



INTRODUCTION

1. This chapter outlines the policy and procedures for the accounting, management, and control of NPP Fixed Assets (FA) including capital expenditures, museum artifacts, attractive items, and the amortization of FA. Accounting and maintaining records of fixed assets is a significant portion of the assets reported on the balance sheet. As such, there are numerous annexes, which outline the procedures required for decision-making, acquiring, maintaining, verification and disposal of fixed assets.
2. Any asset (tangible piece of owned property or equipment) that has a useful life of more than one year and a per-item total acquisition cost exceeding the following capitalization threshold(s) shall be capitalized:
 - a. a total acquisition cost of \$10K (\$10,000) or more for CFMWS HQ Divisions, SISIP, QCC, Michael St., Pension Benefits and CFCF; and
 - b. a total acquisition cost of \$2K (\$2,000) or more for Base/Wing entities, Messes, Museums, Reserve Units, Regimental Funds, Support Our Troops and CANEX.
3. Certain assets such as equipment, furniture and desktop, laptop or tablet computers, that are below the capitalization threshold individually but otherwise meet the definition of a capital asset and are purchased in large quantities represent significant expenditures overall. In these circumstances entities shall capitalize all items acquired as one asset in the appropriate asset class. For example, if a Golf Club purchases multiple sets of lawn furniture for which each individual set's cost is less than the \$2K threshold but the total cost is \$20K, the entity manager shall request that the pooled purchase be accounted for as a Class 2 item and amortized over the standard period of 8 years.
4. These capitalization thresholds also apply to refurbishments and renovations (betterments) that extend the useful life of the asset and also to capital leases. Expenditures not meeting these criteria shall be expensed. Nonetheless, for control purposes, entity managers are strongly encouraged to account for "attractive" items that do not meet capitalization thresholds as Class 6 items at zero book value. Those entities are then responsible for the control and all verifications of their Class 6 items.
5. Museum Collections (Artifacts) include all museums' artifacts (works of art, historical treasures or similar items). Museum collections are accounted for at cost or, at nominal value if the cost cannot be reasonably determined and museum collections are not subject to the \$2K capitalization threshold or amortization.

FIXED ASSETS VERIFICATION

6. Purpose of the physical verification of fixed assets:
 - a. General - Physical verification of fixed assets confirms the existence, quantity, and condition of fixed assets;
 - b. Risk/Control – Physical verification of fixed assets mitigates the risk that assets will go missing through theft or other means such as the transfer of a fixed asset to another entity without the transfer being recorded;
 - c. Assets for Disposal - Physical verification of fixed assets identifies fixed assets that

should be disposed of due to obsolescence and/or fixed assets that are unserviceable and too expensive to repair; and

- d. Missing Fixed Assets - Physical verification of fixed assets identifies fixed assets that are missing.
7. Unit CO's, or the Officer in Charge (OIC), or the Civilian Manager responsible for the applicable area of responsibility (Outlet, Facility, Mess, Club, etc.) shall appoint an individual as the new Fixed Asset Inventory Holder prior to the departure of a current Fixed Asset Inventory Holder or upon the establishment of a new area of responsibility. Appointments shall be made in writing in the format at [Appendix 1 to Annex C](#). When both NPP and public FA are in use in the same area, both accounts shall be held by the same person.
8. For CANEX entities, the National Managers will appoint personnel from the organization to perform the required FA verification(s). For ALL other entities the Unit CO's, or the Officer in Charge (OIC), the Senior Manager, PSP or the Division Head at CFMWS/HQ shall appoint personnel to perform the required FA verification(s).
9. For ALL entities, the Fixed Asset Inventory Records for classes 1, 2, 3, 4, 7, 8, 10, and 11 with a Net Book Value (NBV) equal to or greater than the respective entity capitalization thresholds of \$10K or \$2K (as detailed in para 2 above), shall be verified at a minimum of every two years, and upon change of NPP Fixed Asset Inventory Holders, following the procedures at [Annex A](#).
10. For reasonable assurance of accuracy, all Fixed Asset Inventory Records for classes 5 and 6 and Fixed Asset Inventory Records for classes 1, 2, 3, 4, 7, 8, 10, and 11 with a Net Book Value (NBV) less than their respective entity capitalization thresholds of \$10K or \$2K (as detailed in para 2 above), should be verified periodically, and upon change of management, following the procedures at [Annex A](#) (with the exception that independent verification is not mandatory).

