

**Cottonwood, Incorporated
Policies and Procedures**

SECTION: Administrative

POLICY NO: 04-033

SUBJECT: Capitalization of Assets

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EFFECTIVE DATE: September 2008

Policy:

It is the policy of Cottonwood, Incorporated, to expense fixed assets in the period purchased if these assets cost less than \$2,500, and to capitalize and depreciate fixed assets costing \$2,500 or more.

Procedures:

Fixed assets costing in excess of \$2,500 (de minimis safe harbor is currently \$5,000) individually will be capitalized and depreciated. Improvements to the property resulting in a betterment to the property, adapting the property to a new or different use, or restoring the property will also be capitalized and depreciated if they cost in excess of \$2,500 individually. Standard repairs and maintenance to fixed assets will be expensed in the period in which they occurred. This classification is made at the time the asset is paid for.

Depreciation is calculated on the straight-line and accelerated methods over the useful lives of the property as follows:

Buildings and leasehold improvements	30-40 years
Equipment	5-10 years
Vehicles	5 years
Software	3 years

The detailed listing of assets (the Depreciation Schedule) is maintained within Cottonwood's accounting software, and includes the detailed name of the asset, date of purchase, cost, estimated useful life, and method of depreciation. Assets remain on this list until they are disposed of. The assets actually on hand are compared and reconciled to the listing of assets annually. The director of each department is the custodian of and responsible for, the assets in that department.