MISSISSIPPI LAKES ASSOCIATION
FIXED ASSET POLICY

PURPOSE

1. This Policy establishes procedures for acquiring, managing and disposing of fixed assets in support of MLA Objectives, and for maintaining a Reserve Fund in support of planned future acquisitions or recapitalization.

REFERENCES

a. CNCA and Regulations
b. Income Tax Act (ITA) and Canada Revenue Agency (CRA) Regulations
c. MLA By-law
d. MLA Capitalization Plan

DEFINITIONS

2. The following definitions apply to this Policy:

   a. Fixed Asset - any Capital or Attractive asset that transcends more than one accounting period (FY);

   b. Capital Asset - a fixed asset with a purchase price of $500 or more (exclusive of taxes, fees, shipping and handling, or similar expense). Examples include: boat, outboard motor, drone, and similar items. Capital assets are subject to annual depreciation adjustments;

   c. Attractive Asset - a fixed asset with a purchase price less than $500, but by its nature (size, portability, utility, marketability, etc.) can be easily converted to personal use or is otherwise susceptible to loss or theft. Attractive assets include marker buoys, AV equipment, tools, test kits, publications, and similar items;

   d. Capital Cost (CC) - the purchase price (PP) of a capital asset (exclusive of taxes, fees, shipping and handling, or similar expense). Capital asset acquisition entails a conversion of liquid assets into fixed assets; it is therefore not considered an expense at the time of acquisition;

   e. Current Expense - individual attractive assets, and all costs associated with acquiring fixed assets are to be accounted as current expenses in the FY of purchase;

   f. Book Value (BV) - the value of a capital asset as recorded in the Balance Sheet. The book value will vary from 100% of CC on the date of acquisition, to eventually NIL as annual depreciation is applied. The book value in any FY is also referred to as the Undepreciated Capital Cost (UCC). Because an attractive asset is accounted as a current expense, its book value is NIL;

g. Fair Market Value (FMV) - an estimate of the value of a fixed asset, to assist in determining a selling price for disposal and in planning for replacement purchases. FMV shall be set initially as the PP, and shall be reassessed as required, but at intervals not to exceed five years. Note that a capital asset will have both a BV and a FMV, and these will not necessarily be equal;

h. Depreciation - the annual loss of value of a capital asset due to factors including: fair wear and tear; and decreasing utility and/or obsolescence. It is recorded as an end-FY expense against the Undepreciated Capital Cost of the asset. MLA will apply depreciation as described in this Policy; and

i. Capital Cost Allowance (CCA) - the CRA term for the amount of depreciation that can be claimed on annual income tax returns. The maximum values claimable vary by CRA Class of asset.

FIXED ASSET REGISTER

3. All capital and attractive assets shall be recorded in the Fixed Asset Register and be mustered annually, to safeguard MLA investment.

4. The Register shall include a list of all currently active assets, and an historical record of all assets that have been disposed. The following information shall be recorded:

a. description, including serial numbers as appropriate;
b. purchase date, source, and cost price;
c. associated taxes/fees and expenses incurred on purchase;
d. future alterations to the asset that affect the book value;
e. Book Value and effective date;
f. Fair Market Value and effective date;
g. date of last inventory; and
h. disposal details, including as appropriate:
    1) selling price and date; or
    2) disposal action and date.

CAPITALIZATION PLAN

5. The BOD shall develop a long-range Capitalization Plan to replace existing assets and/or acquire additional assets to reflect the requirements identified in the Capability Plan. The

Capitalization Plan is to be updated as required in concert with annual budget development to reflect the MLA's best estimate of funding requirements and timelines.

FUNDING

6. The MLA shall maintain two separate funds as follows:

   a. Operating: for the current/ongoing operations of the Association. The Treasurer shall ensure that the fund balance is at all times sufficient to meet the MLA's corporate commitments; and

   b. Reserve: for the accumulation of funds to permit the future acquisition or replacement of capital assets. Opportunities for generating investment interest income should be exploited, while ensuring that unencumbered funds are available at the time required to effect planned purchases.

7. The annual budget submission to the AGM shall indicate the amount of funds proposed for transfer from the Operating Fund to the Reserve Fund in support of the Capitalization Plan. The transfer is to take place once the budget has been approved.

8. The BOD may approve the temporary transfer of funds from the Reserve Fund back to the Operating Fund for exceptional circumstances only. Upon the resolution of the exceptional circumstances, these funds shall be restored to the Reserve Fund.

9. Upon obtaining approval via an AGM or SGM for a capital asset purchase, the Treasurer shall transfer the appropriate funds from the Reserve Fund to the Operating Fund to effect payment for the purchase.

10. This Policy shall be applied in concert with the MLA Revenue Generation Policy. Revenue generation in excess of operational and capitalization requirements is to be minimized to preserve the MLA's status as a non-profit and tax-exempt association.

PURCHASING PROCEDURE

11. A capital asset purchase in support of the Capitalization Plan shall be undertaken as follows:

   a. Business Case - the BOD shall strike a Committee to draft a detailed purchase proposal. The proposal shall develop options for consideration and include for each option all pertinent details necessary to arrive at a purchase decision. Details for each option shall include:

1) description of the particular asset to be purchased;
2) source (retail outlet, dealer, etc.); and
3) costing (base purchase price, associated modifications or extra features, fees, expected ongoing maintenance, etc);

b. BOD decision - the BOD shall select the option that best suits the needs of the MLA and will prepare a submission for Member approval at the AGM via a budget proposal, or via an SGM as required.

c. Members' approval - at an AGM or SGM; and

d. Purchase - the BOD will designate an MLA agent (Director or Member) to undertake the purchase and delivery of the capital asset.

DEPRECIATION

12. Depreciation shall be applied annually in the MLA financial records and reported as CCA on the T2 income tax return. Depreciation shall be applied at the same rate that CCA is claimed. The salvage value of any capital asset is deemed to be NIL. These measures will simplify the accounting process and the preparation of the MLA's annual corporate tax return.

13. The following CRA classes of assets and maximum annual CCA claimable are pertinent to MLA operations:

Class 7 (15% max) boats and equipment
Class 9 (25% max) aircraft or drone, and equipment
Class 50 (55% max) general purpose computer equipment

14. The following table specifies the depreciation schedules to be applied by MLA. The schedules are based upon the declining balance method, the appropriate CRA Class of assets, and the maximum claimable CCA.

DATE	Depreciation to apply as a percentage of CC		
	CLASS 7	CLASS 10	CLASS 50
purchase date	NIL	NIL	NIL
end of 1st FY	5%	10%	25%
end of 2nd FY	15%	25%	55%
end of 3rd FY	15%	25%	20%
end of 4th FY	15%	25%	
end of 5th FY	15%	15%	
end of 6th FY	15%		
end of 7th FY	15%		
end of 8th FY	5%		

DISPOSAL

15. Fixed assets shall be disposed of physically and financially once they have reached the end of their useful life. The BOD may also decide to dispose of fixed assets when they are deemed no longer required to support MLA operations. The BOD will decide when to dispose of fixed assets, using one of the following methods:

a. Sell - at fair market value or best offer. If the revenue is greater than the book value, the difference is registered as income. If the revenue is less than the book value, the difference is registered as a current expense. In either case, the book value is reduced to NIL and the item is removed from the active list of fixed assets; or

b. Scrap - an item that cannot be sold or is in no condition to be sold, will be scrapped and removed from the active list of fixed assets. If the item has a book value at the time of disposal, it is reduced to NIL and the loss is registered as a current expense.

16. Neither depreciation nor CCA are claimed in the fiscal year of disposal of a capital asset.