



Overview

Epigenome purchases assets for use in its laboratory and administrative operations. These assets include laboratory equipment, office furniture, and hardware and software.

Laboratory Equipment

When laboratory equipment is purchased, the Chief Executive Officer (“CEO”) liaises with Principal Investigator (“PI”) to understand the intended use of the equipment and classifies the equipment as either general purpose, special purpose research, or special purpose commercial.

General purpose lab equipment is intended to be used for both research projects and commercial production. The equipment is capitalized and depreciated over its intended useful life. The monthly depreciation expense is charged as an Indirect expense.

Special purpose research lab equipment is required (or intended primarily to be used) to satisfy one or more grant funded projects, as determined by the CEO and PI. The cost of the equipment is charged to one or more grant-funded research projects as a direct expense. If the cost benefits two or more projects, the cost will be allocated to the projects based on the proportional benefit or a reasonable documented basis as determined by the CEO.

\$25,000 Limit

The purchase of an unbudgeted single piece of equipment for more than \$25,000 is an indicator that a change of scope may have occurred. The CEO and PI are responsible for communicating any changes in scope to the NIH. If the cost of special purpose research equipment charged to an individual grant (either the total equipment cost if charged entirely to a single grant or the portion of the total cost if allocated to multiple grants) exceeds \$25,000 and was not specifically included in an approved grant budget, the CEO or PI will obtain approval from the NIH to include the cost of the equipment as a direct cost. If the cost charged to a single grant is less than \$25,000, no prior approval is required, unless a change in the scope has occurred, as determined by the CEO and PI.

Special purpose commercial lab equipment is intended primarily to be used for commercial production, as determined by the CEO. The cost of the equipment is capitalized and depreciated over its intended useful life. The monthly depreciation expense is charged entirely to commercial cost.

Capitalization Limit

The company has adopted a \$5,000 capitalization threshold. Each asset costing \$5,000 or more is either capitalized (general purpose, special purpose commercial) or charged to a direct equipment expense (special purpose research). Each asset costing <\$5,000 is charged as a period expense (COGS, direct supplies, office supplies).

Useful Lives

For book purposes, the company uses a standard 5-year life for all equipment and furniture and a 3-year life for all hardware and software. On an exception basis, a non-standard useful life may be used.

Physical Inventory

Annually, a physical inventory of assets is completed and is comprised of the following steps:

- 1) An updated list of all assets is obtained from Finance
- 2) Each asset listed is located and the asset tag number is confirmed. An asset tag is placed on (or near) the asset. If the placement of an actual asset tag could impair the operation of the equipment, an asset tag is not used. Any items that cannot be found are noted, so the accounting records can be updated
- 3) A general walk through of the laboratory and office is completed to identify any assets missing an asset tag. These items are noted, so the accounting records can be updated, as necessary.

Asset Listing

Finance maintains a listing of all assets that contains a description of each asset, the asset tag number, the location, and the serial number (where available). On an annual basis, Finance reviews all Lab Supplies and Office Supplies expenses for items costing \$5,000 or more. The listing is updated for additions, disposals, and/or location changes.

Equipment Maintenance

Maintenance costs for equipment are charged similarly to the costs of acquiring the asset. For example,

- General purpose lab equipment: Maintenance costs are charged to a prepaid asset and amortized monthly to Indirect expense.
- Special purpose research lab equipment: Maintenance costs are charged to Direct Supplies on one or more grants receiving the benefit of these assets, as determined by the CEO and PI.
- Special purpose commercial lab equipment: Maintenance costs are charged to COGS.

Maintenance costs that benefit numerous pieces of equipment or the entire laboratory, are charged to Indirect Maintenance Expense.