

# **Family First Credit Union**

## *Capitalization Policy*

### **Purpose**

The capitalization policy will set forth the guidelines for procure and capitalizing fixed assets and prepaid expenses.

### **Responsibility and Authority**

The Board of Directors must approve unbudgeted expenditures for the purchase of fixed assets exceeding \$20,000.00. The President/CEO is authorized to approve unbudgeted items up to \$20,000.00. The EVP/CFO is authorized to approve unbudgeted items up to \$5,000.00.

The President/CEO has the authority to authorize all capital expenditures which have received budgetary approval.

It is the responsibility of the EVP/CFO to ensure adherence to this policy.

### **Policy Statement**

It is the policy of Family First Credit Union that the purchase of fixed assets be capitalized and the cost allocated over the estimated useful life of the asset (or group of assets) through regular depreciation charges to income. The asset cost shall be the acquisition price plus related expenditures necessary to place the asset in service.

Capitalized fixed assets will be depreciated using the straight line method over the estimated useful life determined for that item or group of items.

Fixed asset expenditures of \$500 or less may be expensed immediately. However, management has the discretion to capitalize small dollar fixed assets to ensure accountability and control.

Salvage values of fixed assets shall be a minimum of \$1.00 and a maximum of 10% of cost.

Deviation from this policy may be applied for unusual or infrequent occurrences such as opening a new branch or replacement of a large portion of furniture and equipment at one time. A decision to deviate may be made by the President/CEO when circumstances warrant. In some cases, units with values of \$500 or less may be aggregated and depreciated over the average estimated useful lives.

All disposals of assets must be approved by the President/CEO. At the time of disposal, adjustments will be made to remove the original cost and accumulated depreciation from the accounting records.

Prepaid expenditures for services and/or supplies of \$500 or less may be expensed as incurred.

Prepaid expenditures in excess of \$500 shall be regarded as an asset and the related cost amortized over the term of the prepaid agreement or the estimated life of the items purchased.

Management (President/CEO and EVP/CFO) has the discretion to amortize expenditures of \$500 or less when warranted (i.e., annual dues, annual contracts, etc.).

## **Review**

This policy must be reviewed at least annually by the Board of Directors.

Adopted \_\_\_\_\_ Date \_\_\_\_\_

Reviewed \_\_\_\_\_ Date \_\_\_\_\_

Reviewed \_\_\_\_\_ Date \_\_\_\_\_

Reviewed \_\_\_\_\_ Date \_\_\_\_\_