FINANCIAL MEMORANDUM		
Memorandum No. 100 A	ICAHN SCHOOL OF MEDCINE AT MOUN SINAI SUBJECT: ASSET MANAGEMENT POLICIES AND PROCEDURES	Page 1 of 5
Approved by S. HARVEY		Date Issued/Amended 6/25/99, 7/22/13/3/16/15 Replaces 100A / 7/22/13

I. PURPOSE

The purpose of this memorandum is to set forth the policies and procedures applicable to the Recording, Reporting and Controlling of the School of Medicine's fixed assets. This policy amplifies and supplements Mount Sinai institutional policy on Asset Management.

II. INTRODUCTION

The policies and procedures outlined in this memorandum ensure that Asset Management can:

- assign departmental responsibility and accountability for fixed assets
- provide information necessary for the replacement of insurance and proof of ownership
- comply with requirements of external agencies
- record the status and activity of fixed assets
- maintain a data base for management purposes

III. CLASSIFICATION OF FIXED ASSETS

A. Fixed assets are classified, for financial statement purposes, into the following major categories:

1. Class 1 – Land
2. Class 2 – Land Improvements
3. Class 3 – Buildings
4. Class 4 – Fixed Equipment
5. Class 5 – Major Movable Equipment

III. CLASSIFICATION OF FIXED ASSETS (continued)

B. Components of Fixed Assets Accounts

1. Class 1- Land:

   a. Cost of land used in Medical School operations
   b. Cost of off-site sewer and water lines
   c. Public utility charges for servicing the land
   d. Governmental assessments for street paving and sewers
   e. Cost of permanent roadways and of grading of a non-depreciable nature
   f. Cost of curbs and sidewalks whose replacement is not the responsibility of the Medical School

2. Class 2- Land Improvements:
   a. All land improvements of a depreciable nature should be charged to this account including:

      (1) Cost of on-site sewer and water lines

      (2) Paving of roadways, parking lots, curbs and sidewalks if their replacement is the responsibility of the Medical School

      (3) Shrubbery, fences and walls

   b. Depreciation on above should be based on estimated useful economic life of each unit.
   c. Has a unit cost of $1500 or more.
   d. Has a minimum life expectancy of more than one year.

III. CLASSIFICATION OF FIXED ASSETS

B. Components of Fixed Assets Accounts (continued)

3. Class 3 – Buildings:

   a. Cost of all buildings used for Medical School purposes.
   b. Cost of all subsequent additions and renovations
   c. Architectural, consulting and legal fees related to the acquisition or construction of buildings.
   d. Cost of demolition.
   e. Relocation costs.
   f. Has a unit of cost of $1500 or more.
   g. Has a minimum life expectancy of more than one year.

4. Class 4 – Fixed Equipment:

   a. Equipment affixed to the building and not subject to transferor removal.
   b. A fairly long life expectancy, shorter however, than the life expectancy of the building in which the equipment is affixed.
   c. Equipment which primarily serves the function for which the building is being used.
   d. Equipment including such items as boilers, generators, elevators, engines, pumps and refrigeration machinery. It includes such smaller items as built-in benches, bins, cabinets, counters, and shelving. As well as conveying systems, sinks, drain boards, etc.
   e. Has a unit cost of $1500 or more.
   f. Has a minimum life expectancy of more than one year.

5. Class 5 – Major Movable Equipment:

   a. Capable of being moved as distinguished from fixed equipment.
   b. Has a more or less permanent location within a building.
   c. Has a unit costs of $ 1500 or more.
   d. Has a minimum life expectancy of more than one year.

IV. DEFINITION OF CAPITAL EQUIPMENT

Capital equipment (Class 4 or Class 5) is defined as an asset that is capitalized upon acquisition, and depreciated over its estimated useful life in conformance with generally accepted accounting principles.

The criteria for determining whether items are considered capital equipment are:

1. Equipment which has a unit cost of $1500 or more and a useful life of more than one year.
2. Bulk purchases of an item, where the total cost is equal to or exceeds $1500 and the item has a useful life one or more years.

In those cases where an item consists of independent component parts and accessories, the combined cost of all components make up the unit cost.

V. CAPITALIZING OF FIXED ASSETS

A. Fixed and Major Movable Equipment

For capitalization purposes, the acquisition cost should include all costs necessary to prepare the asset for its intended use.

