Policy on Asset Capitalization - EXAMPLE

Assets are acquired occasionally through its normal operations. These assets may be acquired through donations or purchase. In the case of non-monetary or purchased equipment, materials or real property a decision must be made whether to capitalize that asset or, in the case of a purchase, expense it. The following criteria will apply when deciding whether or not to capitalize a newly acquired asset.

1. Does the acquisition cost, or in the case of a donation have a value of $1,500 or more?

2. Does the acquisition have a projected useful life of five (5) years or more?

3. If purchased as a repair or improvement to an existing asset, does the repair or improvement meet the criteria of both one and two above?

If an acquisition meets the criteria above it may be entered appropriately into the accounting system as a capital asset. If not, it must be expensed in the month it was acquired.

Even if an acquisition meets the criteria of a capital asset it must be approved as such by the Chief Executive Officer at the time of acquisition. The Chief Executive Officer may, at their discretion, decide to expense an item even if it otherwise meets the requirements stated above for being classified as a capital asset. If the acquisition does not meet the criteria of 1, 2 and 3 above, however, it must be expensed and cannot be capitalized