

Subject: Fixed Asset Capitalization Policy

Purpose: To provide a system for capitalizing and depreciating fixed assets

Fixed Asset Definition

Fixed assets are defined as specific items of property that

1. are tangible in nature
2. have an estimated life greater than 1 year
3. add value to the organization
4. have a net cost at least \$5,000

Items meeting the above requirements will be capitalized & depreciated over their useful lives using straight line method.

Group Purchases

The Chief Financial Officer (CFO) has the discretion to choose to capitalize group purchases of similar items as a fixed asset as long as

- the first 3 items of the fixed asset definition are met
- the total group of items have a net cost of at least \$5,000

Desktop computers are an example of items that the CFO could elect to capitalize. For example, Woodhaven purchases 3 desktop computers for \$500 per computer. While both the individual cost of \$500 & the total cost of \$1,500 is less than \$5,000, the CFO could capitalize the computers because the net cost for all of Woodhaven's computers is greater than \$5,000.

Useful Life

The following lives are suggested for the described property. However, if you know that the asset will be obsolete or will no longer be used in a shorter period of time, that shorter period should be used for the useful life.

The useful lives listed below are for assets acquired after the original issue date of this procedure. When this procedure was issued, some useful lives were adjusted to reflect a more appropriate life span.

- IT equipment 5 years
 - This includes (but is not limited to) PCs, laptops, printers, TVs, phone systems, swipe card entry systems, server
- IT software 2 years
- Furniture, vending machine & appliances 5 years
- Other
 - Shredder 5 years
 - Examination tables 10 years
- Building
 - Building structure 40 years
 - Roof 20 years
 - HVAC 15 years
 - Generators 15 years
 - Major remodeling 10 years
 - Lift systems 10 years
 - Landscaping 10 years
- Vehicles
 - Vehicles 5 years (or the remaining length of the lease if less than 5 years)
 - Mobility chairs 5 years (or the remaining length of the lease if less than 5 years)
 - Mobility conversions 5 years (or the remaining length of the lease if less than 5 years)
- Other assets not listed above

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- The CFO will determine the useful life for all assets not listed above based on the length of time the fixed asset can be expected to contribute to Woodhaven's operations.

Land

Land should be recorded at its acquisition cost. Land will not be depreciated.

If property & land are acquired in the same transaction at a combined cost, land will be recorded at 15% of the total transaction cost.

Construction in Progress

All fixed assets in process will be placed in Construction in Progress (CIP) until they are ready to be put in service.

Maintenance, Repairs & Betterments

Maintenance & repair costs are not considered fixed assets. Maintenance & repair costs should be expensed as incurred regardless of dollar value.

A betterment is defined as the replacement of an existing asset or asset portion with an improved or superior asset or asset portion. A betterment should be capitalized as long as it meets the above definition of a fixed asset.

Examples of betterments:

- replacing a roof (even if the roof is being replaced due to wear & tear)
- replacing a standard shower / tub with a newer standard shower / tub
- replacing a standard shower / tub with a different shower / tub in order to meet the needs of our individuals served (such as a walk-in or roll-in shower)
- replacing flooring due to wear & tear
- replacing flooring in order to meet to the needs of our individuals served
- replacing a standard vehicle seat with a mobility seat
- modifying a standard vehicle to meet the needs of our individuals
- replacing a vehicle mobility seat due to wear & tear
- replacing a vehicle ramp due to wear & tear
- replacing a home lift system due to wear & tear
- installing a new home lift system in order to meet to the needs of our individuals

The above examples are not intended to be all inclusive.

Replacing a Fixed Asset

If an already existing fixed asset is being replaced, the CFO has the discretion to choose to capitalize the replacement item as a fixed asset as long as

- the first 3 items of the fixed asset definition are met

Repair & Replacement Fund

Starting in 2018, all fixed assets will be recorded on the general ledger in the Repair & Replacement Fund

Approved: _____ Date: _____
Chief Executive Officer