

Capital Expenditures

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Purpose

To establish the process for acquiring, transferring, and disposing of capital assets and the method of maintaining fixed asset information as well as establishing the criteria that shall be used to determine when an asset acquisition will be classified as a fixed asset and depreciated in the Hanger, Inc. financial records.

Scope

All Hanger Business Units

Definitions/Acronyms

CER: *Capital Expenditure Request Form*

CSM: *Corporate Services Manager*

DO: *Director of Operations*

FAS: *Previous- Asset Sub ledger.*

GAAP: *Generally Accepted Accounting Principles*

GRB: *IT Governance Review Board*

IT: *Information Technology*

MFD: *Multifunctional devices. Typically copy/ scan/ fax machines.*

Oracle: *Current – Asset Sub ledger*

PIF: *Project Initiation Form*

PINS: *Placed in Service (date)*

RE/LA: *Corporate Real Estate and Lease Accounting Departments*

RVP: *Regional Vice President*

TIA: *Tenant Improvement Allowance*

WIP: *Work in Process*

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Compliance and Oversight

- *Senior management of each of the applicable business unit(s) and department(s) are responsible for the oversight of compliance with this policy. Additionally, if this policy is identified as part of Hanger's internal controls over financial reporting, then senior management are required to ensure that business controls and/or internal audit mechanisms exist to monitor and measure compliance with this policy.*
- *All levels of management, as applicable, have the responsibility to enforce compliance with this policy*
- *Compliance with this policy is subject to review and assessment by Internal Audit and/or Enterprise Compliance.*
- *Violations of policies should be reviewed in accordance with Hanger's Corrective Action/Disciplinary Process stated in the HR [Policy Directory](#).*

Policy Statement(s)

Fixed Assets must be capitalized and depreciated for financial statement purposes. A fixed asset is defined as a unit of property that: (1) is acquired and held for use in operations (i.e. not held for resale); (2) has an economic useful life that extends beyond 12 months; and (3) was acquired for a cost as defined by the type of purchase below.

Procedure(s)

<i>Asset Type</i>	<i>FAS CIP GL Acct</i>	<i>Oracle CIP GL Acct</i>	<i>Asset Class</i>	<i>Internal Book Useful Life</i>
<i>Buildings & Building Improvements</i>	<i>152050</i>	<i>150108</i>	<i>BD</i>	<i>15 years</i>
<i>Computers & Peripherals</i>	<i>153400</i>	<i>150310</i>	<i>CP</i>	<i>5 years</i>
<i>Dies</i>	<i>153100</i>	<i>150210</i>	<i>DI</i>	<i>5 years</i>
<i>Exhibition Furniture & Fixtures</i>	<i>153100</i>	<i>150210</i>	<i>EX</i>	<i>2 years</i>
<i>Furniture & Fixtures</i>	<i>154100</i>	<i>150510</i>	<i>FF</i>	<i>5 years</i>
<i>Leasehold Improvements</i>	<i>152600</i>	<i>150615</i>	<i>LH</i>	<i>Life of lease / 10 years max</i>
<i>Machinery & Equipment</i>	<i>153100</i>	<i>150210</i>	<i>ME</i>	<i>5 years</i>
<i>Program Equipment</i>	<i>153100</i>	<i>150210</i>	<i>PR</i>	<i>5 years</i>
<i>Software</i>	<i>153600</i>	<i>150410</i>	<i>SW</i>	<i>5 years</i>
<i>Vehicles / Automobiles</i>	<i>153100</i>	<i>150210</i>	<i>AA</i>	<i>3 years</i>

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Definitions - Type of Purchases

• **Individual Asset Purchase**

- *Purchase of one item.*
- *Total price of the purchase is at least \$1,000 including shipping/handling, installation, taxes, and other costs necessary to place the asset in service.*

• **Project Purchase**

- *Assets that are purchased in groups as part of a corporate approved project related to rebranding, remodeling, expansions, relocations, start-ups, acquisition of clinic, a group of Information Technology (IT) assets purchased as part of a corporate wide IT project, or an IT computer refresh.*
- *Total price of the project is at least \$3,000 including shipping/handling, installation, taxes, and other costs necessary to place the asset in service.*
 - *The individual items have a unit cost of at least \$300 each.*

