



March 28, 2014

**Zen Center of Los Angeles
Great Dragon Mountain Buddha Essence Temple
Financial Report to the Sangha 2013**

Dear Friends and Sangha Members,

I am writing to provide you with a report on the Zen Center's financial performance for the year 2013.

REPORT ON OPERATIONS 2013

Revenue: Our total **operating revenue** in 2013 was \$463,077 against a budget of \$466,356. Our revenue was at 99.3% of target. As usual, there are particular categories where we were above our projection and some where we were below our projection. Both our Dharma Training Fund and Annual Fund donations were above our targeted projections – thank you all for your great generosity! Our Guest Housing program also generated a significant amount of income this year, more than twice what was budgeted; many thanks to Tom Yudo Burger for his many efforts as ZCLA's Guest Steward. And our royalties generated from publications was above expectations.

Operating Expenses: Our total operating expenses for 2013 were \$477,674, against a budget of \$452,576. Our operating expenses exceeded our budget projection by \$25,098.

There are a few areas where we were substantially over budget. These include facilities maintenance and Web/IT support. On facilities maintenance, we had to do substantial mold remediation on one of the apartments, which accounts for almost all of the overage. On Web/IT support, at the end of 2013 we transitioned from using an outside vendor to using in-house assistance and seem to have underestimated the ongoing expense involved in this area due to increased activity in the office.

During 2013, we refinanced the one mortgage that Zen Center currently has, covering the Pundarika apartment building. Our newest Board member, Cliff Shishin Collins, has long experience as a mortgage professional and assisted us tremendously in locating and securing this opportunity – many thanks to Shishin for his service! The refinance moved us from a 30-year term to a 15-year term and significantly reduced the interest rate. We also used this as a chance to access some of the equity in the property by increasing the mortgage principal from \$400,000 to \$550,000, thus giving us \$150,000 in cash to pay for a number of identified needs around our buildings and

grounds and in connection with a planned redesign of our website. One operating expense that was not budgeted was refinance costs, which were approximately \$10,000.

For most of the areas where we have had substantial expenses above budget, we know the reasons for them. Although they can be explained, it does not change the fact that we ended the year above budget on the expense side.

As a result, we experienced an operating deficit of \$14,597; put another way, the amount of our revenue was 97% of the amount of our expenses.

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 2013 we incurred \$72,966 in total capital expenses for our buildings and grounds. Of this amount, \$18,238 was for what we consider “ordinary” capital expenses, i.e., expenses for the upkeep of our buildings and grounds that arise in the normal course of operations. These expenses included such things as replacement of a heater in the Zendo, removal of the old heater in the Sangha House, purchase of an emergency generator for disaster preparedness purposes, and repair or replacement of windows and floors in some of the apartments.

In addition to these ordinary capital expenses, we spent \$54,728 on other capital projects. Most of the funds for these came from the money obtained as part of the mortgage refinance discussed above, with the remainder coming from the Zen Center’s financial reserves. This included a major expense for the replacement of the driveway and creation of the retaining walls along the driveway edges and the installation of a heater/air conditioner system for the Sangha House.

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 expense budget, but principal payments are not. The total amount paid in principal in 2013 was \$14,317.

Conclusion: Taking all these items into account, the 2013 results are as follows:

Operating Revenue	\$463,077
Operating Expenses	\$-477,674
Subtotal	\$-14,597
(Budgeted) Capital Expenses	\$-18,238
Mortgage Principal	\$-14,317
Total	\$-47,152

Note that the calculation above only includes our “budgeted” capital expenses, not the extraordinary capital expenses that were authorized by the Board using earmarked funds. Those expenses are an additional \$54,728. If we add that amount, the deficit rises to \$101,880; however, this is somewhat misleading since it does not take into account the influx of \$150,000 in cash from the mortgage refinance.

Discussion. As these numbers show, even setting aside the special capital projects we undertook, we ended the year with a substantial shortfall; our ordinary expenses – the expenses for our everyday operation and upkeep of the Zen Center and its buildings and grounds – were 10% above our revenue (setting aside the one-time inflow we received from the mortgage refinance). The Zen Center’s financial reserves allowed us to continue operating despite incurring this deficit.

