



## **CAPITALIZATION POLICY**

**Adopted Dec. 17, 2015**

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 Florida Wildflower Foundation's annual financial statements (or books).

2. Materials and Supplies definition

A "material or supply" is generally considered to be tangible property that is used or consumed in the business within 12 months of acquisition, is not inventory, or has a unit cost of less than \$200. Materials and supplies meeting this definition may be expensed.

3. Capital Asset definition

A "Capital Asset" is defined as a unit of tangible property that: (1) has an economic useful life of more than 12 months; and (2) was acquired or produced for a cost of more than \$500 (or an amount up to \$5,000 if the business has annual audited financial statements), including acquisition and installation costs on the same invoice. Capital Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

4. Capitalization thresholds

The Florida Wildflower Foundation establishes \$2,500 as the threshold amount for minimum capitalization of tangible property. Any items costing below this amount will be expensed in the Foundation's annual financial statements (or books).

5. 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 in the Foundation's annual financial statements.

6. Routine Maintenance definition

Routine maintenance that the Foundation reasonably expects to make more than once to a unit of property, including buildings, over a 10-year period is not a capital asset and will be expensed.

7. Optional Election to Capitalize Routine Maintenance

Routine maintenance that would be expensed under the definition above, may be capitalized and depreciated with the following provisions: The financial statements(or books) and the tax return must reflect the same method; an election must be made with the annual tax return and the election applies to all amounts paid for repairs and maintenance to tangible property that the Foundation treats as capital expenditures on its books and records for that tax year.

8. Recordkeeping

Invoices substantiating the acquisition cost of each unit of property shall be retained for a minimum of five years.