles	Cars, vans, light trucks, buses	5

**Sec. 5. INVENTORY.****Sec. 5.1. Inventory of Capital Assets**

The CFO or designee shall maintain an inventory of all capital assets. In doing so, the CFO or designee shall tag all capital assets with a permanent, machine-readable label.

The CFO or designee shall annually conduct a physical inventory of capital assets and shall ensure appropriate corrective or other measures, including reports to law enforcement, are undertaken for any capital assets that are not located.

### **Sec. 5.2. Inventory Maintenance**

The CFO will maintain accurate, complete, and up-to-date records of all capital assets through physical counts, review of purchase records, and other methods deemed necessary.

### **Sec. 5.3. Inventory Threshold**

Personal property that meet the capitalization threshold (per unit cost over \$5,000) must be tracked and inventoried. Additionally, computing devices, including desktop computers, laptops, notebooks, tablets, and smartphones, acquired with federal funds must be tracked and inventoried.

### **Sec. 5.4. Non-Consumable Items with a per unit cost less than \$5,000**

Computers, laptops, and tablets acquired with a per unit cost of less than \$5,000 ***will not*** be tracked.

## **Sec. 6. ASSET MANAGEMENT.**

### **Sec. 6.1. Asset Requests**

IPS shall procure capital assets through the formal purchase requisition process. The CFO or designee shall decline to pay from IPS funds any amount charged to IPS's corporate charge and credit accounts by any Officer and employee. In the event that an Officer or employee uses IPS's corporate accounts to purchase a capital asset(s), the Officer or employee shall be personally liable for the amount(s) incurred.

### **Sec. 6.2. Capitalization of Repairs and Renovations**

The CFO or designee shall capitalize any repairs and renovations with a cost of \$5,000 or more and that extend the useful life of the capital asset by more than one year at the time of repair or renovation.

### **Sec. 6.3. Safeguarding of Capital Assets**

The CFO or designee shall ensure that capital assets are safeguarded and accounted on the date of acquisition and through the date of disposal.

## **Sec. 7. DISPOSITION OF CAPITAL ASSETS.**

Except for real property, the CEO or designee is authorized, by any means commonly used, to dispose of assets that have concluded their useful life, are obsolete or deemed unnecessary, are damaged beyond repair or deemed too costly to repair, or are lost or stolen. If an asset is still serviceable, the CEO or designee shall first determine if a need for the asset exists elsewhere within IPS before disposing of the asset.

The Board shall authorize any disposal of assets through a donation to another charitable, tax-exempt organization. For donations to charitable organizations, the Board shall obtain a written assurance from the organization to which the asset is being donated that it will use the donated

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asset for a public purpose and shall stipulate that, as a condition of the donation, ownership of the asset shall revert to IPS if the recipient organization discontinues using the asset for a public purpose.

If the asset is disposed of through a sale, IPS shall make no warranties or guarantees concerning the continued functionality of the asset.

If the asset has no value, the CEO or designee may dispose of the asset as deemed administratively expedient.<sup>1</sup>

The CFO or designee shall adopt a system for the documented disposal of assets, including the CEO's approval for the disposal of any real property or capital asset with a fair market or residual value exceeding \$5,000 per unit.

Prior to the final disposal of an asset, the CEO or designee shall remove or cause to have removed any IPS emblems and other identifying information, such as license plates and inventory tags, from the asset. Additionally, any computer technology shall have its storage mediums permanently erased of any software owned or subscribed to IPS and of any data, especially personally identifiable data pertaining to students and staff.

IPS personnel are prohibited from receiving, through sale or otherwise, any asset that is to be disposed except as established under this policy and pursuant to the administrative procedures adopted under this policy.

**Sec. 8. TRAINING AND UPDATES.**

The CEO and/or CFO shall prepare and formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the CEO and/or CFO shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the CEO and/or CFO shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy and whereby an amendment to this policy or deviation shall be proposed and adopted.

**Sec. 9. ADMINISTRATIVE PROCEDURES.**

The CEO and/or CFO shall prepare and formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the CEO and/or CFO shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the CEO and/or CFO shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy and whereby an amendment to this policy or deviation shall be proposed and adopted.

**Sec. 10. DATE ADOPTED AND EFFECTIVE.**

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on January 15, 2021 and it became effective on January 15, 2021.

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<sup>1</sup> An administratively expedient disposal does not result in any additional administrative process beyond documenting the disposal of the asset.

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**Sec. 11. RETENTION.**

This policy shall be retained until superseded, expired or discontinued and for five years thereafter.

**Sec. 12. CERTIFICATION.**

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Capital Assets, as originally adopted by the Board on January 21, 2021 which Policy is in full force and effect and has not been revoked or amended.

DocuSigned by:  
  
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Ryan Vaughan, Secretary

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Date: January 15, 2021