

Diocese of San Jose – Chancery Office

Fixed Asset Capitalization Policy

Revision 1.0

Approved by Diocesan Finance Council, November 17, 2005

The Diocese of San Jose – Chancery Office will capitalize fixed assets when the asset purchased, built, or leased has a useful life of one year or more, and the acquisition cost (see definition below) or manufactured cost (see definition below) of the asset is \$5,000 or more. Multiple assets acquired in one transaction whose cost individually is less than \$5,000 but in aggregate is greater than \$25,000 are also capitalized.

All assets meeting this definition should be recorded on the Chancery's fixed asset ledger and should be tagged with a control number for tracking purposes.

Acquisition Cost is the net invoice price of the asset including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the asset operable. Other charges such as the cost of installation, transportation, taxes, duty, or in-transit insurance, shall be included in determining the acquisition cost.

Manufactured cost is appropriate when assets, including in-house software development, are assembled, manufactured or programmed by the Chancery using purchased materials, and in-house machinery, tools, or labor. Departments manufacturing assets are responsible for receiving the approval of the CFO to capitalize the asset, and for charging any labor expenses to fixed assets.

Subsequent additions, alterations and renovations are capitalized only when these costs are \$5,000 or more and they constitute an asset improvement. Repairs are expenditures that keep the asset in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund. Improvements are expenditures that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use.

While purchased software or software development will be regarded as fixed assets subject to the above capitalization policy, costs associated with software maintenance and customer support are considered expense items and will not be capitalized.

Assets donated to the Chancery by a third party are covered by this policy. For capitalization purposes, the recorded value of the donated asset (and the offsetting Donation Revenue) should be the fair market value of the asset at the date of the gift. Generally, the fair market value of such an item is the price at which the item or a comparable item would be sold at retail, taking into consideration the age and condition of the property on the date of the gift.

All fixed assets, except Land, will be depreciated on a straight-line basis once placed in service. Expenses incurred before the asset is placed in service will be capitalized but will be segregated as construction-in-progress and not depreciated.

Assets will be depreciated over the following periods based their asset category:

<u>Category</u>	<u>Depreciable Life</u>
Land	Not depreciated
Land Improvements (fences, driveways)	15 years
Office Furniture, Fixtures, and Equipment	5 years
IT equipment and accessories	3 years
Computer Software	3 years
Vehicles	5 years
Residential Buildings	30 years
Residential Improvements	15 years
Commercial Buildings	30 years
Commercial Improvements	15 years
Parish/School Buildings	30 years
Parish/School Improvements	15 years
Leasehold Improvements	Remaining Lease
All Other*	3 years

* Note: If material in size, CFO judgment will be used.

Assets are retired from the fixed asset file when it has been determined that the asset is no longer operable, has been replaced, has been sold, or is no longer available for use. Any remaining net fixed asset value at that time must be accounted for as a gain/loss on disposal and depreciation should cease.