

HANNIBAL ARTS COUNCIL

CAPITAL PURCHASES & CAPITALIZATION THRESHOLD POLICY

Adopted: February 2021

Amended:

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 Hannibal Arts Council's annual financial statements.

Definition and Threshold:

Capital purchases comprise furniture, fixtures, equipment, software, leasehold improvements, etc. that meet two criteria:

- 1) a useful life of more than one year, and
- 2) cost more than a certain amount.

The Hannibal Arts Council has established \$2500 as the threshold amount for capitalization. Any items costing below this amount should be expensed in the Hannibal Arts Council's financial statements.

Competitive bid:

For purchases in excess of \$2500, competitive bids (preferably three, minimum two) should be sought when appropriate.

Approval:

The Hannibal Arts Council's Capital purchases budget is updated each year and should include proposed purchases that are anticipated to take place during the year. Those purchases itemized within the approved budget are considered approved.

Capital purchases not within the approved budget must be specifically approved by the Board. To seek such approval the Executive Director must provide the price and rationale for the purchase and assurance of availability of financial resources to support the purchase.

Recordkeeping:

The Hannibal Arts Council shall maintain a list of fixed assets showing the date of the acquisition, its cost, and a schedule for depreciation of the asset. The Hannibal Arts Council shall keep on file documentation for each purchase.

For each purchase, the Executive Director shall evaluate whether the acquisition will have an impact on insurance coverage, determine if present coverage valuations are adequate, and obtain additional coverage if necessary.