



Spiritual Benefits of Reserve Planning

by Dan Hotchkiss

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Each year, thousands of people come to Mater Dolorosa in search of spiritual enrichment. A Passionist retreat center in the San Gabriel foothills, in the city of Sierra Madre near Los Angeles, Mater Dolorosa is a sacred place whose spiritual work depends on some decidedly material things. Mission-style buildings, a stunning outdoor Stations of the Cross, and many other physical improvements set the stage for lives to be changed in faith.

To help preserve the beauty and soul-changing power of the places in their care, Mater Dolorosa's board and staff rely on a professionally prepared Reserve Study. Based on a detailed inspection of each element of the facility, the Reserve Study enables Mater Dolorosa to set aside enough each year to fund expected maintenance indefinitely.

Like many other institutions, Mater Dolorosa once took a much more casual approach to maintenance funding. Ron Brown, a long-time board member, recalls, "They had a couple hundred thousand in the bank and thought they were doing fine. But they were not fine. There was no real plan. It took some time for people to see how much we actually needed to be putting into our reserve fund."

Starting around ten years ago, that began to change. After much discussion, Mater Dolorosa's management and board decided to invest in a Reserve Study conducted by [Association Reserves](#), a company with a 30-year history of doing similar plans for condominium associations. Matthew Swain, RS, the company's national representative for Worship Facilities, inspected each of Mater Dolorosa's buildings and outdoor assets, estimating the useful lifespan of each component, the number of years remaining, and the cost of renovation or replacement. The eastern section of the main building, for example, has a tile roof that measures about 10,600 square feet and was installed in 1995. The 2015 capital plan reports that the roof should last about 5 more years. At that point it will need to be renovated at a cost of around \$74,200.

The plan lists each significant component of the Mater Dolorosa buildings, outdoor improvements, and major equipment: air conditioners, refrigerators, carpets, laundry machines, rest rooms, guest rooms, and barbecue grills. For each component, the plan indicates how much Mater Dolorosa should have in its maintenance fund, and how much it should set aside each year, to be prepared for the eventual cost of renovation or replacement.

The eastern roof, for instance, has five years to go of its projected 35-year useful life, before needing to be renovated at a cost of \$74,200. To be prepared for this, the plan advises Mater Dolorosa to hold \$63,600, or 30/35 of \$74,200 this year, in its maintenance reserve fund, and to add another 35th of the expected cost, or \$2,120, each year in order to stay fully funded.

And that is just one roof! Adding all of the numbers up for each of some 200 components yields a truly frightening grand total. In Mater Dolorosa's case, the fully funded balance as of Jul 1, 2015 was about \$2 million, with a recommended annual contribution amount of \$230,000.

Mater Dolorosa has fully funded its maintenance reserve for a decade now, but as Ron Brown recalls, such clear-eyed estimates came as a shock when they were first presented. "Without a Reserve Study, an organization could find itself pushing ahead on a new capital expenditure when, in fact, it can't afford the property it already owns."

"A professional Reserve Study represents a significant expenditure in an otherwise stringent budget," admits Elizabeth Velarde, Administrator for Mater Dolorosa. "But it has proven many times over to be a worthwhile management tool for retreat center staff. We have a site inspection-based study conducted every several years, with no-site-visit updates performed annually in between. Association Reserves has made that possible with attractive update packages." Having an outside, professional opinion about maintenance costs has made it easier for the retreat center to set aside adequate funds.

In working with Mater Dolorosa, Association Reserves has learned about the difference between a religious retreat and the association-governed communities where it earned its reputation. "We use assets longer than a typical residential or commercial property, primarily because we don't have the high level of traffic." The estimates of useful life for such components as carpets, conference room fixtures, and retreatant room furniture have been adjusted accordingly. On the other hand, outdoor facilities play a proportionately larger role at Mater Dolorosa, where the contemplation of God's creation is a central part of the retreat experience.

Swain observes that “many churches find it more comfortable to ignore ongoing deterioration than face up to the daunting shortfalls that a Reserve Study could reveal.” Church leaders may assume that future capital fund drives will pay for maintenance costs, or worry that having too much money in the bank might hamper capital fundraising.

But as Brown points out, “Major donors are sophisticated”, and increasingly expect to see a plan for the care & sustainability of the facility. A professionally done Reserve Study reassures donors that their gifts will be well used. “Last year we completed a major renovation of our Stations of the Cross, which was made possible by a million-dollar fund drive,” Velarde said. “So having maintenance funds set aside did not hamper our fundraising efforts for this very important capital project.”

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