These include:

- Invoice price of asset.
- Freight and delivery charges.
- Installation costs.
- Cost of "tuning up" equipment as well as trial-runs.
- Title investigation, legal fees, brokers' commissions.
- Reconditioning costs for used equipment.

If a trade-in allowance is received, it should be applied against the gross purchase price so as to arrive at the net base cost to be capitalized.

In the case of donated assets or those transferred to Mount Sinai, the Purchasing Department should be consulted to determine the base cost to be capitalized.

B. Other fixed Assets

A Construction-in-Progress Account is used to aggregate expenditures for capital projects during construction. At the completion of the project, the engineer in charge of the project must inform Asset Management, in writing, that the project is now being used for its intended purpose. At that time, the balance in this account will be transferred to the appropriate fixed asset accounts. No depreciation is charged on such assets until they are put into service.

VI. DEPRECIATION POLICIES

Depreciation for fixed assets is handled as follows:

1. Assets are depreciated based on the estimated useful lives set forth in the American Hospital Association – Estimated Useful Lives of Depreciable Hospital Assets Guide. Should this period be determined to be inappropriate, a different useful life may be substituted.
2. Depreciation is calculated by the straight-line method whereby an equal portion of the asset's capitalized cost is allocated to each period of use. One-half year's depreciation is taken, each in the year of the asset's acquisition and disposal.
3. School Buildings are depreciated based on the useful lives of their component parts.

VII. TAGGING OF CAPITAL EQUIPMENT

To maintain proper controls over fixed and major movable equipment, such equipment must have a Mount Sinai identification tag affixed.

To assure proper tagging of capital equipment, the following procedure should be followed:

1. All capital equipment Purchase Orders with sub account 4660 are charged to the subsidiary account, 0201-6105 (Major Movable). Asset Management reviews this account monthly, traces the capital equipment to the location through the Purchase Order.
2. The Plant Ledger (Bassets) will assign an asset number and the Asset Management sends its representative with the appropriate number of tags, to the department to tag the equipment.
3. Asset Management is responsible for the tagging the equipment in accordance with the following procedures:
    - The tags should be placed in a visible location on the equipment.
    - The tags should be affixed to a flat surface on the equipment. It may be placed either horizontally or vertically.
    - The tag should not be placed where it may be defaced or removed through equipment use.
    - In those cases where an asset is made up of interdependent component parts and accessories, the main device is tagged.
    - The final location of the equipment is indicated in Bassets along with the appropriate tag number.
4. For assets that cannot be tagged for some reason, Asset Management will still assign an asset number.
5. Broken, damaged or loose tags should be sent to Asset Management so that replacements can be issued.

VIII. TRADE-INS OF CAPITAL EQUIPMENT

When departments purchase new capital equipment, they sometimes trade-in obsolete capital equipment for a reduction in the price of the new item. When a department arranges for a trade-in, it is essential that the Asset Management be advised of this action. This will allow Asset Management to remove the asset from the institution's property records. Before having any asset traded-in, the following steps should be followed:

1. Tagged Item
    - Record the tag number of the item being traded-in on the requisition for the new equipment.
    - When the item is removed from the institution, the old tag should be returned to Asset Management.
2. Untagged Item
    - Provide a description, the serial number, P.C. number, and date of purchase – if available, of the asset being traded-in on the requisition for the new equipment.
    - Asset Management will attempt to locate the asset number on the institution's property records and make the appropriate adjustment.

XI. CAPITAL EQUIPEMENT TRANSFERS AND OTHER STATUS CHANGES

In order to maintain updated records, it is essential that departments notify Asset Management, immediately, if any institutional equipment is sold, scrapped, missing or transferred to another department. The completion of the "Capital Asset Status Change Report" form (Exhibit III) will permit Asset Management to make the appropriate adjustments to the institution's property records.

X. INVENTORY

In order to comply with external regulations, as well as to ensure that the institution's property controls are adequate, periodic inventories of fixed assets are conducted on a cyclical basis. It is essential that departments return the forms, after conducting the inventory, by the date indicated. This will ensure that the appropriate changes are made so as to reflect the status of such assets at the institution.

XI. ADDITIONAL INFORMATION

Questions with respect to this memorandum should be referred to the Senior Vice President for Finance at (646)605-4002