



September 14, 2012

Zen Center of Los Angeles Financial Report to the Sangha 2011/12

Dear Friends and Sangha Members,

I am writing to provide you with a report on the Center's financial performance for the year 2011, and also to give you a report on our performance for the first eight months of 2012. I am also writing to ask for your financial assistance to support the Center's operations in a year of need.

REPORT ON OPERATIONS 2011

Revenue: Our **operating revenue** in 2011 was \$478,424 against a budget of \$424,281. This shows a revenue side surplus of \$54,165 and represents revenue at 112% of target.

In 2011, we received a grant from the Angell Foundation for \$48,000. This had not been included in our 2011 budget, and is a significant reason why our revenue was so far above budget. For the past several years, we have received grants, in various amounts, from the Angell Foundation, and they have greatly assisted in the development and offering of certain programs as well as in the overall operation of ZCLA. Without the Angell Foundation grant in 2011, we would have had revenue of \$430,425, which is still above our budgeted amount, but less than 2% above. As was

the case throughout the year, our programs category was the only one that showed overall performance below budget. Programs is a very unpredictable category year over year. Classes was the only category where our budget projections were off – both sesshin and Zazenkai revenue was strong.

After a bit of a rocky beginning, our fundraising efforts ended up doing well in 2011, with both the annual fund appeal as well as the Dharma Training Fund appeal resulting in contributions above what we expected. Thank you to our Development Circle and to our many donors!

Operating Expenses: Our total **operating expenses** for 2011 were \$449,997, against a budget of \$456,124. Our expenses were at 98% of budget.

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On the expense side, each major category was fairly close to budget, while sub-categories showed expected variations above or below projections.

From an operating perspective, with revenue of \$478,425 and expenses of \$449,997, our results reflect an operating surplus of approximately \$28,428, as compared to a budget projection of a deficit of \$31,863. However, it is important to remember that the budget did not include any Angell Foundation funds, whereas our actual results include a \$48,000 additional amount. If we were to remove the \$48,000 Angell grant, we would have an operating deficit of approximately \$18,572.

There are two observations to make from this. First, the Angell Foundation grants have represented an important source of support for ZCLA – the \$48,000 that we received in 2011 was approximately 10% of our total revenue. Second, however, even if we factor out the Angell Foundation money, we did better this year on the operating side than we had budgeted – our revenue was above our projections, and our expenses were below our projections. Even in the year where Roshi was on sabbatical, our financial health remained strong. This is a very positive and encouraging piece of news.

Capital Expenses: In addition to our operating expenses, each year we incur certain capital expenses; these are expenses to acquire or upgrade physical assets, such as our buildings and equipment. In 2011, we spent \$34,090 on capital expenses. Many of these expenses were necessitated by safety concerns and other unplanned-for developments. This included needed improvements to apartments following the departure of prior residents, the replacement of the Zendo's upstairs electrical wiring system after it was discovered to be extremely old and highly dangerous, the installation of handrails for safety in various locations throughout the property, and similar items.

For 2011, we only budgeted \$20,000 for capital expenses, and our actual expenses ended up being \$14,000 above that. Most of these expenses were attributed to necessary emergency repairs as outlined above that could not be deferred.

Finally on the expense side, we break up the amount of each payment on our mortgage into the principal and interest component, and report them separately. Interest payments are reported in the operating figures, but principal payments are not. The total amount paid in principal in 2011 was \$7,404.

Conclusion: Taking all these items into account, the 2011 results are as follows:

| | |
|--------------------|------------|
| Operating Revenue | \$478,425 |
| Operating Expenses | \$-449,997 |
| Subtotal | \$28,428 |

| | |
|--------------------|------------------|
| Capital Expenses | \$-34,090 |
| Mortgage Principal | \$-7,404 |
| Total | \$-13,066 |

We had budgeted an overall loss for 2011 of approximately \$48,000. In the end, because of the Angell Foundation grant we substantially reduced that amount. If we had not incurred the unexpected capital expenses, we would have reported a small surplus for 2011.

The Center's financial reserves allowed us to continue operating despite incurring this cash flow deficit. Darla Myoho Fjeld, Mary Rios, Patti Muso Giggans, the Executive Circle and the Finance Committee of the Board work closely with me to prepare our budget each year, and I am very grateful for their efforts; the close alignment of our budget projections with our actual results demonstrates their care and thorough understanding of the Center's year-over-year operations and requirements.

INTERIM REPORT ON OPERATIONS 2012

This is an interim report on our financial position as of the end of August 2012.

The bottom line is that we are experiencing a significant deficit. Our year-to-date deficit is over \$37,000. A substantial portion of this relates to spending on necessary safety expenses that were not budgeted. However, even factoring those expenses out, we would still be in a significant deficit position.

