

Institute for Advanced Study Policy

Policy Title:	Identification of Non-GAAP Policies	Issue date:	January 1, 2017
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Approval Authority:	CFO, COO		
Responsible Office:	Director	Contact:	Comptroller's Office
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POLICY STATEMENT

This policy provides guidance with respect to the use of policies not in accordance with Generally Accepted Accounting Principles (GAAP).

REASON FOR POLICY

To set forth the Institute policies which are not in accordance with U.S. GAAP.

SCOPE OF THIS POLICY

This policy is applicable to all schools, departments, and/or IAS staff involved in transactions which are handled in a manner which is not in accordance with GAAP.

POLICY SECTIONS

- I. Capitalization of Assets
- II. Depreciation of Assets

POLICY TEXT

I. Capitalization of Assets

A capital expenditure is a purchase that an entity records as an asset, such as property, plant and equipment. Land improvement and equipment improvement assets can be capitalized as long as they are not part of normal maintenance and are increasing the value or extending the useful life of the asset. Generally Accepted Accounting Principles state that the purchase must have a useful life of more than one (1) year to be considered capital expenditures but there is no set dollar threshold.

The Institute for Advanced Study has a non-GAAP policy relating to the capitalization of assets. The Institute does not capitalize assets with a useful life of less than three (3) years or that are below \$1,000, with the exception of computer equipment which are often below \$1,000 individually but purchased together in quantities that aggregate to exceed \$1,000.

II. Depreciation of Fixed Assets

Generally Accepted Accounting Principles requires an entity to start depreciating an asset after it becomes available for use. Depreciation must be allocated on a systematic basis over the assets useful life. Useful life is defined as (1) the period over which an asset is expected to be available for use by an entity or (2) the number of production or similar units expected to be obtained from the asset by an entity.

The Institute for Advanced Study has a non-GAAP policy relating to depreciation whereas depreciation is not taken during the fiscal year of purchase for a capital asset addition. This is due to the temporary booking of the purchase to an expense account before the final reclassification in June to the balance sheet. Depreciation begins in the first month (July) of the following fiscal year after purchase and uses a monthly convention for depreciation expense.