

CAPITALIZATION POLICY

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 Adler University's financial records.

Materials and Supplies Definition

A "material" or "supply" is generally considered to be tangible property that is used or consumed in the business within twelve months of acquisition, is not inventory, or has a unit cost of less than \$500. Materials and supplies meeting this definition are be expensed.

Library Books

Adler University capitalizes all library books, regardless of the \$500 threshold. However, all E-books are expensed.

Capital Asset Definition

A "Capital Asset" is defined as a unit of tangible property that: (1) has an economic useful life of more than 12 months; and (2) was acquired or produced for a cost of more than \$500, including acquisition and installation costs. Capital Assets may be capitalized and depreciated for financial statement purposes.

Capitalization Threshold

Adler University establishes \$500 as the threshold amount for minimum capitalization of tangible property. Any item costing below this amount, with the exception of library books, will be expensed in Adler's financial records.

Capitalization Method & Procedure

All Capital Assets are recorded at historical costs as of the date of acquisition.

Tangible assets costing below the aforementioned threshold are recorded as an expense.

Routine Maintenance Definition

Routine maintenance that Adler University reasonably expects to make more than once to a unit of property, including buildings, is not a capital asset and will be expensed.

Recordkeeping

Invoices substantiating the acquisition cost of each unit property shall be retained for a minimum of seven years.

Depreciation

Depreciation is calculated on the straight-line method of accounting using the estimated useful



lives of the assets as follows:

Land	0 Years – No Amortization
Computer Software and Equipment	3-5 Years
Furniture and Equipment	5-10 Years
Building Improvements	5-35 Years
Library Books and Others	12 Years
Building	50 Years

It is the policy of Adler University to take a full month's depreciation in the month the asset is placed in service. However, Adler records depreciation in the first month after the acquisition for all long lived assets with an estimated useful life of 36 years.