Revenue: Our total **operating revenue** for the period January-August 2012 was \$311,378 against a budget of \$296,333. Of this, \$11,300 is a specified donation from the White Plum and certain White Plum teachers to support the digital archive project. In addition, we received a donation of \$24,000 from the foundation established by Shirley Diamond-Heart Magidson. Her children are closing out her foundation and made this final donation to ZCLA in her name. This is a generous and unexpected donation, for which we are deeply grateful. Setting those two items aside, neither of which was budgeted, our revenue would be \$275,979 against a budgeted figure of \$296,333; we would be approximately \$20,350 (7%) below our budgeted projection.

This year, we have not received financial support from the Angell Foundation. We had budgeted a donation of \$24,000 – half last year's figure – but it appears they are not going to be giving funds to the spirituality groups this year that they had previously supported. We are very grateful for the funds they have given us in past years, and hope we can continue our relationship into the future. We are also exceedingly fortunate that Diamond-Heart's children decided to give us such a generous contribution this year, which helps to alleviate this situation.

Within our various revenue categories, there are variances, most of which are not surprising. Our fundraising revenue is at 54% of “budget,” but the budget number is not adjusted for the seasonality of our fundraising schedule, so this is not an unexpected variance at this point in the year. In contrast, our programs revenue is well above budget. We have seen a substantial uptick with Roshi’s return in the classes and Zazenkai line items.

Operating Expenses: Our total **operating expenses** for January-August 2012 were \$301,188, against a budget of \$297,816. Our operating expenses are at 101% of budget.

We are over budget – in some places substantially – in a few areas, some of which are expected and seasonal. The major areas where we are over-budget relate to technology and office expenses. We have been transitioning our office IT system over the past few months, and there have been some significant, unplanned expenses associated with this upgrade. Hopefully most of these are one-time expenses that will not create ongoing financial drains. We are monitoring these expenses very carefully.

From an operating perspective, with revenue of \$311,379 and expenses of \$301,188, our results reflect an **operating** surplus of approximately \$10,191, as compared to a budget projection of a deficit of \$1,483. Once again, our revenue figures include two unplanned and unbudgeted donations totaling \$35,400. If we remove these from our revenue, we would have a deficit of \$21,837, against a budgeted deficit of \$1,483.

Capital Expenses: In addition to our operating expenses, we have incurred substantial capital expenses. Between January and August, we spent \$42,083 on capital expenses. More than half of this amount – \$23,029 – relates to electrical re-wiring projects for the Sangha House and the Zendo. Other projects involved replacing gas lines, installing carpet, and a number of projects to upgrade apartments after long-time residents vacated them and they needed upkeep to be offered to new residents. In our 2012 budget, we earmarked only \$25,000 for capital expenses for the entire year. While we are only two-thirds of the way through the year, we are substantially over our entire capital expense budget for the year.

Finally on the expense side, we break up the amount of each payment on our **mortgage** into the principal and interest component, and report them separately. Interest payments are reported in the P/L (line 6450), but principal payments are not. The total amount paid in principal in the first eight months of the year was \$5,229.

Summary:

Taking all these items into account, the adjusted results are as follows:

| | |
|--------------------|------------------|
| Operating Revenue | \$311,379 |
| Operating Expenses | \$-301,188 |
| Subtotal | \$10,191 |
| Capital Expenses | \$-42,083 |
| Mortgage Principal | \$-5,229 |
| Total | \$-37,121 |

REPORT ON VARIOUS RESTRICTED FUNDS

Either through the decisions of the Board or based on certain designations by donors, we maintain a series of restricted funds that are designated for particular purposes. Here are reports on the status of various internally-restricted funds as of August 31, 2012.

A. Dharma Training Fund

The Dharma Training Fund is maintained as a separate, internally-restricted fund. We receive donations for it through the year, and these funds are then used to help support practitioners and programs at the Center. If the revenue exceeds expense, at the end of the year the difference is transferred to the Center's Balance Sheet and carried forward. The current balance is \$5,341.

B. Lowell and Cartee Bequests

We are currently maintaining two bequests to the Zen Center – the Lowell Bequest and the Cartee Bequest – as internally restricted accounts. The Lowell Bequest total is \$103,679. The Cartee Bequest total is \$76,974.

C. Sujata Fund

The Sujata Fund was established by Sensei Nagy to support women's practice at the Center. The current balance is \$6,681.

D. Kobori Roshi Transportation Fund

The Transportation Fund was established by an anonymous donor to support the practice of persons who live some distance from ZCLA. The current balance is \$2,298.

E. Mountain Hut Fund

The Mountain Hut Fund is used to provide support for the Abbot's retirement. The current balance of the fund is \$5,000.

COMMENT AND A REQUEST FOR SUPPORT

As you can see, we are currently operating with a significant deficit. We have incurred some large unplanned expenses this year involving the maintenance of our buildings. Zen Center's properties are aging – some of our buildings are more than 100 years old! – and require considerable upkeep. In the past two years, we have spent a significant amount of money to re-wire the electrical systems of the Sangha House and the Zendo after discovering that the wiring was original and that it posed a fire hazard. When such projects arise, they require immediate attention, whether the funds have been budgeted or not. In 2011 and 2012, on the operating side, which addresses the day to day expenditures of Zen Center, we have continued to function close to our budgeted projections. However, the continued upkeep of our buildings and grounds has exceeded our capital budget projections for several years, as we have dealt with simple safety and renovation issues to support the health and safety of our Sangha.

