

General Guidelines for Recording Capital Transactions at a Parish

- Parishes use Cash Basis accounting
 - o Any Accrual entries recorded by a parish are done at the instruction of the Archdiocesan Finance Office.
- Parishes do not depreciate any assets. Deprecation is done for tax purposes. Since a parish does not pay taxes, there is no need to depreciate the assets.
- Assets are kept on the Balance Sheet at historical cost. The largest cost is the land and buildings.
 - o When an existing asset with a known cost, such as an automobile, is disposed of or replaced, the item is removed from the balance sheet by Crediting the asset and Debiting Capital Expense, If there is any cash received for the asset, the money is deposited into a bank account (checking or D&L saving) and credited to Sale of Property. This transaction is exempt from assessment
 - o When part of an existing asset is replaced, such as a building's roof or carpet, the cost of the replacement is simply expensed to Capital Expense, regardless of the cost.
 - o When an asset type item, such as a computer, office furniture, lawn equipment, etc, is replaced, the cost of the new item is simply expensed to Capital Expense, regardless of the cost. The reason for this is that parishes do not have detailed records of the specific costs for items recorded under the Furnishing and Equipment asset line on the Balance Sheet as most of these costs originate from when the parish was first opened.
- Generally, the only items added to the assets are those that are not replacing any existing item and have an expected useful life of 5+ years. This would include: a new building (and its contents); an addition to an existing building; converting undeveloped property into a parking lot.
- Generally, we do not add computers and other electronic devices to the balance sheet as these items typically have a short-term technical life and need to be replaced and updated on a regular basis.
- When a parish has projects such as painting the offices and classrooms or cleaning and sealing the stained glass windows, these are consider regular maintenance and the cost are expensed as Repair and Maintenance. Also, if the parish remodels the rectory kitchen or updates the fixtures in the church's restroom, this would be considered remodeling and therefore expensed as a Capital Expense.

These are just general guidelines on how to account for capital type transactions at a parish.

Please contact the Archdiocesan Office of Finance for specific instructions

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