Gompers Habilitation Center

Capital Expenditure Policy (Fiscal year 2010)

PURPOSE

The purpose of this policy is to establish the responsibilities and authorization limits for the procurement of capital expenditures.

3.1 A purchase qualifies as a capital expenditure if it has all of the following:

a) The dollar value is greater than $5,000.00.

b) Has an estimated useful life of greater than a minimum of 12 months.

c) The item is not for the resale directly to the Company's customers.

d) The item is not for inventory to be used in production of the Company's products.

A capital expenditure is considered an asset of the Company and it is, therefore, capitalized in the financial records. The application of this policy must be consistent throughout the Company and any exceptions must be reported and reviewed by the designated officers of the Company.

3.2 The policy sets approval rights and limits for the purchase of capital expenditures. Purchases of capital expenditures are commitments that result in the access to the Company's cash and, therefore, all such purchases must be approved by authorized employees or board vote.

3.3 Correct identification of capital expenditure purchases is important for the Company to maintain adequate financial records and ensure the items purchased are recorded as assets versus periodic expenses. An incorrect classification of a purchase can result in the misstatement of the Company's financial records and its reported financial results.

3.4 The Company at times will capitalize certain expenses that directly impact the life expectancy of a used capital asset, improve its efficiency, and meet the minimum dollar value limit for capitalization. The Company strictly prohibits the capitalization of general periodic expenses that do not qualify within the criteria outlined in the Practice Statement below and in accordance with Generally Accepted Accounting Principles ("GAAP").

RESPONSIBILITY

4.1 All employees requesting the purchase of a capital expenditure must submit a Capital Expenditure Request ("CER") form. In addition, the CER is sent to the appropriate signatory authority as outlined in the Company's "Purchasing Policy." In section **4.3,** below, is a listing of authority and dollar value limits for the purchase of capital expenditures.

4.2 The Department Purchasing Director (or equivalent employee performing this function) will verify all of the necessary purchasing information and approvals, determine the appropriate

vendor (if necessary), obtain competitive quotes (as deemed necessary), issue the purchase order and follow up on the receipt of the item purchased.

4.3 Authorization and Signatory Limits

A) The authorization limits:

i) Board of Directors	Over $1,000,000???
ii) Finance Committee	Maximum $1,000,000???
iii) CEO, COO, CFO (Combined)	Maximum $ 500,000???
iv) Directors	Maximum $ 10,000???

All purchases are compared to the year-to-date budget by the department manager and the Accounts Payable Department for fiscal control. Any capital expenditure purchase anticipated to result in exceeding budget must be approved prior to acquiring the item(s).

B) Delegation of Authority

- A director may delegate the approval of a purchase only to an employee in a similar position or higher in their organization.
- All delegation of authority must be made in writing with a copy provided to the Company's Accounting Department.
- Authorization is not the same as the authority to sign a purchase order which is only formally provided to the Purchasing Director.

POLICY PRACTICE STATEMENT

5.1 A CER must be completed for each capital expenditure request. The CER should document a justification for the purchase.

5.2 The Capital Expenditure Order

A) The Purchase Order is issued by the Purchasing Director of the department for all capital expenditures and it must include the CER with the order. The Purchasing Director is not authorized to purchase items of any personal nature, even if there are authorized signatures and the person requesting it indicated that they would reimburse the Company. The purchase order must be signed by the Purchasing Director and CFO. Any deviation from the standard terms agreed to with the vendor must be documented in writing and approved by the appropriate authority (See Vendor Terms Policy).

B) Competitive Bids

The Purchasing Director must obtain or have obtained 3 competitive bids to ensure the Company is receiving an appropriate price.