Good Samaritan Health & Wellness Center

Policies and Procedures

Subject: Capitalization of Fixed Assets	Policy #: 3.16
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3.16 Capitalization of Fixed Assets

Policy: Fixed assets are property and equipment purchased by GSHWC or certain building equipment that are donated assets. GSHWC has identified $5,000 or more as the threshold for establishing capitalized assets in the categories of buildings, equipment, and leasehold improvement. (Also refer to Policy 3.5)

This capitalization policy guideline is applied to individual items over $5,000. Used equipment is capitalized using the same guidelines as new equipment and is depreciated over the useful life of the asset. New and used equipment are recorded at cost.

Purpose: It is the purpose of this policy and procedure to establish the reporting, safeguarding, and control of fixed assets for GSHWC.

Procedures:

ASSET CLASSES

Fixed assets should be classified as one of the following categories:

1. ***Land*** – Land has no value threshold. If the center owns a parcel of land, the land is valued at the cost to the center. If the land was donated to the center, then the center will record the land at the estimated fair market value of the land. Land does not depreciate.

2. ***Building*** – *Facilities* that are deeded to GSHWC and are owned by GSHWC are classified as buildings. All costs associated with building improvements are capitalized. Buildings are depreciated over 40 years or the useful life of the building at time of acquisition, whichever is less.

3. ***Leasehold Improvements*** – Leasehold improvements are expenditures by GSHWC that improve or renovate leased property. Leasehold improvements are amortized over the useful life of the improvement or the term of the lease, whichever is shorter. Repairs and expenditures, which do not improve the structure, do not qualify as leasehold improvement and are expensed in the period incurred.

4. ***Furniture and Equipment*** – Furniture and equipment include office furniture, computers, computer hardware (server, etc.), copiers, medical equipment, telephone equipment, etc. Depreciation is based upon the useful life of the specific item capitalized. Furniture and equipment is depreciated over a 7 year period. Computer equipment is depreciated over 5 years.

GSHWC maintains property records to account for and safeguard assets and document the calculation of depreciation. GSHWC maintains an excel spreadsheet that records fixed assets by description and documents the date purchased, useful life, cost of asset where it is located within GSHWC, and the federal reversionary interest. GSHWC uses the straight-line method of depreciation, which is calculated based on cost divided by the useful life in terms of years.

Every two years, in compliance with OMB Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Super Circular), GSHWC will conduct and document a physical inventory on all fixed assets.

DISPOSAL OF FIXED ASSETS

Any time an asset is due for disposal, it will be written off at book value (cost less accumulated depreciation). Any gain or loss is calculated by deducting the book value from any proceeds received. Any gain or loss is treated as miscellaneous revenues or expenses.

If the asset disposed of has a federal reversionary interest, recorded using the percentage of federal funds for GSHWC during the year of purchase, then approval must be obtained from DHHS prior to disposition or sale. If the asset sold or disposed of was purchased with State or local funds, approval may need to be obtained from the funding agency.

CALCULATION OF DEPRECIATION

Depreciation of assets is calculated using a straight-line basis over the estimated useful life of the asset. When assets are acquired, there could be a proration of depreciation based on the time purchased during the month.