• **Bulk Purchase**

- *Like assets that are purchased together but not as part of a project purchase, reside in the same cost center and location, and are to be kept together in a group.*
- *Total price of the purchase is at least \$3,000 including shipping/handling, installation, taxes, and other costs necessary to place the asset in service.*
 - *The individual items have a unit cost of at least \$300 each.*

Repairs and Maintenance

- *Some expenditures greater than \$1,000 must still be expensed rather than capitalized. In general, expenditures made to existing assets to correct wear and tear shall be expensed.*
- *If an expenditure results in an increased capacity or operating efficiency of an existing asset and also results in an increase to the useful life of at least 5 years, it may be capitalized.*
- *Repairs to heating, A/C, electrical, and other building systems might be the responsibility of the landlord. Please contact your Director of Operations for guidance.*
- *Costs related to de-installation, relocation, and/or re-installation of existing equipment cannot be capitalized.*

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Capital Expenditure Requisition Process

- *The requestor will complete the Capital Expenditure Request Form (CER) and obtain authorization **BEFORE** purchase is made or service is performed.*
 - *CER # - This field to be completed by Fixed Asset Department.*
 - *Location (PCC#) – Single cost center where the asset will reside.*
 - *For some IT purchases the Cost Center listed will be an IT cost center, but the asset may be deployed at a different location. IT will track the locations of deployed assets through the Service Now platform.*
 - *Location Address – Address where the asset will reside.*
 - *Date Originated – Origination date for this CER.*
 - *Date Asset to be Placed in Service – (PINS) Estimated date asset will be ready for intended use.*
 - *Budget Category – Mark appropriate selection.*
 - *Purpose Category – Mark appropriate selection.*
 - *Type of asset – Determine type(s) of asset to be purchased. Mark appropriate selection(s).*
 - *Project Title – Brief title of project/ purchase*
 - *Justification for Proposed Expenditure*
 - *Amounts Requested*
 - *Budget of Project – This is the approved budget amount.*
 - *Approved amount for Project – This is the TOTAL spend for the purchase/ project.*
 - *Includes all Tenant Improvement Allowance (TIA) for Leasehold Improvements.*
 - *Includes all capital and operational expenses related to the purchase/project.*
 - *GRB Approval Required / GRB number – For use when items are tracked via the IT Governance Review Board (GRB) process.*
 - *Purchase Details – List as much information as possible.*
 - *Attach schedule or quote as support, if available, itemization by vendor.*
 - *If there are capital and operational expenses, they can be summarized here.*
- *Submit CER to appropriate person(s) for approval per the Company’s current authorization limits.*
 - *Route all CERs for Company 40 through the appropriate Director of Operations (DO) for approval and tracking.*
 - *Acceptable approval methods are hand signed, electronic (DocuSign), or email approvals when necessary.*

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- *Route to the Fixed Asset Department via email (fixedassets@Hanger.com) for assignment of CER number.*
 - *If the CER number is assigned before all approvals are obtained, send the fully executed CER to the Fixed Asset Department via email for audit records as soon as it is available.*
- *Submit invoice, copy of approved CER, and packing slip or other evidence of receipt, to Disbursement Department for processing of payment.*
 - *The invoice coding should reflect the WIP account associated with the asset class (see "Fixed Asset Classes and Useful Life" above).*
- *Tag asset with asset tag if required by company policy.*

***NOTE:** It is understood that emergency situations resulting in production down may arise. In these cases, capital purchases may be made prior to a CER # being assigned by Fixed Assets. Please contact Fixed Assets at your earliest convenience to ensure that the appropriate documentation is obtained after the fact.*

Notification of Asset in Use

- *Notify the Fixed Asset Department via email when the asset is ready for intended use*
 - *The notification must be sent no later than the 25th of the month the asset is ready for intended use*
- *Email Subject Line to include "PINS", CER number, Cost Center and the date the asset was ready for intended use.*
 - *Example for 202201-xxxx CER from Cost Center 900800 with date of 02/15/22*
 - *PINS 202201-xxxx Cost Center 900800 02/15/22*
- *Body of Email*
 - *List the total cost of the asset purchase.*
 - *Include asset tag number and serial number of asset if applicable.*
 - *If the cost center on the CER is different than the cost center where the asset will reside, include both of the cost centers and please explain the circumstances.*

- *The Fixed Asset Department will add the asset(s) into Oracle fixed asset system making sure to assign the correct PINS date and asset category. Oracle will assign the Useful life based on the asset category/asset type classifications.*
 - *The PINS date for internal book and tax book will be the same date.*

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- *If the request involves the purchase of a vehicle, please contact Office Services or refer to the Policy regarding Company Owned Vehicles for additional guidance.*

Transfer / Disposal of Assets

Assets that are transferred between Hanger, Inc. cost centers will have the cost of the asset and the related accumulated depreciation removed from the books of the transferring cost center and these amounts will be transferred to the receiving cost center.

