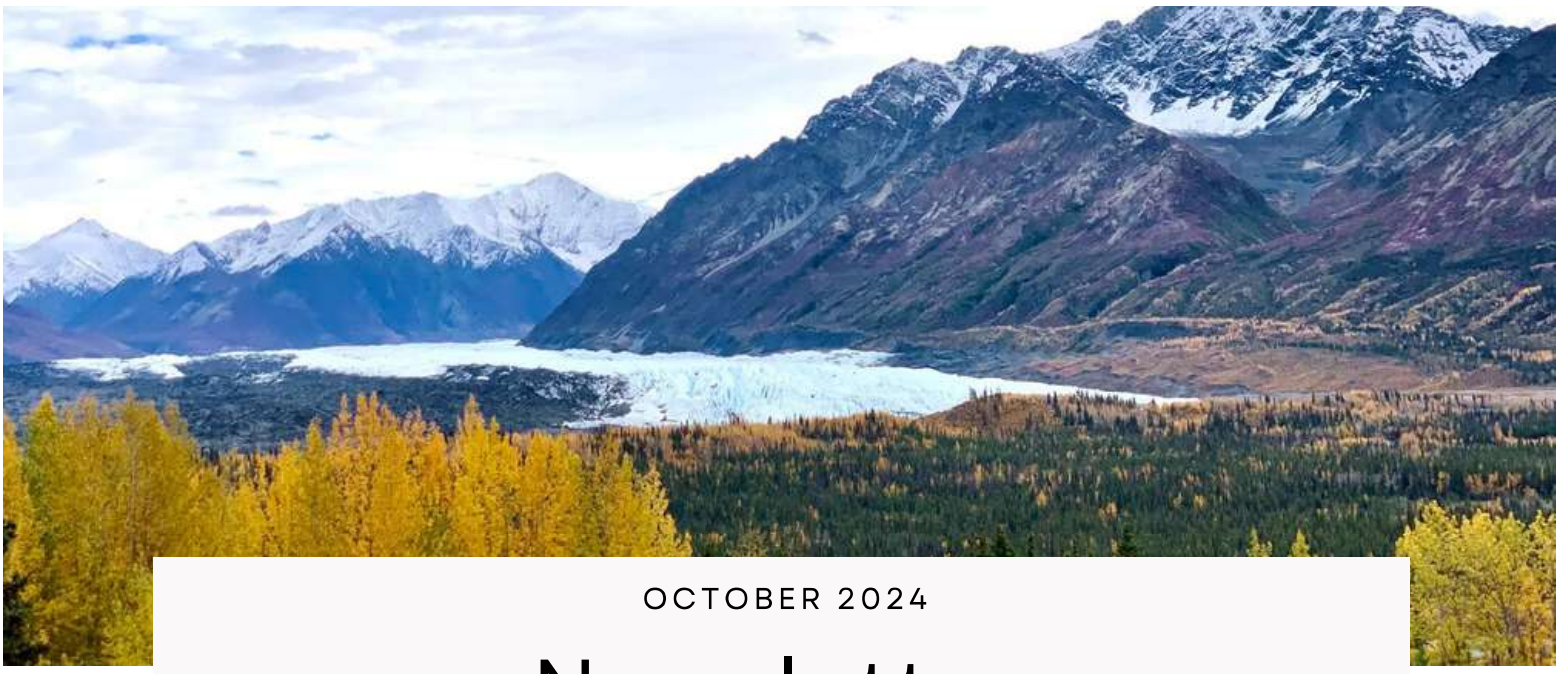


OCTOBER 2024

Newsletter

The Importance of Routine Maintenance

As stewards of the places where ministry happens, we understand that maintaining our properties is more than just good practice–it's an investment in the future of our communities and the kingdom work we're called to support. In this edition of our newsletter, we're focusing on the vital importance of regular maintenance, highlighting how proactive care can prevent costly repairs, enhance safety, and ensure that our spaces remain welcoming and effective for generations to come. Let's work together to strengthen the physical foundations of our ministries –because a well-maintained property is a vital tool in advancing God's work.

Winnetka Covenant Church

WILMETTE, ILLINOIS

Stewardship Through Maintenance and Renewal

In previous newsletters, we've discussed the importance of routine maintenance as an act of stewardship, helping preserve and extend the life of your church building. The condition of the building speaks volumes to those who walk through the doors. It reflects your values, your care, and your commitment to the community. A well-maintained space communicates a message of welcome and relevance, while neglected areas can create distractions from your ministry's goals. Even with a solid maintenance plan, however, certain building components will eventually need replacement due to age or obsolescence.

