

Co-op Coalition Survey: Capitalization Policies

Thanks to the 9 members who responded to the survey.

Best,
Mike O'Dell, Director
DC Cooperative Housing Coalition

In a message dated 3/2/2017 12:51 pm. Eastern Daylight Time, CooperativesDC@aol.com writes:

Dear Coalition Members,

Below is a question from a Coalition member. Please give your response by Friday, March 10. As always, thanks for helping one another!

Mike O'Dell, Director
DC Cooperative Housing Coalition

This email is being sent to you blind-copied to protect your privacy.

We would like to find out whether other coops have a capitalization policy. Also, if they do, whether they would be willing to share this with us. The question is whether coops have a policy describing what expenses are accounted as capital value added to the corporation. (so what you spent on cleaning of your hallways or to heat your building is not, but for instance if you replaced your elevators, these would need to be capitalized)

<50 units	We have no written capitalization policy as such. We simply follow generally accepted accounting principles.
<50 units	We rely on our auditors to determine what is a capitalized expense (versus routine maintenance and repair, etc.).
<50 units	Our coop does not have such a policy that I know of but we do have an accounting firm audit our books every few years and I expect the audit would result in recommendations in that regard. We also haven't had a large capital improvement recently so it hasn't been an issue.
<50 units	Our auditor does this for us, and as far as I know just uses GAAP to determine what is capitalized. We don't have any separate policy.
<50 units	[Our co-op] does not have a written list that delineates expenses as either operating or capital expenditures. As a rule of thumb, if an expense can be depreciated or is something that the co-op would save up funds to acquire it is probably a capital expense; any expense that is 'consumed' at the time of the expense is probably operating expense.
<50 units	I don't know that we have a capitalization policy. As a non-profit, I am not sure that it is a big issue for us.
No responses 50 – 300 units	
300+ units	Our rule of thumb is \$5,000 or more and the expense extends the life of an asset (or creates a new asset).
300+ units	<p><u>Depreciation Policy</u></p> <p>1. <u>Purpose</u> This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in [the] Cooperative's. annual financial statements.</p>

	<p><u>2. Capital Asset definition</u> A "Capital Asset" is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months and (2) was acquired or produced for a cost of more than \$10,000.00. Capital Assets must be capitalized and depreciated for financial statement purposes.</p> <p><u>3. Capitalization thresholds</u> [The] Cooperative establishes \$10,000.00 as the threshold amount for minimum capitalization. Any items costing less than or equal to this amount should be expensed in [the] Cooperative's financial statements.</p> <p><u>4. Capitalization method and procedure</u> All Capital Assets are recorded at cost as of the date acquired. The costs are recorded on the financial statements in the 9009-9999 general ledger accounts. Tangible assets costing less than or equal to the aforementioned threshold amount are recorded as an expense for [the] Cooperative's annual financial statements. Capital projects with multiple components will be unified and recorded as a single capitol asset (project) to the extent the project meets the capitalization threshold above.</p> <p>Computer, electronic, and technology capital projects that exceed the aforementioned threshold will be expensed to the extant allowed by law.</p> <p>Alternatively, assets with an economic useful life of less than or equal to 12 months are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.</p> <p><u>5. Recordkeeping</u> Invoice substantiating the acquisition cost of each unit of property shall be retained for a minimum of seven years.</p>
300+ units	No, we don't have a capitalization policy.