EXPENDITURES ON FIXED ASSETS

11. Purchases of FA by a trust account shall be directly expensed to the trust account for the full amount and controlled in the appropriate class at a nil value since trust accounts do not have a full set of financial statements.
12. The acquisition cost of a FA (capital expenditure) does not include HST/GST/PST/QST but otherwise includes all NPP expenditures incurred or directly attributable to acquire, construct, develop, or better the FA such as:
 - a. Purchase price;
 - b. Trade in value;
 - c. Installation costs
 - d. Architectural, design and engineering fees;
 - e. Legal fees;
 - f. Survey costs;
 - g. Site preparation costs;
 - h. Freight/delivery charges, including transportation insurance;
 - i. Duties;
 - j. Testing; and
 - k. Preparation and Request for Proposal costs.

CLASSIFICATION AND AMORTIZATION PERIODS

13. NPP Fixed Assets shall be recorded in FA classes and amortized as follows:

Class	Definition	Period in years	Amortization Rate per Month (rounded)
1	Includes all owned road-licensed vehicles such as automobiles and trucks.	4	2.08%
2	Includes owned FA that are not included in any other class. It also includes electronic cash registers and automated / electronic liquor dispensers, golf carts, lawnmowers, tractors, etc. (that are not driven on public roads and therefore are not licensed).	8	1.04%
3	Includes owned digital and video cameras, all owned computer hardware and software (excluding Point of Sale systems which are Class 4 items).	4	2.08%
4	Includes owned Point of Sale (POS) equipment (including associated printers, scales, scanners, etc.).	6	1.39%
5	Includes operating leases and all items on loan from other NPP entities or external organizations. Accounted for at zero book value and their fair market value (FMV) at the time of acquisition is recorded for insurance purposes only.	nil	nil
6	Attractive items as determined by the entity manager. Recorded at zero book value.	nil	nil
7	Memorabilia - this includes all owned memorabilia, works of art, etc., from non-museum activities. Accounted for at their fair market value (FMV) at the time of acquisition and / or refurbishment.	nil	nil
8	Museum Collections (Artifacts) - this includes all museums' artifacts: works of art, historical treasures or similar items. Accounted for at cost or, at nominal value if the cost cannot be reasonably determined. More details on museum collections, including consolidated insurance can be found at paras 36 to 42 of this policy.	nil	nil
10	Includes all non-standard FA requiring a different amortization period and capital leases. There is no standard amortization rate and approval rests at the Director level. A memo in the format of Annex B requesting use of this class shall be completed at the	As advised by NAM	As advised by NAM

Class	Definition	Period in years	Amortization Rate per Month (rounded)
	NPPAM level and submitted through the appropriate channels for approval. Upon approval, the National Accounting Manager (NAM) will advise the appropriate amortization period/rate to be applied.		
11	Includes items for which rental revenue is received (e.g. scuba gear).	As advised by CFO	
12A	Includes wooden framed buildings owned by NPP and the capitalized costs of renovations to them.	25	.33%
12B	Includes brick, mortar and steel buildings owned by NPP and the capitalized cost of renovations to them.	30	.28%
13	Includes all land owned by NPP.	nil	nil
14	Includes facilities and works other than buildings. (e.g. outdoor pools, golf course irrigation systems, paved cart paths, parking lots, tennis courts, etc.) .	11	.76%
15	Includes NPP funded leasehold improvements (i.e. renovations) of \$10K or more that extend the useful life or improve the functionality of a non-NPP FA for a NPP purpose.	11	.76%

AMORTIZATION

14. Amortization (depreciation) is the rational and systemic allocation of the cost of FA over their useful economic life, applying a fixed percentage (Amortization Rate) to the acquisition value of the FA for each accounting period (month).
15. PROPHET starts depreciation of fixed assets on the exact "in service" date and amortization expense is computed/charged monthly vice daily, thus amortization expenses will be the same every month (with the exception of the months of acquisition and disposal which will be based on "days").
16. Amortization based on the approved CER amount will start in the month following capitalization.