Winnetka Covenant Church in Wilmette, IL, found themselves at this crossroads with several deferred maintenance projects. Despite their planning, the church's capital reserves weren't sufficient to cover the full costs of the necessary updates, so they turned to National Covenant Properties (NCP) for support to help bridge the gap.

PRESIDENT'S CORNER

Peter Hedstrom, President

Does your church facility speak?

What is your church property telling your community and neighbors? How important is the condition of your church facility to you as pastors, staff, congregants, or leaders of your ministry in your community?

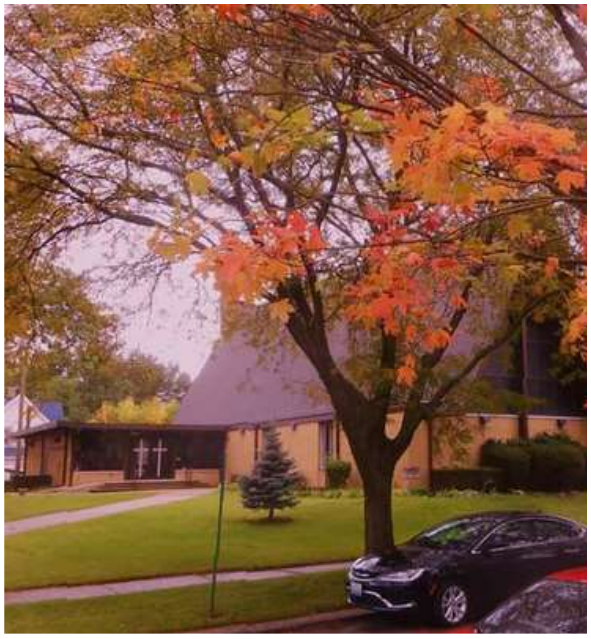
Our Real Estate Services Team at NCP has had the opportunity to review, consider, and work with many Covenant leaders on these relevant questions over the years. It is with great inspiration and joy that NCP partners to dream, collaborate, and evaluate options to allow Covenant church properties to "speak" to the integral role our partners wish to play in ministering to the needs of local communities.

I trust that you will enjoy reading and learning about situations when an enhanced or properly maintained facility may lead to growth and higher retention of visitors. You may also learn more about this topic at one of our four upcoming financial and real estate training seminars this fall. Please see our website (www.nationalcovenantproperties.org) for more details on how NCP may assist you and your church with facility-related objectives and the dates for our seminars.

Thank you very much for investing in and supporting NCP. We appreciate the opportunity to serve you with your investment and borrowing needs. People across North America are learning about the good news and engaging in meaningful ministry in their neighborhoods as a result of your commitment to NCP. THANK YOU!

The first priority was replacing the 60-year-old boiler with a modern, high-efficiency unit. This upgrade will provide more consistent and cost-effective heating for the church for many years to come. Next, they tackled the roof replacement. A leaky roof can lead to even higher repair costs, so proactive replacement is always more cost-effective than waiting until it's absolutely necessary. Finally, the church is updating its bathrooms in the education wing, signaling to the congregation and visitors that the space is modern, welcoming, and relevant to today's needs.

For Winnetka Covenant Church, these upgrades were more than just practical–they were an investment in their future ministry, ensuring their building remains a vital tool for their work in the community.



Mission Covenant Church

BLUE ISLAND, ILLINOIS

Enhancing Outreach Through Renovation

At Mission Covenant Church in Blue Island, IL, the leadership is taking a proactive approach to their building's care, going beyond simple maintenance to focus on making their space more inviting. As a small but growing congregation, they've recently launched an outreach plan to increase their visibility in the community. To align their physical space with this vision, they've embarked on a series of renovation projects designed to create a more welcoming environment for new visitors and improve functionality for both ministry and rental opportunities.

The church leadership believes that even without adding square footage, enhancing the look and feel of the existing space can make a huge impact. Their first project was remodeling the podium and upgrading the sanctuary's sound system. Improved sound quality in worship reduces distractions, helping the congregation better engage in services. The remodel also makes the space more flexible, allowing for a variety of events and gatherings.

In addition to sanctuary improvements, Mission Covenant is renovating the foyer and bathrooms, creating a more inviting space for both congregants and visitors. Future plans include installing an elevator to make fellowship areas more accessible for older members, ensuring that everyone can participate fully in the life of the church.

These renovations reflect the leadership's belief that the physical condition of the church is an important part of their mission to minister to the community. By making these updates, Mission Covenant Church is telling its neighbors, "We are here to stay, and we welcome you to join us." Through these thoughtful improvements, the church is not only caring for its current members but also preparing for future growth.

