

Capital Maintenance Funds Recommendation for Churches

If your church were to find itself facing a major roof repair, heating/AC replacement, a parking lot repair or a large sound system purchase, would you have to take out a loan to do it? Or do you have reserves that could be used when the unforeseen strikes?

Actually, the expenses I just listed are not really in the category of unforeseen. Anyone who has lived in any kind of structure knows that buildings need regular maintenance, even if “regular” only comes along every 15-20 years. Your roof, at some point, will need to be replaced. Parking lots crumble. Sound systems need to be upgraded. And taking out a loan for something that is considered “Capital Maintenance” is not necessary if your board has had the foresight to plan ahead for it.

I see dozens of church databases a month. Some churches have reserves. Many don't. I would like to encourage you to talk with your board about saving specifically for these large maintenance type expenses, rather than waiting for puddles in the foyer and then discovering that a loan application is necessary.

Kurt Allen, our Georgia-Cumberland Conference Treasurer, has suggested that a reserve of 5-10% of your church's insured value would be an adequate target goal for a Capital Maintenance Fund. You can find the insured value in the most recent Statement of Values in the property insurance bill that you pay each year.

Example: for a congregation with a building value of \$500,000, 5% would be \$25,000 and 10% would be \$50,000. Yes, that is a lot of money, but replacing a roof can cost tens of thousands of dollars. Yes, loans are available if your church does not have the needed reserves. But why not start saving monthly now, rather than having to work a multi-year loan payment (plus interest) into your budget? A long-term view could save you that necessity down the road.

I know that not all churches could, but most could set aside 1% of their church's value each year - especially churches that no longer are paying a mortgage. In the above illustration, a budget allocation of \$420 per month could add up to over \$25,000 in five years, and over \$50,000 in ten. And if those funds were sent to a SURF (Southern Union Revolving Fund) account on a regular basis, your church could be earning interest on those reserves as well.

If your church already has a reserve account, maybe your board would want to create a Capital Maintenance Fund (or something like it), and earmark part of those reserves for this purpose, so it is clear what they are being “reserved” for. In most cases, it is better to have a Capital Maintenance Fund than to have a separate Roof Fund, Parking Lot Fund, etc.

For more tutorials on GCC-DENOMINATIONAL POLICIES-GUIDELINES, see section 6000 on the gccsda.org auditor webpage.

*This information has been brought to you by the Georgia-Cumberland Conference Audit Team
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