

## **Challenge Industries, Inc.**

### **Capital Expenditure Approval Policy & Procedure**

- I. Purpose - to establish the requirements for a Capital Expenditure Approval Policy and Procedure for Challenge Industries, Inc.
- II. Scope – Capital expenditure approval is required:
  - A. To acquire Capital Assets that will be recorded as an addition to Plant, Property, Equipment, and Software.
  - B. For Capital Leases of Plant, Property, Equipment, and Software.
  - C. For new Operating Leases of Plant, Property, Equipment, and Software.
- III. Forms - the Capital Expenditure Approval Form (Attachment A) shall:
  - A. Include a list of all items to be purchased or leased indicating all related costs both capitalized and expensed.
  - B. State the purpose and benefit of the capital expenditure.
  - C. State the source of funding for the expenditure.
  - D. State any loan or lease payments related to the expenditure.
- IV. Definitions -
  - A. Capital Assets – property, plant, equipment, and software which would be capitalized in accordance with Generally Accepted Accounting Principles.
  - B. Capital Lease – a lease of property, plant, equipment, or software that would be considered a Capital Asset if purchased.
  - C. New Operating Lease - a new operating lease of property, plant, equipment, or software that would be considered a Capital Asset if purchased or a renewing operating lease which is substantially different from the original lease.
- V. Responsibilities – the Director of Finance shall be responsible for preparation of Capital Expenditure Approval Form. The President shall review and authorize all requests prior to submitting to final approval authority as identified in paragraph VI.
- VI. Approval Authority Levels –
  - A. \$20,000 and under – President of Challenge Industries, Inc.
  - B. Between \$20,000 and \$50,000 – Finance Committee of Challenge Industries, Inc.
  - C. Between \$50,000 and \$100,000 – Executive Committee of the Board of Directors of Challenge Industries, Inc.
  - D. \$100,000 or more – Board of Directors of Challenge Industries, Inc.

- VII. Emergency Capital Expenditures – In case of an emergency involving the replacement of equipment or repair of building components critical to the immediate safety of Challenge’s program participants and/or to Challenge’s daily operation, the President or Vice President may at his(her) discretion purchase such equipment or repairs necessary to meet the immediate need. This does not preclude the completion of the procedures listed in paragraphs V. and VI.
  
- VIII. Capital Expenditure Approval Form Review and Retention – the Audit Committee of the Board of Directors shall review all approved Capital Expenditure Approval Forms at least annually. Capital Expenditure Approval Forms shall be retained for a period of at least 3 years.