

Choices In Community Living, Inc.
Fiscal Policy #14
Capital Expense Policy & Procedure

1. Purpose

To establish guidelines for the acquisition, approval, and management of capital expenditures, ensuring proper financial oversight, compliance with accounting principles, and responsible stewardship of organizational resources. This policy aligns with the organization's Purchasing Policy regarding approval limits and spending thresholds.

2. Policy

Definition of Capital Expense:

A capital expense (or capital asset) is a purchase of tangible or intangible property that:

- Has a useful life of more than one year, and
- Meets or exceeds the monetary threshold of \$1,000 (per item).
- Examples include:
 - Equipment (computers, printers, appliances)
 - Furniture and fixtures
 - Vehicles
 - Building improvements
 - Software systems

Accounting Treatment:

- Capital assets are recorded on the balance sheet rather than expensed immediately.
- Depreciation is applied over the asset's estimated useful life in accordance with GAAP.

Additional Requirements:

All purchases are also subject to all other applicable agency policies (e.g., Fiscal Policy #7 (Purchasing Policy), including the requirements thereof relating to authorized spending limits and the requirement to obtain multiple quotes in certain cases).

Budgeting:

- Capital expenses should be included in the annual budget.
- Unbudgeted capital purchases require written justification.

3. Procedure

Step 1: Identify Need

- Department identifies the capital purchase need.
- Gather supporting information: description, estimated cost, vendor, expected useful life, and serial number / VIN (if applicable).

Step 2: Submit Request/Notice via Email

- Staff sends an email to the Finance Department, and, if the email is being sent by other than the approver, to the designated approver, including:
 1. Item description and quantity
 2. Vendor name
 3. Estimated cost
 4. Expected useful life
 5. Serial number / VIN (if available)
 6. Budget information (is it included or not)
 7. Attached quotes if > \$1,000
 8. Justification for the purchase
- If the email is being sent by other than the approver, it should be addressed to the Finance Department and the appropriate approver based on authorized spending levels set forth Fiscal Policy #7 (Purchasing Policy). If the email is being sent by the approver, it should be addressed to the Finance Department and should clearly state that the approver has approved the purchase.

Step 3: Approval

- If the email in Step 2 is sent by other than the approver, the approver reviews the email request and replies (to both the requester and the Finance Department) with **approval or denial**.
- Email chain serves as official documentation for accounting and audit purposes.

Step 4: Record Transaction

- Once approved and purchased:
 - Record in the **fixed asset ledger**.
 - Include **serial number / VIN Number** (if applicable), purchase date, cost, vendor, expected useful life, and department.

Step 5: Depreciation

- Apply depreciation according to GAAP and the asset's expected useful life.
- Review depreciation annually for accuracy.

Step 6: Asset Tracking & Review

- Maintain an **asset register** including serial/VIN numbers, cost, department, and depreciation.
- Review assets annually for condition, usage, and impairment.

Step 7: Disposal

- When capital assets are sold, retired, or discarded:
 - Update the asset register.
 - Record any gain or loss in the accounting system.