From Tim Hagan:

The motion to amend the **Policy Manual Section 2.03, Subsection 6, Fixed Assets**, by adding two paragraphs to the beginning of the subsection:

**A fixed asset is defined as a unit of property or equipment that: (1) has an economic useful life that extends beyond 12 months and (2) was acquired or produced for a cost of $2,500 or more. Fixed assets must be capitalized and depreciated for financial statement purposes.**

**The threshold amount for minimum capitalization is $2,500. Any items costing below this amount should be expensed in the financial statements.**

*Rationale: This came up with the purchase of a new water heater for the office, on*

*whether it should be capitalized and depreciated or shown as an expense in the financial statements. We don't have a written policy for a capitalization threshold. Our auditor, Mark Frye, said the IRS lets companies and organizations to set their threshold for capital expenses as high as $5000, but he suggested $2,500 as a reasonable figure.*