The recorded cost of disposed assets and the related accumulated depreciation require adjustment and a gain or loss must be recognized in accordance with GAAP. Assets can be disposed of by sale, donation or end of life/abandonment.

Definitions - Type of Transaction

- *Transfer*
 - *Movement of an asset from one cost center to another.*
- *Disposal by Sale*
 - *Please notify the Fixed Assets department (fixedassets@Hanger.com) in advance to discuss required steps.*
 - *The Fixed Assets department will obtain the net book value and the fair market value of the asset and inform the cost center/ location of the loss on sale (if any) that may result.*
 - *In writing via email and with the appropriate Operation Manager's approval, provide the reason for the sale, who the prospective buyer is, and how much it is being sold for.*
 - *If the asset is a vehicle, Office Services will require a Bill of Sale and completed disposal form before it can forward the title along with a limited power of attorney to the cost center/ location to effectuate the sale. Once the sale is complete, forward proceeds and sale documents to Office Services for processing. Please refer to the Policy regarding Company Owned Vehicles for additional guidance.*
- **Disposal by Trade-In**
 - *Please notify the Fixed Assets department (fixedassets@Hanger.com) in advance to discuss required steps.*

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- *The Fixed Assets department will obtain the net book value of this asset and inform cost center/ location of the loss on sale (if any) that may result.*
- *In writing via email and with the appropriate Operation Manager's approval, provide the reason for the trade-in of the equipment or company owned vehicle, who the prospective buyer is, and how much the trade-in value is. An acceptable substitute is a copy of paperwork showing the trade-in value by the vendor, the Hanger cost/center location and the reason for the trade-in.*
- *If the asset is a vehicle, Office Services will require documentation of the trade-in and a completed disposal form and will coordinate the forwarding of the title along with a limited power of attorney to the cost center/ location to effectuate the trade-in. Once the trade-in is complete, forward proof of transaction to Office Services for the corporate file. Please refer to the Policy regarding Company Owned Vehicles for additional guidance.*

- ***Disposal by Donation***
 - *Donations should be considered only if there is not an opportunity to sell or otherwise receive something of value for the asset.*
 - *The Fixed Assets department will obtain the net book value of this asset and inform cost center/ location of the loss on sale (if any) that may result.*
 - *In writing via email and with the appropriate Operation Manager's approval, provide the reason for the donation of a company owned asset and the organization being selected to receive the donation.*
 - *If the asset is a vehicle, Office Services will forward the title along with a limited power of attorney to the cost center/ location to effectuate the donation. Once the donation is complete, forward proof of donation to Office Services and to the Fixed Assets department for corporate files. Please refer to the Policy regarding Company Owned Vehicles for additional guidance.*

- ***Disposal by Abandonment***
 - *In writing via email and with the appropriate Operation Manager's approval, provide the reason for the disposal of a company owned asset.*
 - *Theft: Include a copy of the police report.*
 - *Damaged/ Destroyed Asset: Include a copy of the police report and the insurance company assessment of damages if damaged or destroyed through accident or disaster.*

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- *Asset to be disposed by other means: Include the confirmation of physical disposal method (recycled via company, trash removal service, etc.).*
- *Lost asset: Include a description of how and when the asset was lost.*

Process

- *Request a current asset listing from the Fixed Assets Department via email (fixedassets@Hanger.com) for the asset detail needed to aid in completion of the form.*
- *Complete a Fixed Asset Transfer/Disposal Form BEFORE the transfer or disposal is transacted.*
 - *Fixed Assets Department will provide a form with the Oracle system number, asset type, date of purchase, cost when purchased, current net book value, and description of the asset.*
 - *For each item listed, select whether it should be disposed, transferred, cannot be located, or no action is needed and the asset is valid as is.*
 - *Different Address - Indicate in comments if the address of the physical location of the asset is different than the address of the branch's clinic number.*
 - *For example, the asset may be physically located in a satellite office which is in a different taxing jurisdiction than the main clinic.*
- *Route form to appropriate person(s) for approval.*
- *Please use a single form for all disposals grouped together for a location and a separate form for transfers grouped together to each single receiving location.*
- *Receiving locations must also sign the form to acknowledge receipt of the assets.*
- *The completed and approved Fixed Asset Transfer/Disposal Form along with all supporting material (including bill of sale, copy of payment received) should be e-mailed to the Fixed Assets Department (fixedassets@Hanger.com) at the Hanger Resource Center.*

