

IDENT	FIN-07
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SUBJECT: Capitalization & Depreciation Policy

1. Purpose of policy

Vermont Information Technology Leaders, Inc. (VITL) is the recipient of Federal grant funds, the use of which is subject to certain Notices of Grant Awards (“NGAs”) and Health Human Services (“HHS”) grant administration regulations found in 45 C.F.R. Part 75—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR HHS AWARDS. The purpose of this policy is to ensure that assets purchased by VITL are capitalized and depreciated in conformity with accounting principles generally accepted in the United States of America ("GAAP") and in compliance with federal regulations.

2. Scope

- a. This Policy shall be construed and applied to promote VITL’s compliance with the applicable Federal and State rules, regulations, and laws. In the event of a conflict between the provisions of this Policy and the requirements of an applicable state or federal statute or regulation, the applicable statute or regulation shall prevail.
- b. This policy applies to all capital assets of VITL regardless of funding source.
- c. This Policy sets forth internal guidelines for the benefit of VITL and its officers, directors, employees and agents, and does not confer any right or other benefit on any third party. The provisions of this Policy may not be used by any third party in any action or other proceeding against VITL or its interests.

3. Capitalization of Assets

- a. Acquisitions of real or personal property (including, for example, furniture, equipment, leasehold improvements) costing more than \$5,000 per unit and having an economic useful life of more than one year are considered to be capital assets and the costs capitalized on the balance sheet.
- b. In accordance with 45 §75.439, capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the HHS awarding agency or pass-through entity such as the State of Vermont. These capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the HHS awarding agency.

4. Depreciation

Depreciation is the method for allocating the cost of capitalized assets to periods benefitting from asset use. VITL may be compensated for the use of its buildings, capital improvements,

equipment, and software projects capitalized in accordance with GAAP, provided they are used, needed in its activities, and properly allocated to Federal awards.

5. Disposition of capital assets

- a. A gain or loss on the disposition of an asset will be recognized upon date of disposition based upon the net book value of the asset.
- b. For equipment disposed of financed by federal funding, proceeds from the sale of real property, equipment, or supplies, are not program income; such proceeds will be handled in accordance with the requirements of subpart D of this part, §§75.318, 75.320, and 75.321, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.

6. Impairment

Long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge, if any, is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

7. Recordkeeping

In accordance with 45 §75.436, VITL will maintain a capitalized asset listing which will include information necessary to calculate depreciation and indication of any direct-funded items. Listing must contain the source of funding, title holder, percentage of Federal participation, use/condition of property, and disposition data for each asset. Physical inventories will be taken at least once every two years to ensure that the assets exist and are usable, used, and needed.

8. Policy Review & Approval

VITL will review this policy annually and reserves the right to update this policy at any time to reflect VITL's intentions and compliance requirements.



Reviewed by: CFO

4/13/2017

Date



Approved by: CEO

4/13/2017

Date

Approved by the VITL Board of Directors and effective April 10, 2017:



Bruce Bullock, MD, VITL Board Chair