



**COMMUNITY  
FOUNDATION**  
*of Northern Nevada*

COMMUNITY FOUNDATION OF NORTHERN NEVADA  
CAPITALIZATION POLICY

**I. Purpose**

The purpose of this Capitalization Policy is to provide direction to capitalization of property acquired and owned by the Community Foundation of Northern Nevada ("Foundation") for accounting, auditing and financial reporting purposes. The policy applies to any item(s) valued at more than \$1,000.

**II. Policy**

Capital property at the Foundation is both tangible and intangible personal property having a useful life of three years or more and an acquisition cost of \$1,000 or more per unit. All property meeting this definition should be recorded on the Foundation's property inventory.

**III. Personal Computers**

All personal computer system packages valued at \$1,000 or more are to be recorded on the equipment inventory. PC system packages consist of a central processing unit (CPU), system software, and all accessories necessary to make the property operable. The value of computer monitors purchased with PC systems should be capitalized as part of the PC system. Monitors purchased as replacements or upgrades to existing systems are to be accounted for in the manner outlined below under 'Repairs, Replacements, and Upgrades.'

**IV. Software**

Software is intangible property and is considered property under this policy. The value of pre-loaded computer software may be included in the cost of equipment recorded on the Foundation's inventory when the cost of this software is not separately identified on the sales invoice. Software purchased separately – after the equipment has been received and made operable – should be added to the value of equipment listed on the inventory excepting if the cost of the software is greater than \$1,000 in which case it should be recorded separately

**V. Accessory Equipment**

The cost of an accessory purchased separately – after the equipment has been received and made operable – should be added to the value of an item of capital equipment listed on the inventory. When an accessory meets all the criteria of capital equipment (i.e., property having a useful life of three or more years and an acquisition cost of \$1,000 or more), it should be treated as a separate item of capital property and assigned a Foundation control number and recorded on the Foundation's property inventory.

## **VI. Donated Equipment**

Equipment donated to the Foundation by a third party is covered by this policy. For capitalization purposes, the recorded value and life of the donated property should be the fair market value of the property at the date of the gift. Generally, the fair market value of such an item of property is the price at which the item or a comparable item would be sold at retail, taking into consideration the age and condition of the property on the date of the gift.

## **VII. Capitalized Leases**

Equipment leased for a period of more than three years to the Foundation by a third party is covered by this policy. For capitalization and inventory purposes, the recorded value of the leased equipment should be the fair market value of the equipment at the date of the lease. Generally, the fair market value of such an item of property is the purchase price at which the item or a comparable item would be sold at retail, taking into consideration the age and condition of the property on the date of the lease.

## **VIII. Capitalized Loans**

Notes Payable for a period of more than one years to the Foundation by a third party is covered by this policy. For capitalization and inventory purposes, the recorded value of the note should be the principle market value of the note at the date of the note. Generally, the fair market value of such an item of property is the loan amount at which the note on the property, on the date of the note is made.

## **IX. Capitalized Manufactured Equipment**

Capitalized manufactured equipment is equipment that is assembled or manufactured by the Foundation using purchased materials, in-house machinery or tools and Foundation labor. Manufactured equipment valued at \$1,000 or more and having a useful life of one year or more shall be capitalized and recorded on the Foundation's equipment inventory. Departments manufacturing equipment are responsible for assisting the Accounting & Finance Department in determining the cost of the equipment.

## **X. Repairs, Replacement, and Upgrades**

Property repair, replacement, and upgrade costs will be capitalized only when these costs are \$1,000 or more and they extend the useful life of the original piece of property by one year or more. When these costs are capitalized, the asset value and useful life of the original piece of property – as recorded on the Foundation's property inventory – should be updated to reflect the new value and remaining useful life of the asset.