Note: Capitalization of buildings and renovations for all entities shall be enacted the earlier of, when the FA is put into use or upon project completion.

17. FA will be carried on the books of the acquiring entity and acquisition and / or amortization costs may be charged to the general account or against specific operations / outlets depending on the use of the FA. In the case of a multi-outlet facility, such as a shopping mall, costs shall be prorated to each outlet based on space occupied (including related common areas), except when it is clearly evident that the FA is used only by a specific outlet or outlets in which case FA cost will be prorated to those specific outlets.
18. All depreciable FA will be amortized to a zero book value. Fully amortized items will remain in their original FA class for insurance and control purposes until disposed of.

PUBLICLY REIMBURSED FIXED ASSETS

19. FA items purchased by NPP operations, which are included in public reimbursement billing, shall be billed to the Public as per normal, but recorded as an appropriate FA and depreciated at the Entity level for Financial Statement purposes, and not at the budgetary outlet level.

JOINT MUNICIPAL PROJECTS

20. Morale and Welfare facilities may be developed jointly with civilian municipalities to provide a greater variety of facilities, ensure sufficient participants for viable operations, and reduce costs. VCDS approval is required for joint municipal MW projects in advance of any commitment with a municipality. Submissions for VCDS approval shall be staffed through CFMWS and include the proposed share of construction cost, responsibility for O&M costs, conditions of use, and details on title, taxes, insurance, and liabilities.

CAPITALIZATION OF PROJECTS AND / OR FIXED ASSETS / JOINT FUNDING

21. Where a capital project or an acquisition of a FA is externally funded in whole or in part from NPP Fundraising (sponsorship or donations), provincial or municipal grants, or other external funds, the total cost (including the external funding portion) is capitalized and amortized.

Note: External funding is recognized as contributed capital upon receipt.

ACCOUNTING FOR BASE INTERNAL GRANTS FOR CAPITAL PURCHASES

22. Where the acquisition of a FA is funded in whole or in part by a Base Fund Internal Grant, the total cost (including the Base Fund Internal Grant funding portion) is capitalized as an entity FA and amortization expense charged to the entity.

Note: Base Fund Internal Grant funding of \$2K or more is recognized as contributed capital.

ACQUISITION AND CONTROL OF FIXED ASSETS

23. The procedures to acquire and control fixed assets, including the requirements for a Capital Expenditure Request can be found at [Annex C](#).

RESPONSIBILITIES FOR THE MANAGEMENT OF FIXED ASSETS

24. The responsibilities for the National Treasury and Reporting Office (NTRO), Deputy Regional Accounting Manager, NPP Accounting Manager, and Fixed Asset Inventory Holder are provided at [Annex D](#).

DONATED FA AND ITEMS ON LOAN/OPERATING LEASES DONATED

25. When FA are donated to an entity, the manager shall provide the NPPAM with:
 - a. a statement from the donor that the item has been donated "free and clear";
 - b. a description of the item including the serial number if applicable; and
 - c. the value of the item.

Note: Donated FA shall set up as a FA in the appropriate class with a net book value of zero and the fair market value (FMV) at the time of acquisition recorded for insurance purposes only.

FA ON LOAN/OPERATING LEASES

26. When FA are received on loan or as an operating lease, the manager shall provide the NPPAM with a completed copy of [Annex E](#) signed by representatives of both parties.
27. The NPPAM shall advise the NTRO who shall in turn add the items to the Fixed Asset records as Class 5 at a nil cost value. If NPP is responsible to insure the item, the appraised or actual value of the item is to be shown in the "Insurance value" field of the FA record for CIP purposes and the Finance CIP Manager advised of the value of the item.

