Cape George Colony Club Capitalization and Depreciation

POLICY

This policy provides guidelines for the capitalization of capital assets including intangible assets, related to the acquisition, construction, and alteration of the capital asset or intangibles. All assets meeting the definitions established shall be considered a long-term asset and shall be recorded in the records of the Cape George Colony Club (CGCC).

This policy also provides guidelines for the depreciation and amortization of capital assets.

REASON FOR THE POLICY

This policy seeks to:

- Promote consistent and proper account for CGCC capital assets and related expenses in conformity with Generally Accepted Accounting Principles (GAAP);
- Define those costs that are to be capitalized to properly reflect the cost of the asset during its useful life; and
- Establish guidelines for the depreciation/amortization of capital assets.

POLICY STATEMENT

Costs incurred for the purchases or construction of capital assets, including intangibles, should be capitalized only if:

- The eligible costs related to the purchase, excluding ancillary costs, equal or exceed $3,000; and
- The asset is expected to have a useful life of three (3) or more years.

A major repair or renovation is to be capitalized if the outlay increases the future benefit of the existing asset. Increased future benefits typically include:

- An extension in the estimated useful life of the asset;
- An increase in the capacity or efficiency of an existing asset
- A substantial improvement in the quality of output from the asset or material reduction in previously assessed operating costs.

All depreciable/amortizable assets will be depreciated using the straight-line method with specific month convention.

Generally any items appearing on the CGCC depreciation schedule will also appear on the CGCC Reserve Schedule although the numeric values associated with the assets on the two schedules will not be the same.

DEFINITIONS

Aggregate purchases
When a group of capital assets are acquired for one area/room and collectively they exceed the criteria for capitalization, they may be capitalized. The capitalization of aggregate purchases is not required.

Ancillary costs
Expenditures necessary to acquire and place an asset into productive service in its intended location. These costs include, but are not limited to, costs for the preparation of blueprints, architects and engineering fees, permit costs, costs of real estate surveys, brokers commissions, freight, installation costs, etc. Minor ancillary costs need not be capitalized

Capital assets
Property, plant or equipment that is held for purposes other than investment or resale.

Capital costs
Direct and incremental expenses related to the acquisition, construction or improvement of capital assets.

Capital leases
Capital leases are to be capitalized if they meet the criteria of FASB #13.

Construction in Progress (CIP)
The costs of construction and/or cost accumulation of work undertaken but not yet completed. No depreciation is recorded until the asset is placed in service.

Depreciation
Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period will equal original cost less the salvage value. Land is not to be depreciated. When applied to intangible assets, this recognition is referred to as amortization. Depreciation ends when the asset reaches the end of its useful life, is disposed or impaired.

Disposals
When an asset is disposed, replaced, traded, sold or permanently impaired such events are to be appropriately reflected in the depreciation schedule and general ledger; the event should also follow the specific month convention. For impairment of assets, adjustments will be made in accordance with FASB #144. See also CP-20 for authorization levels related to asset disposals.

Estimated Useful Life
Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was acquired. Eligible fixed assets should be depreciated over their estimated useful lives.

Intangible assets
Assets are those that lack physical substance, are non-financial in nature and have an initial useful life extending beyond a single reporting period. Intangible assets must be identifiable, i.e. they are capable of being separated or divided and sold transferred, licensed, rented or exchanged or the asset arises from contractual or the legal rights, regardless of whether those rights are transferable or separable.

Interest Costs
If necessary interest costs may be capitalized based on the criteria outlined in FASB #34.

Project Costs
Project development generally involves three phases and only the costs directly associated with the development phase should be capitalized. The phases are:

- Preliminary phase – when the conceptual formulation of alternatives, the evaluation of alternatives and the selection of alternatives is made;
- Development phase – design of the chosen alternative and expenditure of costs necessary to turn the project into a productive asset;
- Post-implementation phase – training and maintenance activities.

Property, plant and equipment
Land, buildings, improvements, fixed and moveable equipment owned by CGCC.

Salvage Value
The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose. In other words, the salvage value is the amount for which the asset could be sold at the end of its useful life.

Valuation
Capital assets shall be recorded at historic cost or, if the cost is not readily determined, at estimated historic costs. Cost shall include applicable ancillary costs. All costs shall be documented, including methods and sources used to establish any estimated costs. In the case of donations, the capital asset should be recorded at fair market value at the date of receipt.

- Purchased Assets – The recording of purchased assets shall be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation.
- Constructed Assets – All direct costs (including labor) associated with the construction project shall be included in establishing the asset valuation.
- Donated Assets – Fixed assets acquired by gift, donation, or payment of a nominal sum not reflective of the asset’s market value shall be assigned cost equal to the fair market value at the time of receipt.

Approved by the Board of Trustees, July 14, 2011

Approved by the Board of Trustees, February 14, 2019

________________________ ________________________

Katie Habegger, President Joel Janetski, Secretary