

VIC JUBA COMMUNITY THEATRE POLICY

Title: Capitalization Policy

Effective: December 21, 2011



1. General Definition from the Canadian Institute for Chartered Accountants Handbook:

"Capital assets, comprising tangible properties, such as land, buildings and equipment, and intangible properties, are identifiable assets that meet all of the following criteria:

- (i) are held for use in the provision of services, for administrative purposes, for production of goods or for the maintenance, repair, development or construction of other capital assets;*
- (ii) have been acquired, constructed or developed with the intention of being used on a continuing basis;*
- (iii) are not intended for sale in the ordinary course of operations; and*
- (iv) are not held as part of a collection."*

2. Application at Vic Juba Community Theatre

The land and the building are owned by the City of Lloydminster. With the exception of computers, equipment and items with a life expectancy of 3 years or more and a value of \$2,000 or more are considered capital assets by the Vic Juba Community Theatre. Items with a value of less than \$2,000 are considered non-capital purchases.

Renovations and alterations that meet the definition of "betterment" (see below) and have a value of \$25,000 or more are considered major renovations and alternations. These are considered a capital asset; however, major renovations and alterations will be turned over to the City of Lloydminster. All other renovations and alterations are considered minor renovations and alterations, a non-capital item.

3. Betterments vs Repairs

In many cases, expenditures are made to maintain an existing fixed asset, for example, replacing a roof. Such items are repairs rather than betterments. The definition of betterment is given as:

"The cost incurred to enhance the service potential of a capital asset is a betterment. Service potential may be enhanced when there is an increase in the previously assessed service capacity, associated operating costs is lowered, the useful life is extended, or the quality of output is improved. The cost incurred in the maintenance of the service potential of a capital asset is a repair, not a betterment. If a cost has the attributes of both a repair and a betterment, the portion considered to be a betterment is included in the cost of the capital asset"

4. Amortization Rate

For financial statement purposes amortization is recorded on a straight-line basis at the following annual rates:

Asset	Rate
Major Renovations and Alterations & Site Improvements	5%
Technical Equipment	10%
Office Equipment	10%
Shop Equipment	10%

5. Changes to the Policy

Revisions to this policy are the responsibility of the Finance & Admin Committee. Revisions to the policy must be approved by the Board of Directors.