

CAPITAL EXPENDITURES & CAPITALIZATION THRESHOLD POLICY of Carolina Trace Association, Inc.

This policy was approved by the CTA Board of Directors on 7 March 2017.

Definition and Threshold:

Capital assets consist of furniture, fixtures, equipment, software, land improvements (e.g. road surfaces, bridges, culverts), etc. that meet two criteria:

- 1) a useful life of more than one year, and
- 2) cost more than a certain amount.

The CTA Board of Directors has established \$ 2,500.00 as the threshold amount for capitalization. Purchases and asset acquisitions that do not meet the capitalization criteria shall be expensed in the year in which the purchase occurred.

Competitive bid:

For purchases and capital expenditures in excess of \$5,000.00, competitive bids (preferably three, minimum two) should be sought when appropriate.

Approval:

CTA shall prepare a Capital Budget for each fiscal year that includes proposed capital expenditures planned to occur in that fiscal year. The Capital Budget shall be approved in accordance with the Bylaws. Those expenditures itemized within the approved Capital Budget are considered approved. The timing of Capital Asset expenditures shall be determined by the Finance Committee based on overall cash flow requirements.

CTA's Capital Budget includes a discretionary fund of \$10,000.00 that may be accessed by the Executive Committee without prior approval of the Board of Directors, provided resources are available, and with the stipulation that the Board be informed of any use of the fund at the next regular meeting.

Capital expenditures not within the approved Capital Budget, or beyond the scope of the discretionary fund, must be specifically approved by the CTA Board of Directors in accordance with the Bylaws. To seek such approval the President must provide the amount and rationale for the expenditure and assurance of availability of financial resources to support the purchase.

Recordkeeping:

CTA shall maintain a list of fixed assets showing the date of the acquisition, its cost, and a schedule for depreciation of the asset. CTA will use IRS useful lives and depreciation methods so that no differences arise between the books of account and tax return amounts. Annual depreciation expense will be included in CTA's annual operating budget.

Asset Impairments: A recognized impairment of capital assets shall be recognized whenever events and circumstances warrant.

For each purchase or capital expenditure, the Executive Committee shall evaluate whether the acquisition will have an impact on insurance coverage, determine if present coverage valuations are adequate, and obtain additional coverage if necessary.