

MARK ARMIJO ACADEMY Capital Asset Policy

Policy Title: Capitalization of Computers, Software, and Instructional Materials

Effective Date: Retroactive to July 1, 2023

GC Approval: September 5, 2024

Purpose

The purpose of this policy is to establish guidelines for the capitalization of computers, software, and instructional materials when their collective acquisition cost equals or exceeds \$150,000 within a three-month period. This policy ensures that capital assets are accurately recorded and depreciated in the financial statements in accordance with applicable accounting standards.

Scope

This policy applies to all computers, software, or instructional materials, either individually or collectively, that meet the capitalization threshold as outlined below.

Definitions

- **Capital Asset:** Tangible or intangible assets that are used in operations and have a useful life extending beyond one reporting period. Examples include computers, software, and instructional materials.
- **Equipment:** Physical items such as machinery, computers, vehicles, and other durable goods used in operations.
- **Software:** Programs, applications, and operating systems used to support operational functions.
- **Instructional Materials:** Educational resources such as textbooks, laboratory equipment, and other teaching aids used to support instructional activities.
- **Capitalization Threshold:** The minimum cost at which an asset is recorded as a capital asset and depreciated over its useful life. For the purposes of this policy, the threshold is \$150,000 when the total cost of acquired assets in the specified categories reaches or exceeds this amount within a three-month period.

Policy Statement

1. **Capitalization Criteria**
 - Equipment, software, and instructional materials acquired within a three-month period will be capitalized as a single capital asset if the total cost of these items collectively equals or exceeds \$150,000.
 - Items should be purchased for the same or related purposes and have an expected useful life of more than one year.
2. **Aggregation of Costs**
 - The aggregation of costs will be applied when multiple related purchases are made within a three-month period.
 - Related purchases may include items acquired as part of a single project, program, or operational need, even if acquired through separate transactions.
3. **Timing**
 - The three-month period begins on the date of the first qualifying purchase. All relevant purchases made within the following three months will be considered in determining whether the capitalization threshold is met.
 - If the \$150,000 threshold is met or exceeded during this period, the total value of the acquired assets will be capitalized.
4. **Depreciation**
 - Capitalized assets will be depreciated over their estimated useful life, starting from the date the asset is placed in service.

- Depreciation methods and useful lives will be determined in accordance with generally accepted accounting principles (GAAP) or other applicable standards.
- 5. Financial Reporting**
- All capitalized assets will be recorded in the organization's fixed asset register.
 - The Finance Department will ensure that the capitalization of these assets is reflected in the financial statements and associated depreciation is properly recorded.
- 6. Approval and Documentation**
- All departments must obtain necessary approvals for purchases and maintain documentation supporting the aggregation and capitalization of assets under this policy.
 - Documentation should include purchase orders, invoices, and any other relevant records.
- 7. Exemptions**
- Individual items with a cost below the standard capitalization threshold for single items (e.g., \$5,000) that are not part of a collective purchase reaching \$150,000 within three months are not subject to capitalization under this policy and will be expensed in the period they are acquired.

Review and Amendments

This policy will be reviewed annually by the Finance/Audit Committee and updated as necessary to reflect changes in accounting standards, operational practices, or organizational needs.