Our practice asks us to attend to whatever arises in front of us, and the operation of Zen Center is a perfect opportunity to actualize this practice. Through the efforts of our Abbot, our staff, our Bodhisattva staff, the Development Circle and the Executive Circle, among others, we are constantly taking care and adjusting to the needs of the moment. When, as in these past two years, they call for us to shift away from what we “planned” to instead take care of what is needed, whether it is a “budgeted expense” or not, we are attending to it. And yet, even while attending to the needs of the moment, we must also be aware of the future, and of the financial impact that attending to the needs of this moment will have on the next moment, and the moments going forward for years to come. Although Zen Center has some financial reserves, they are limited, and we cannot continue to run deficits year over year and remain financially healthy.

In light of these unusual expenses, I am asking for your support. Usually these appeals come from our Development Circle, but I am writing as the Chief Financial Officer with a request for your financial assistance. Please consider making a donation – or an extra donation – to help support Zen Center's continued vitality and operation. We are investing in our buildings and grounds so that we can continue to offer a place of practice in the midst of a hectic, frenetic world. As we say in our closing ceremony each Sunday: “The buildings and the grounds protect the Dharma, and give peace to all.” Please consider making a contribution to help us support the buildings and grounds so that they, in turn, can support the ever-unfolding Dharma.

If you would like to donate, please send a check made out to ZCLA, or go to our website, www.zcla.org and click on the “giving” link in the menu.

CONCLUDING REMARKS

ZCLA continues to thrive because of the generosity of many, both past and present. Without the generosity of our donors, we could not function in any form resembling our current one. This is true of all the many ways, both financial and otherwise, that people contribute to keeping ZCLA alive and thriving as a dynamic locus of Zen training in the West. Thank you all for your many ways of giving!

I want to express my thanks to all of you for your practice and your continuing support of the Center. I am also very grateful to the people who labor daily to keep the Center functioning and, in particular, who support the incredibly efficient financial operation of the Center. The Center’s financial functioning is the result of many hands and eyes, including those people who make up the Board of Directors and its Finance, Development, Endowment and Investment Committees, and the Executive Circle. I am particularly grateful to Mary Rios, our Business Manager, without whom I would be lost in fulfilling this function; Darla Myoho Fjeld, Steward of the Executive Circle, for her careful stewarding of the projects and funds that arise so regularly; and Deb Faith-Mind Thoresen, who has supervised the many buildings and grounds projects we have been addressing and who actualizes the spirit of practice Dogen outlines so fully in the Tenzo Kyokun. Finally, thanks to Roshi Egyoku Nakao for her tireless efforts on behalf of us all.

If you have any questions about this financial report, or any other questions regarding the Center’s financial operations, please feel free to contact me.

Sincerely,

Tom Dharma-Joy Reichert
Chief Financial Officer
dharma-joy@zcla.org

SUMMARY TABLES OF FINANCIAL RESULTS: 2011

| 2011 Revenue & Restricted Funds Usage | | 2011 Capital & Operating Expense | |
|--|------------------|---|------------------|
| Membership | \$80,456 | Personnel | \$239,098 |
| Program | \$25,768 | Programs/Archive | \$39,450 |
| Fundraising | \$63,970 | Fundraising | \$6,061 |
| Facilities | \$242,249 | Facilities | \$113,285 |
| Bookstore | \$10,961 | Bookstore | \$9,106 |
| Publications Royalties | \$3,247 | General & | |
| Angell Foundation | \$48,000 | Administrative | \$42,997 |
| Other Restricted Gifts | \$3,774 | Capital Expenses | \$34,090 |
| | | Mortgage | \$7,404 |
| Total | \$478,425 | Total | \$491,491 |

SUMMARY TABLES OF INTERIM FINANCIAL POSITION: Jan-Aug 2012

| 2012 Revenue & Restricted Funds Usage | | 2012 Capital & Operating Expense | |
|--|------------------|---|------------------|
| Membership | \$53,450 | Personnel | \$140,750 |
| Program | \$30,938 | Programs/Archive | \$23,957 |
| Fundraising/Bequests | \$42,647 | Fundraising | \$2,861 |
| Facilities | \$162,598 | Facilities | \$78,919 |
| Bookstore | \$7,768 | Bookstore | \$4,219 |
| Publications Royalties | \$1,290 | General & | |
| Miscellaneous | \$176 | Administrative | \$50,470 |
| Other Restricted Gifts | \$12,508 | Capital Expenses | \$42,083 |
| | | Mortgage | \$5,229 |
| Total | \$311,379 | Total | \$348,488 |