**POLICY**

1. **Purpose**

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in the Shorecrest Preparatory School, Inc. (SPS) annual financial statements (or books).

# Capital Asset definition

A “Capital Asset” is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months **and** (2) was acquired or produced for a cost of $1,000 or more. Capital Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

# Capitalization thresholds

**SPS** establishes $1,000 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in SPS**’s** financial statements (or books).

1. **Capitalization method and procedure**

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for SPS**’s** annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

1. **Recordkeeping**

Invoice substantiating an acquisition cost of each unit of property shall be retained for a minimum of four years.

1. **Approval Process**

Departments will request Capital Assets separately from operating expenses during SPS’s annual budgeted process. All non-technology requests will be made to the Facilities Director. All technology requests will be made to the Technology Director. Both Directors will ensure that estimated costs (including shipping and installation) are provided along with the rational for the need (repair, replacement, start-up for a new program, etc.). The Directors will prioritize and the Capital Requests into the following categories: Current normal operations, Strategic Initiatives, PPRRSM. The Directors will then meet with the Headmaster and CFO for cash requirements and budget limitations. Those items that are approved by the Headmaster and CFO will be presented to the Finance Committee for review and recommendation to the full Board.

During the fiscal year, if an unbudgeted emergency occurs, the CFO, in communication with the Headmaster, may approve capital asset expenditures up to $10,000. The Headmaster may approve, in communication with the CFO, up to $25,000. The Finance Committee will be notified at the next meeting. Unbudgeted emergency items greater than $25,000 must be approved by the Finance Committee up to $75,000 and presented at the next full Board Meeting. Unbudgeted emergency items greater than $75,000 need Board discussion and approval to proceed.