LEASED/OPERATING EQUIPMENT/PROPERTY

28. Leases must be classified as either a "capital lease" (class 10) or an "operating lease" (class 5). As detailed at [Annex F](#), a capital lease represents the functional purchase, ownership and capitalization of the leased vehicle or equipment while an operating lease equates to the expensed rental of the leased vehicle or equipment. Capital leases are usually multiple year leases for items such as vehicles, golf carts or machinery that has an extended useful life and will not become technologically obsolete during the lease term.

Note: Capital leases of equipment or vehicles are not permitted unless specifically authorized by CFMWS / CFO in **advance** of lease acquisition and requests shall be forwarded to CFO for approval (via the local NPPAM/DRAM).

LOSSES/WRITE-OFF - FIXED ASSETS

29. Losses of NPP FA items (fraud, theft, disappearance) shall be investigated IAW [Chapter 30](#) (Write-Off, Reporting, and Loss/Damage of NPP). Request for Disposal ([Appendix 2 to Annex A](#)) and, for FA items with a book value, Request for NPP Items Write-Off ([Appendix 3 to Annex A](#)) shall be completed / approved and forwarded to NTRO through the local NPPAM to initiate deletion of the NPP items from Fixed Asset inventory records and the applicable accounting action to record the loss. In turn, the details surrounding the disposal and Write-off (if applicable) of the Fixed Asset(s) (e.g. description of items, method of disposal, etc.) shall then be recorded in the minutes of the applicable entity.
30. Write-off and disposal authority as per the [CDS Delegation of Authorities for Financial Administration of NPP](#) is required to approve the write-off/disposal of NPP items from Fixed Asset inventory records. Except on disbandment of a unit, or a unit in altered circumstance, in which case [Personnel Support Programs Policy Manual \(PSP PM\)](#) Chapter 10-5 (Disposal of NPP) shall apply.

DISPOSAL OF NPP GENERAL

31. ALL FA items (including FA with a zero book value) require disposal authority; disposal of

FA shall not take place until the required disposal approval has been given. The Fixed Asset Inventory Holder must complete a Request for Disposal (RFD) ([Appendix 2 to Annex A](#)) for all disposals (regardless of disposal method) and forward the approved RFD along with supporting documentation to the NTRO for action through the local NPPAM. In turn, the details surrounding the disposal and Write-off (if applicable) of the Fixed Asset(s) (e.g. description of items, method of disposal, etc.) shall then be recorded in the minutes of the applicable entity.

32. Except as otherwise specifically authorized by the CDS, the authority required for the disposal of NPP, other than real property (paragraph 33 refers), or money, shall be IAW the [CDS Delegation of Authorities for Financial Administration of Non-Public Property](#).

DISPOSAL OF NPP REAL PROPERTY

33. The disposal of NPP Real Property (NPP land, works, and buildings (Class 12 to 14 inclusive)) requires approval as per the [CDS Delegation of Authorities for Financial Administration of Non-Public Property](#) regardless of the net book value of the property.

DISPOSAL OF NPP ON DISBANDMENT AND ALTERED CIRCUMSTANCES

34. The disposal of the NPP of a unit on disbandment or in altered circumstances is governed by Chapter 10-5 (Disposal of NPP) of the PSP PM.

NPP DISPOSAL METHODS AND PROCEDURES ON CASUALTY LOSSES

35. NPP Disposal methods and procedures on casualty losses (involuntary FA changes due to a major occurrence such as a fire, flood, and earthquake), can be found at [Annex G](#).

