



CAPITAL PURCHASE POLICY

PURPOSE

The purpose of this policy is to define the restrictions and procedures applicable to the purchase of certain assets by Common Threads.

DEFINITION

“Capital purchases” are purchases of furniture, fixtures, equipment, software, property improvements, and other items that meet two criteria:

- (1) they have a useful life of more than one year, or
- (2) they cost more than \$2,000.

Bulk purchases of similar items that have an aggregate value of \$2,000 or more are considered capital purchases regardless of the individual price per item.

Capital purchases are deemed fixed assets rather than expenses for accounting purposes and are typically subject to depreciation.

APPROVAL

The budget is updated each year by the Board of Directors and should include proposed capital purchases that are anticipated to take place during the coming year. Purchases that are specifically itemized within the approved capital budget are considered approved by the Board.

Capital purchases that are not identified in the approved budget must be specifically approved by the Finance Committee. The Executive Director must provide the Finance Committee with the price and rationale for the purchase and demonstrate the availability of financial resources to support the purchase. The Finance Committee may, but is not required to, seek the approval of the full Board.

COMPETITIVE BIDS

For purchases in excess of \$10,000, at least two competitive bids or offers (preferably three) should be sought, if appropriate.

RECORDKEEPING

Common Threads shall maintain a list of capital purchases showing date of acquisition, cost, and a schedule for depreciation of the asset, if appropriate. The useful life of capital assets shall be consistent with the Internal Revenue Code and its attendant regulations and guidelines. Annual depreciation expense may be included in the annual operating budget as needed.

REVIEW

Adopted _____

Reviewed most recently on _____

Next review January 2021