



ACEDC POLICY

CAPITALIZATION

Purpose

This accounting policy establishes the method of maintaining fixed asset information and the minimum cost (capitalization amount) that shall be used to determine the capital assets to be recorded in the books of the Company.

Capital Asset Definition

A capital asset means tangible property that (1) has an economic useful life that extends beyond 12 months and (2) has a cost that exceeds the capitalization threshold below. Capital assets are tangible property including, but not limited to, buildings, building improvements, furniture, and equipment. Capital assets must be capitalized and depreciated for bookkeeping and financial reporting purposes.

Capital assets do not include inventory that are directly sold to the Company's customers or clients.

Costs to acquire land will always be capitalized, regardless of cost.

Capitalization Threshold

ACEDC hereby establishes a capitalization threshold of \$1,500 per item, as substantiated by all applicable invoices. The cost of a capital asset may include additional costs needed to bring an asset into a condition and location necessary for intended use, such as delivery fees, installation costs, and other similar costs.

Improvements of capital assets that increase the economic performance of the asset beyond what was anticipated at the asset's original acquisition are capitalized. Maintenance and repairs that do not improve or extend the lives of capital assets are charged to appropriate expense accounts when incurred.

Capitalization Method

The Company will record a capital asset at historical cost as of the date acquired or constructed. The Company will depreciate capital assets over the capital asset's estimated useful life, beginning on the date an asset was placed in service.

For property that is not a capital asset, the Company will record the cost of such property as an expense in the period it was purchased or constructed.

Effective Date: January 19, 2018

Approved by Board; January 18, 2018