NOTE: *The notification MUST be sent no later than the 25th of the month the asset is disposed of or transferred.*

- *Fixed Asset Department inputs transfer/disposal information into Oracle, making sure to use correct date of transfer/disposal.*
 - *809000 is the GL account to be used during the coding of proceeds - gain/loss. Please confirm coding with the Fixed Asset department.*

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Frequently Asked Questions: (FAQs)

CERs

- *I have a CER, but my purchase/project is going to end up going over the total amount requested. What do I do?*
 - *If the amount is going to exceed the original amount approved, the amount needs to be updated on the original CER.*
 - *Enter the amount the CER should be raised by into field 11b - Additional funds (Revised)*
 - *Update field 11c - Total revised amount for project (11a + 11b)*
 - *Signatures of approval for a price increase need to be added to the original CER with current dates.*
 - *If the adjusted amount causes the total to need further approval above the current Managers level, those signatures need to be added to the CER.*
 - *The updated CER needs to be sent via email to fixedassets@Hanger.com requesting the amount on the CER to be changed and explaining the reason for the needed change.*
 - *You will receive notification from the Fixed Assets team that the amount has been updated.*
 - *The CER number WILL NOT CHANGE.*

- *I have a CER for a construction project. The original CER was for \$7,000, but we are to the point where more funds are needed for the project. What do I do?*
 - *Complete the Project Initiation Form (PIF) and related CER.*
 - *Signatures of approval for a price increase need to be added to the original CER with current dates.*
 - *The updated CER needs to be sent via email to fixedassets@Hanger.com.*
 - *The CER number WILL NOT CHANGE.*

- *Why do I need to include the location of the asset if it is different from the cost center that is taking the depreciation expenses?*
 - *We need to know the location in order to assist with property tax calculations and to have an accurate listing of where the assets are physically located. Please note on the CER if the billing clinic is different than the clinic where the asset will reside as well note the difference in the email to Fixed Assets when the asset is ready for intended use.*

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- *We would like to order new laptops for everyone in our office, do I request separate CER for each employee?*
 - *Complete one CER for this type of purchase.*
- *I have a project that is going to be in several parts or phases, do I request separate CERs?*
 - *We would like to contain all parts of an individual project within one CER. This ensures that the project in its entirety is properly accounted for and that authorizations are all encompassing. Please reach out to the Fixed Asset department for additional questions around this subject or guidance regarding project phases.*

Computers

- *How are individual computers capitalized or expensed?*
 - *A computer system consists of the following:*
 - *A laptop and additional memory if ordered on the same CER if the total price is over \$1,000 including shipping/ handling and taxes.*
 - *Peripheral accessories, including docking station, monitor(s), keyboard, computer case, etc., will be expensed even if they are ordered at the same time because they are not necessary for the operation of the laptop computer.*
 - *Desktop, with monitor(s), keyboard, mouse if ordered on the same CER if the total price is over \$1,000 including shipping/ handling and taxes.*
 - *This grouping is considered as one unit and qualifies as capital because all pieces are necessary for the operation of the computer.*

- *I found a good deal on a computer that I can use in the office. Can I buy it?*
 - *All computer purchases must be coordinated by the Hanger IT Procurement Department.*
 - *This includes the following:*

<i>Hardware</i>	<i>Cloud, SAAS, IAAS, PAAS</i>
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Software

Consulting

Services

Services related to any of the above

Mobile Devices

Office Equipment (MFDs)

- *My office is relocating. What do I do with the MFD?*
 - *Contact the Corporate Services Manager immediately so they can coordinate the removal/transfer of the MFD. This is part of the service provided by the vendor and is required to comply with HIPPA regulations.*

- *The lease on our MFD is over. What do I do?*
 - *Contact the Corporate Services Manager immediately so they can coordinate the removal/ transfer of the MFD. This is part of the service provided by the vendor and is required to comply with HIPPA regulations.*

