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**Tracy Family Foundation and Related Entities**

**Capitalization Policy**

*Approved by TFF board on: July 29, 2021*

*Revised and approved by TFF board on: Dec. 1, 2023*

*Approved by Brown County Early Learning Center board on: Dec. 21, 2021*

*Approved by the Dorothy Tracy Education Center board on: Dec. 21, 2021*

**Introduction**

Individuals making purchases must assign invoice costs to a capital account if the purchases meet the capitalization thresholds defined in this policy. Assigning items to capital as prescribed in this policy will ensure that capital assets are recorded in the Tracy Family Foundation (TFF), Brown County Early Learning Center NFP (BCELC), or Dorothy Tracy Education Center (DTEC) books and financial statements appropriately and in accordance with Generally Accepted Accounting Principles.

**Definitions**

**Capital Asset**: A unit of property with a useful life exceeding one year and a per unit or per invoice minimum acquisition cost of $5,000.

**Unit of Property**: Comprised of all of the components that are functionally interdependent, which means when the placing in service of one component is dependent on the placement in service of another component.

**Types of Assets To Be Capitalized**

* Capital assets such as building improvements, new buildings, existing buildings, fixed equipment, and moveable equipment shall be capitalized.
* All buildings, building improvements, and fixed equipment that meets the definition of a capital asset for the operation of the Brown County Early Learning Center will be capitalized by DTEC.

**Asset Estimated Useful Lives**

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| **Asset Type** | **Life** |
| Building Improvements | 15-20 years |
| Buildings – New | 20-25 years  |
| Buildings – Purchased | 20-25 years |
| Fixed Equipment | 5-25 years |
| Software | 7 years  |
| Moveable Equipment and Furniture | 3-15 years |

**Procedure**

* Capital assets will be capitalized and depreciated over their useful lives.
* The TFF President may approve the purchase of capital assets.
* All capital assets will be recorded at historical cost as of the date acquired or at the time they were placed into service.
* TFF, BCELC, and DTEC will expense the full acquisition cost of tangible personal property below the capital asset threshold amount in the year purchased. In addition, assets with an economic useful life of 12 months or less will be expensed in the year purchased for both book and financial reporting purposes.
* On an annual basis, TFF Staff will perform a high-level review of asset holdings to identify potentially disposed of property. Disposals will be recorded by TFF Staff during the fiscal year identified as no longer being owned by TFF, BCELC, or DTEC.
* Invoices substantiating the acquisition cost of each unit of property are to be retained for a minimum of seven (7) years.