

A photograph of two women sitting at a table in a modern office setting. The woman on the left has long red hair and is looking at a laptop. The woman on the right has dark curly hair and is looking at the laptop while holding a pen. There are glasses of water and papers on the table. The background shows a bright office with large windows.

# ASNPO AT A GLANCE

Section 4433 - Tangible Capital Assets Held by Not-for-Profit Organizations

# Section 4433 - Tangible Capital Assets Held by Not-for-Profit Organizations

Effective Date  
Fiscal years beginning on or after January 1, 2019<sup>6</sup>

## SCOPE

**Applies to:**

- Section 4433 applies to accounting for tangible capital assets held by NPOs, including those recognized under Section 3065, *Leases*, in Part II of the Handbook. Except as otherwise provided for in this Section:
  - Tangible capital assets are accounted for in accordance with Section 3061, *Property, Plant and Equipment*, in Part II;
  - Productive biological assets accounted for in accordance with Section 3041, *Agriculture*, in Part II;
  - Disclosures for impairments of tangible capital assets are provided in accordance with Section 3063, *Impairment of Long-lived Assets*, in Part II; and
  - Obligations associated with the retirement of capital assets are accounted for in accordance with Section 3110, *Asset Retirement Obligations*, in Part II

**Does not apply to:**

- Intangible assets acquired or developed by NPOs (See Section 4434, *Intangible Assets Held by Not-for-Profit Organizations*)
- Items held as part of a collection (see Section 4441, *Collections Held by Not-for-Profit Organizations*)

## TANGIBLE CAPITAL ASSETS

Identifiable tangible assets that meet all the following criteria:

- 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 tangible capital assets;
- Have been acquired, constructed or developed with the intention of being used on a continuing basis;
- Are not intended for sale in the ordinary course of operations; and
- Are not held as part of a collection (see Section 4441)

## RECOGNITION AND MEASUREMENT - TANGIBLE CAPITAL ASSETS

Refer to Sections 3061<sup>1</sup>, 3041<sup>2</sup>, 3063<sup>3</sup> and 3110<sup>4</sup> in Part II of the Handbook for guidance on accounting for and disclosing tangible capital assets except for contributed tangible capital assets, write-downs and disposals as outlined below

## COST

- For a contributed tangible capital asset:
  - Cost is deemed to be fair value at the date of contribution, plus all costs directly attributable to the acquisition of the tangible capital asset (e.g. installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation costs and duties). Fair value may be estimated using market or appraisal values
  - However, in unusual circumstances where the fair value cannot be reasonably determined, both the tangible capital asset and the related contribution are recorded at nominal value
- A tangible capital asset purchased by a NPO at a price substantially below its fair value, is recognized at its fair value and the difference between the fair value recorded and the consideration paid is recognized as a contribution (see Section 4410, *Contributions - Revenue Recognition*<sup>5</sup>)
- The cost of a tangible capital asset that is developed or constructed by an organization over time might include contributed materials or labour, which would be recognized at fair value at the date of contribution

<sup>1</sup> See also our publication ASPE AT A GLANCE: Section 3061 - *Property, Plant and Equipment*  
<sup>2</sup> See also our publication ASPE AT A GLANCE: Section 3041 - *Agriculture*  
<sup>3</sup> See also our publication ASPE AT A GLANCE: *Impairment of Long-lived Assets & Goodwill*  
<sup>4</sup> See also our publication ASPE AT A GLANCE: Section 3110 - *Asset Retirement Obligations*  
<sup>5</sup> See also our publication ASNPO AT A GLANCE: *Contributions*  
<sup>6</sup> Except as specified in paragraph 4433.27.



## RECOGNITION AND MEASUREMENT - TANGIBLE CAPITAL ASSETS (CONTINUED)

### AMORTIZATION

- Tangible capital assets not being amortized would include those under construction or development and may include those removed from service for an extended period of time
- Certain works of art and historical treasures that have lives that are virtually unlimited, such as those that have cultural, aesthetic or historical value that is worth preserving perpetually and for which the organization has the technological and financial ability to continue to preserve and protect, would not be amortized

### WRITE-DOWNS

- A tangible capital asset may be impaired when conditions indicate that the asset no longer contributes to an organization's ability to provide goods and services or that the value of the future economic benefits or service potential associated with the asset is less than its net carrying amount (refer to paragraph 4433.18 for examples of conditions that may indicate impairment)
- When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost (the measurement of the write-down to either fair value or replacement cost is a choice made on an asset-by-asset basis)
- The write-down is recognized in the Statement of Operations as an expense
- A write-down cannot be reversed
- A tangible capital asset may be integrated with other assets in such a way that it may be necessary to consider the value of the tangible capital asset's future economic benefits or service potential for the group of integrated assets as a whole. In this case, any write-down would be recognized and measured for the group of assets and would be allocated to the assets within the group on a pro-rata basis using the assets' relative carrying amounts
- If there are any unamortized deferred contributions related to the tangible capital asset written down, the contributions would be recognized as revenue, as long as all restrictions had been satisfied (see Section 4410, *Contributions - Revenue Recognition*<sup>5</sup>)

### DISPOSAL

- When a tangible capital asset is disposed of (e.g. by sale, destruction, loss, abandonment or expropriation), the difference between the following is recognized in the Statement of Operations:
  - The net proceeds on disposition; and
  - The net carrying amount
- If there are any unamortized deferred contributions related to the tangible capital asset that was disposed of, these contributions would be recognized as revenue in the period of the disposal, as long as all restrictions had been satisfied (see Section 4410, *Contributions - Revenue Recognition*<sup>5</sup>)

## TANGIBLE CAPITAL ASSETS HELD BY SMALL ORGANIZATIONS

- If the average annual revenues recognized in the Statement of Operations for the current and prior period of a NPO, including the average annual revenues of any entities it controls, are below \$500,000, then the organization may choose to limit the requirements of Section 4433 to the requirements outlined in paragraph 4433.26 (discussed below). However, all NPOs are encouraged to follow the requirements of Section 4433 even if they meet this limit, unless these requirements would be too difficult or costly
- Once a NPO's revenues exceed the \$500,000 limit discussed above, it must follow the requirements of Section 4433 and it must continue to follow the requirements of this Section even if its average revenues fall below \$500,000 in subsequent years
- According to paragraph 4433.26 NPOs that meet the \$500,000 limit criteria discussed above must disclose the following information:
  - The policy the NPO follows in accounting for tangible capital assets;
  - Information about major categories of tangible capital assets not recorded in the Statement of Financial Position, including a description of the assets; and
  - If the NPO expends tangible capital assets when they are acquired, the amount expended in the current period

<sup>5</sup> See also our publication ASNPO AT A GLANCE: *Contributions*



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