In recent years, as Zen Center has slowly grown in terms of its staff and programs and worked to keep up and improve its aging buildings and grounds, we have experienced overall deficits quite regularly. A series of major grants or donations has provided us with the reserves to allow such growth and development. However, that is not a sustainable path for the long term, and we have begun to deplete these reserves. The Board of Directors, headed by Patti Muso Giggans, its Finance Committee, headed by me, and the Development Circle are intently focused on reducing these year-over-year deficits and are working actively to address the issue to help ensure Zen Center's long-term stability and growth as one of the principal practice centers in the West. Recently, the Board had a full-day retreat with our Daygroup staff to address the long-term sustainability of ZCLA, and we will be meeting again for a follow-up all-day session in May. We remain committed to the careful stewarding of our resources while we seek to increase our revenue. As this process develops, we will bring the Sangha into this discussion, since this is a practice of collective awakening and requires our collective support for this treasured Dharma gem.

Darla Myoho Fjeld, Mary Rios, Patti Muso Giggans 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 oversight of Zen Center’s finances is a true example of Shared Stewardship.

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 December 31, 2013.

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 Zen Center. If the revenue exceeds expense, at the end of the year the difference is transferred to the Zen Center's Balance Sheet and carried forward. At the beginning of 2013, the account had a balance of \$3,719. We received \$9,306 in donations to the DTF, and we used \$5,690 to support practitioners and programs through the year. The balance as of December 31 was \$7,335.

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 \$102,469. The Cartee Bequest total is \$53,174.

C. Sujata Fund

The Sujata Fund was established by Sensei Nagy to support women's practice at ZCLA. The balance as of December 31 was \$4,284.

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 December 31 balance was \$3,828.

CONCLUDING REMARKS

Dāna pāramitā – the practice of generosity – is the first of the ten perfections. ZCLA depends on the generosity of many, in the form of money but in many other forms as well, to survive and thrive. It is this support that keeps 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 the people who labor daily to keep the Zen Center functioning and, in particular, who support the incredibly efficient financial operation of the Zen Center. ZCLA'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, the Executive Circle and our Temple Co-Directors. 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 and newly installed as Temple Co-Director, for her careful stewarding of the projects and funds that arise so regularly; and Deb Faith-Mind Thoresen, our other Temple Co-Director, who has supervised the many buildings and grounds projects we have been addressing. And thanks to Roshi Egyoku Nakao for her tireless efforts on behalf of us all and on behalf of the Dharma.

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

Sincerely,

Tom Dharma-Joy Reichert

Chief Financial Officer

dharma-joy@zcla.org

ZEN CENTER OF LOS ANGELES BOARD OF DIRECTORS

Wendy Egyoku Nakao, Abbot

Patti Muso Giggans, President

Betsy Enduring-Vow Brown, Secretary

Thomas Dharma-Joy Reichert, CFO

Cliff Shishin Collins

Darla Myoho Fjeld

DeWayne Gojitsu Snodgrass

Robert Swan

John Plum-Hermit Swanger

Deborah Faith-Mind Thoresen

Summary of Revenue and Expenses 2013

2013 Revenue

Membership	\$77,220
Program	\$45,325
Fundraising	\$59,273
Facilities	\$265,349
Bookstore	\$11,457
Publications Royalties	\$3,350
Other Restricted Gifts	\$1,100
Total	\$463,074

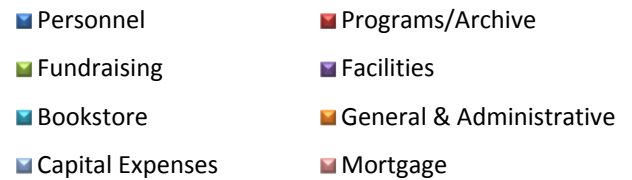
Revenue



2013 Capital & Operating Expense*

Personnel	\$244,423
Programs/Archive	\$34,677
Fundraising	\$8,599
Facilities	\$125,588
Bookstore	\$7,537
General & Administrative	\$56,847
Capital Expenses	\$18,238
Mortgage	\$14,317
Total	\$510,226

Expenses



*Excludes special capital expenses as discussed in the body of the report.