Title: Capitalization & Depreciation
Policy #: 22
EXPIRES: When Replaced
ISSUED BY: Church Council
SIGNED:

1 History

VERSION	DATE APPROVED	UPDATED BY	PURPOSE FOR CREATION/UPDATE
1.0	10/22/13	S. TRAKEL	DETAIL HOW TO RECORD AND DEPRECIATE FIXED ASSETS

2 Scope

This policy is part of St. Paul Lutheran Church's organizational policies. This policy applies to the Treasurer and staff that assist with the financial recordkeeping of the church.

3 Policy

1. All purchases of individual pieces of equipment in excess of $2,000 with an estimated useful life of more than one year are to be capitalized and recorded in the respective fixed asset account.
2. Fixed assets are to be depreciated on a monthly basis, based on the accumulated depreciation described in the Subsidiary Ledger.

4 Procedure

At month end, the Director of Church Administration will follow the policy and guidelines listed below when reviewing fixed asset purchases for the month.

1. An expenditure for maintenance or repair of real or personal property which is ordinary and incidental in nature and which neither materially adds to the value of the property or appreciably prolongs it's life, but keeps it in ordinarily efficient operating condition, is to be treated as a current operating expense and recorded under maintenance and repair.

2. An expenditure greater than the amount specified in the capitalization policy and intended to benefit future periods, increase the capacity, efficiency, economy or

prolong the normal life, is to be treated as capital expenditure, subject to depreciation, and recorded under the respective asset account.

3. All donated or purchased fixed assets greater than the capitalization policy are to be recorded at cost or fair value in the appropriate Church Property Asset account in the General Ledger and Subsidiary Ledger account. The Subsidiary Ledger will record:
    a. Date of acquisition
    b. Check number or journal entry number
    c. Name and address of vendor or donor
    d. Cost or fair market value of donated assets
    e. Description of property
    f. Ministry charged with custody
    g. Location
    h. Method of acquisition
    i. Date, method and authorization of disposition
    j. Monthly depreciation expense
    k. Accumulated depreciation
4. All equipment must be labeled or identified as congregation property.
5. A physical inventory of fixed assets should be performed annually.
6. Detailed records of all fixed assets owned by the congregation should be maintained and a physical inventory should be conducted periodically. Items no longer in fixed asset inventory should be investigated and written off the books.
7. The following depreciation convention should be used:

Asset	Life in Years
Church/school/office buildings	25-40
Improvements	20
Office equipment/furniture/fixtures	5-8
Computer Hardware & Software	3
Automobiles, vans or pickups	3-5
Yard Equipment	3-5

8. All Fixed Assets should be adequately insured against any damage or loss at replacement cost not book value. Additions or deletions of assets should be reported by the congregation to the insurance company for possible adjustment of coverage, as appropriate.

9. Donated assets should be valued by a professional such as an appraiser or insurance agent.

Fixed asset accounts should be used as follows:

1. The Land account should be used to record the historical value of land acquired by the congregation. The recording value of the land should be the cost of acquisition, including purchase price, fees, commissions and other incidental costs relating to acquisition. Acquisition of land by gift should be recorded at the fair market value of the land at the time of receipt. Land is not to be depreciated.

2. The Building account should be used to record the cost of building structures as well as all fixtures and equipment permanently attached to and made part of the building. If the building is recorded by gift the building should be valued at its fair market value at the time of receipt. The following expenditures should be part of the building cost: architect's fees, boilers, furnaces, HVAC equipment, wiring, plumbing and the like.

3. The Equipment account should be used to record the cost of furniture, furnishings, and equipment acquired by the congregation through purchase or gift. The cost of equipment should include the net purchase price, expenses of transportation, labor employed in the installation, and any other pertinent expenses necessary to place the equipment in operation. Equipment received by gift should be recorded at the fair market value at the time of acquisition.

5 Forms

None