Leasehold/ Building Improvements

- *I heard that if my project is under \$25k that the Real Estate department does not have to be notified of our improvements. Is that true?*
 - *The Corporate Real Estate and Lease Accounting departments (RE/LA) should be brought into the process BEFORE the CER number is assigned. RE/LA must be involved at some level for ALL leasehold/ building improvements to ensure that the company branding and accounting are properly applied. There may be direction provided to the cost center related to self-administration of the project.*

- *The carpet in our office is showing wear but only in the main areas. We would like to get just those sections replaced. Can that be capitalized?*
 - *If only sections of the carpeting are replaced, it is considered a repair and will be expensed.*

Company Automobiles

- *My cost center has an automobile that is old. I would like to purchase it for my personal use. Can I do that?*
 - *This would be a rare occurrence because typically the old vehicles are traded in at the time a new one is acquired. Hanger property cannot be sold or*

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donated without speaking with the HRC/Asset department first. Contact the Fixed Assets Department via email (fixedassets@Hanger.com) or Office Services to discuss. You can also refer to the Policy regarding Company Owned Vehicles for additional guidance.

Miscellaneous

- *I have a machine that is broken and the cost to fix it is \$1,200. Can that be capitalized?*
 - *Repairs are expensed.*
- *What about painting?*
 - *As a general rule, painting is to be expensed unless done as part of a more extensive renovation / rebranding project.*
- *Why do I need to send an email when the asset is ready for intended use? Is this new?*
 - *The fixed asset needs to be placed in service at the time the asset is ready for intended use. This is the starting point of the depreciation.*
 - *In order for this to be done more timely and because the invoices could be held up in processing, notification by the requestor of the CER is the most effective and efficient manner to get this information.*
- *If the asset purchased was originally over the \$1,000 threshold, the invoice comes in and the actual price of the asset total has fallen below the \$1,000 threshold, what happens?*
 - *If the threshold limits are not met, the assets will be expensed.*

Examples of Purchase Types

- *Project Purchase*
 - *Three end tables are purchased for \$115 each as part of a larger project to renovate an office.*
 - *Items are NOT over \$300 each. They would be expensed.*
 - *A complete set of tools is purchased for \$800 to open up a patient care center.*
 - *Items are NOT over \$300 each. They would be expensed.*
 - *Guest chairs are purchased as part of a rebranding project. They are \$420 each and four are ordered.*
 - *Items are over \$300 each. They would be capitalized.*

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- *Bulk Purchase*
 - *There are eight workstations in the cost center that have one computer monitor each. The decision has been made to purchase an additional monitor for each work station. They cost \$165 each.*
 - *Items are for one cost center, under \$300 each and the total purchase is under \$3,000 after shipping and taxes. They would be expensed.*
 - *Ten chairs are purchased together for \$310 each to replace damaged or broken chairs at a PCC.*
 - *Items are for one cost center, over \$300 each and the total purchase is over \$3,000 after shipping and taxes. They would be capitalized.*
 - *Six chairs are purchased together for \$310 each to replace damaged or broken chairs at a PCC*
 - *Items are for one cost center, over \$300 each but the total purchase is under \$3,000 after shipping and taxes. They would be expensed.*
 - *Five new file cabinets at \$675 each on the same invoice to expand patient capacity in a clinic.*
 - *Items are for one cost center, over \$300 each and the total purchase is over \$3,000 after shipping and taxes. They would be capitalized.*

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Appendix A: Regulatory Guidance References

Reference to state, federal, and other relevant regulatory guidance, where applicable

Name of Regulation/ Guidance	Regulation Number/ Title Reference	Link to Regulation or Guidance
N/A		

Appendix B: Forms, Internal/External Resources

Name of Resource	Contact Information/Link to Resource
<i>Approval request for external distribution of P&P</i>	<i>Email request to P&P@hanger.com listing P&Ps requested, purpose and the external requestor's contact information.</i>
<i>Capital Expense Request Form</i>	https://hanger.force.com/s/article/Capital-Expenditure-Request-Form
<i>Asset Transfer/Disposal Form</i>	https://hanger.force.com/s/article/Form-Asset-Transfer-Disposal?s1oid=00Df40000002Mcf&u=005f4000000vu5r&s1nid=0DBf4000000TNbc&emkind=chatterGroupMembership&s1uid=005f4000000vkCd&emtm=1538585626205&fromEmail=1&s1ext=0