VII. FIXED ASSET MANAGEMENT

A. Capitalization Policy
Physical assets acquired with unit costs in excess of $750 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

B. Contributed Assets
Assets with fair market values in excess of $1,000 that are contributed to MQ shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

C. Establishment and Maintenance of a Fixed Asset Listing
All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:
1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by the Office Manager. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the BOD (finance committee).

D. Receipt of Newly-Purchased Equipment and Furniture
At the time of arrival, all newly-purchased equipment and furniture shall be “eyeballed” for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately. Equipment and furniture valued at more than $50.00 shall be clearly labeled “Property of Minnesota Quilters.”

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

E. Depreciation and Useful Lives
All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.
In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Board treasurer and Office manager in conjunction with the department that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

- **Furniture, and fixtures**  
  Up to 10 yrs
- **General office equipment**  
  5 yrs
- **Computer hardware and peripherals**  
  2-3 yrs
- **Computer software**  
  2-3 yrs
- **Leased assets**  
  Life of lease
- **Leasehold Improvements**  
  Remaining lease term

For accounting and interim financial reporting purposes, depreciation expense will be recorded on an annual basis.

**F. Repairs of Fixed Assets**

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

**G. Dispositions of Fixed Assets**

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

**H. Write-Offs of Fixed Assets**

The Finance committee shall approve disposals of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Board President. If not located, this property will be written off the books with the proper notation specifying the reason.