Financial Training

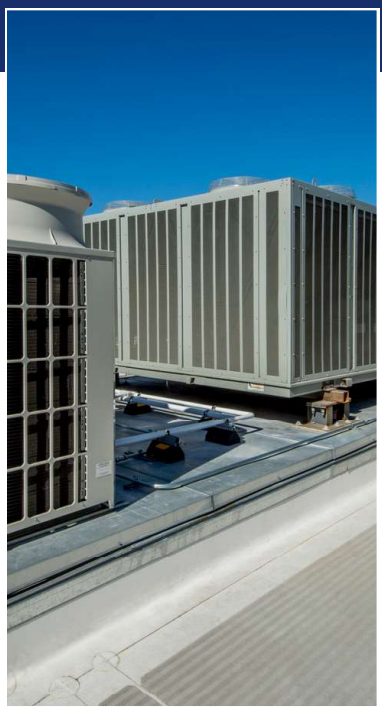
FOR PASTORS, TREASURERS, CHUCH LEADERSHIP, AND STAFF

LEARN MORE

October 5, 2024
Central Conference, Covenant Offices
October 26, 2024
Crossview Covenant Church, Mankato, Minnesota
November 9, 2024
Great Road Church, Acton, Massachusetts
November 23, 2024
New York Covenant Church, New Rochelle, New York

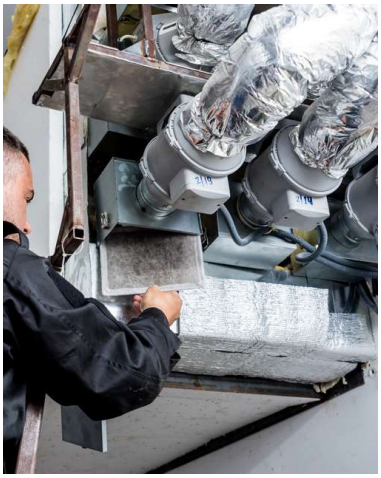
Facility Stewardship, Part 2

ESTABLISHING A CAPITAL RESERVE



"There is a time for everything, and a season for every activity under the heavens – even your HVAC System" (NCP paraphrase version of Ecclesiastes 3:1).

All parts of your church have a useful life. When the HVAC system breaks or the roof starts to leak or the church van breaks down, it is not a surprise; it is the natural cycle of things. In Part 1 of this series, we discussed the importance of routine maintenance. In this second part we will talk about establishing capital reserve to help your church to save for replacing capital items that reach the end of their useful life.



Routine/preventative maintenance will extend the useful life of a capital item, but you still need to plan for replacement costs. National Covenant Properties ("NCP") is always willing to provide loans to churches for capital improvements or system upgrades. But there is a simple truth: It is less expensive to use your own funds than to borrow from NCP.

The first step in establishing a capital reserve is to get a baseline condition for your current systems and their anticipated useful life. If you are doing routine maintenance on items such as your HVAC system, you can ask your provider for an estimate of the useful life of the system. For other items, such as your roof, you may need to have a professional inspection done to determine its condition. You can also engage a company to do a Property Condition Assessment ("PCA"), which will evaluate the condition of your building, estimate useful life and will provide you with a capital reserve Schedule, which we will discuss more later.

The second step is addressing any deferred maintenance items. If you have not been making minor repairs or periodic upgrades with the goal of extending the useful life of these items, you should undertake those now. Another way to think of it is that a $1 dollar spent today on deferred maintenance will save or at least delay the spending of $4 on capital renewal in the future.

Facility Stewardship, Part 2 (continued)

The third step is establishing a capital reserve Schedule which will:

- List all the capital items for the church;
- Estimate the useful life of each item;
- Anticipate their current replacement cost;
- Apply an annual inflation rate;
- Calculate how much you will have to save each year to ensure you have cash on hand to replace that item when it reaches the end of its useful life.

The fourth step is using the capital reserve schedule to budget an annual contribution to your capital reserve. This budget line item should be in addition to what you already budget for routine maintenance and minor repairs. Your board or leadership team should then designate these reserve funds only to be used for capital replacement or major repairs. The Capital Reserve Schedule also helps you to anticipate when you will need to draw from the Capital Reserve.

Many churches put their Capital Reserve in investments offered by NCP such as a Demand Investment Certificate or one of NCP's term investments (12-month, 30-month and 5-year). Investing the capital reserve with NCP separates the funds from your local accounts, and NCP's investments are just as accessible as your local savings accounts.

Church buildings are tools for ministry and an asset that needs to be preserved and cared for. The NCP Real Estate Services division can work with you to identify what you should be listing on your capital reserve Schedule as well as help you to locate a company to do a PCA for you. We can also share a simple spreadsheet that can be used to build your own capital reserve Schedule. NCP exists to serve all Covenant churches, not just those who have loans with NCP; do not hesitate to reach out to us for facility coaching. We would appreciate the opportunity to serve you with your building needs.