MUSEUM COLLECTIONS (ARTIFACTS)

36. Collections shall be recorded at cost or, if cost cannot be reasonably determined, recorded at nominal value. Cost is the purchase price of acquired items or the fair market value (FMV) of contributed items, plus all other costs directly attributable to acquisition such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation costs and duties. FMV is defined as the amount that would be agreed upon by informed parties dealing at arm's length in an open and unrestricted market. When an actual purchase price (actual FMV) does not exist, as in the case of a donation, an estimated FMV can be determined based on information from local suppliers for the cost of a used item of similar description, quality and condition or by formal appraisal.

Note: The cost incurred in protecting and preserving collection items is a repair or maintenance cost and should be expensed.

37. Museum artifacts valued at \$2K or less need not be appraised as long as information is available to provide reasonable substantiation of the FMV placed on them should a loss occur. This procedure will eliminate having appraisers review many items which have a minor monetary value.
38. Museum artifacts considered to have a value between \$2K and \$5K should be appraised by the curator and one additional qualified appraiser, and artifacts valued in excess of \$5K should be appraised by the curator and two additional appraisers. Appraisal reports and supporting documentation shall be retained in a safe place to support the appraised values annotated on the museum artifact listing.
39. As per Chapter 11 (Non-Public Property Consolidated Insurance Program), museum artifacts are insured at replacement cost. To ensure the total value at risk is known, and to avoid

problems in claim settlement should a loss occur, each museum is required to complete a listing of the museum artifacts (including items on loan), item by item, showing the cost value of each item and the appraised value where applicable. These listings are to be retained and stored in a safe location. In the event of an incident, the museum must provide proof of the value claimed and confirm that the artifacts claimed were adequately safeguarded.

40. As per the [A-AD-266-000/AG-001](#) (Canadian Forces Museums – Operations and Administration), museums shall record detailed information about the museum's artifacts such as: provenance, history, description, use, material, dimensions, and cost in the Canadian Forces Artifact Management System: "*The Museum System*" (TMS). TMS records shall be used as support for Museum Fixed Asset Inventory Accounts in PROPHET and a single Fixed Asset record shall be maintained for each CAF Museum. Annually in the month of March, each CAF Museum FA record shall be adjusted to reflect the current valuation reported in TMS.
41. Artifacts on loan (class 5) to a museum shall be listed separate from owned artifacts (class 8). The value of each of these artifacts (except for Crown property) is to be obtained in writing from the owner to avoid a dispute on the correct valuation of artifacts in the event of loss. These statements of values are to be retained in a safe place at the unit to support the "artifacts on loan" values annotated on the museum content listing.
42. Any disposal or alienation of artifacts and memorabilia, other than as provided for in paragraphs 7 and 8, of Chapter 11-1 (Artifacts and Memorabilia Non-Public Property) of the [PSP PM](#) requires the specific approval of the Managing Director NPP (up to \$100K) or CDS (see Chapter 10-5, (Disposal of Non-Public Property) of the [PSP PM](#)).

USE OF EMPLOYER-OWNED MOTOR VEHICLE

43. The use of an employer-owned motor vehicle is to be strictly used for business purposes. The personal driving of an employer's vehicle is a taxable benefit to the employee. Personal driving is any driving by an employee, or a person related to the employee, for purposes not related to his or her employment. This includes:
 - a. vacation trips;
 - b. driving to conduct personal activities; and
 - c. travel between home and work (even if the employer insists that the employee drives the vehicle home)
44. Canada Revenue Agency does not consider it to be personal driving if the employer requires or allows the employee to travel directly from home to a point of call (such as an employee visiting a customer) other than your place of business to which the employee regularly reports, or to return home from that point. Any benefit received from driving the employer's vehicle for personal use will be included on the employee's T4 slip at the end of each year.
45. The use of an employer-owned motor vehicle is not covered under the NPF Consolidated Insurance Program (CIP) if used for personal use.

[Annex A – Fixed Asset Verification](#)

[Appendix 1 - Statement of Fixed Asset Inventory Account Verification](#)

[Appendix 2 - Request for Disposal](#)

[Appendix 3 - Request for NPP Items Write – Off](#)

<u>Appendix 4 - Fixed Assets Transfer to NPP Form</u>	
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