

## CAPITALIZATION POLICY

### I. 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 **Making Waves Academy's** annual financial statements (or books).

### II. Capital Asset Definition

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 \$25,000 or more. Capital Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

### III. Capitalization Thresholds

**Making Waves Academy** establishes \$25,000 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in **Making Waves Academy's** financial statements (or books).

### IV. Capitalization method and procedure

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for **Making Waves Academy's** annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

### V. Recordkeeping

Invoice substantiating an acquisition cost of each unit of property shall be retained in accordance with the Record Retention Policy.