



June 10, 2015

## **Zen Center of Los Angeles Financial Report to the Sangha 2014**

Dear Friends and Sangha Members,

I am writing to provide you with a report on Zen Center's financial performance for the year 2014.

### **REPORT ON OPERATIONS 2014**

**Revenue:** Our total **operating revenue** in 2014 was \$469,029 against a budget of \$456,845. Our revenue was at 102.7% of target. As usual, there are particular categories where we were above our projection and some where we were below our projection. We were below our projection in resident membership, which is unsurprising given the fact that we had a number of residential members leave, leading to periods of apartment vacancies and turnover during the year. We were slightly above our projection in program revenue, with above-budget amounts for sesshin and zazenkai largely responsible for that. Both our Dharma Training Fund and General/Annual Fund amounts were around 30% above target, with many thanks to the effort and determination of our Development Circle. The staying power of our publications resulted in continued modest but strong royalties above our projections. Unfortunately, after a strong 2013, the bookstore's revenue ended up at 80% of our projection, while our Guest Housing program, which has generated a significant amount of income in prior years, ended up at only 48% of our budgeted figure for 2014.

**Operating Expenses:** Our total **operating expenses** for 2014 were \$464,381, against a budget of \$467,980. Our expenses were thus at 99.2% of budget.

There was a wide variation with regard to results for individual categories, with some coming in well below budget while others were well above budget. For most of the areas where we have had substantial expenses above budget, we know the reasons for them.

As a result of this performance, we experienced an operating surplus of \$4648, while we had a projected deficit of \$11,135. We are thus approximately \$15,783 ahead of our projection. This welcome result came about due to a very concerted effort by our staff to reduce expenses as much as possible and to raise funds through our fundraising appeals and other means. Significant effort on both sides – raising funds

and spending them wisely – went into this result, and on behalf of the Board of Directors I want to extend tremendous thanks to everyone who was part of this process – in particular, to Mary Rios, Senshin Griffith, our Development Circle and our Temple Co-Directors.

**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 2014 we incurred \$21,446 in capital expenses for our buildings and grounds. Highlights of these expenses include \$8605 for cement and fence work in the Nilotpala courtyard. This project was approved by the Board in May 2013, and work began in January 2014. Funding for this was earmarked from the refinance funds. We also spent money on water heater replacements and heater replacements in the Pundarika building, for repairs to the walk-in refrigerator and a new hot water heater for the Sangha House; and miscellaneous other small projects.

Our budget for capital expenses for the year was only \$10,000; we ended up spending twice our budgeted amount, much of which was driven by attending to the state of our apartments after long-term residents moved out.

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 treated as a capital expense. The total amount paid in principal \$26,920.

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

Operating Revenue	\$469,029
Operating Expenses	\$-464,381
Subtotal	\$4,648
Capital Expenses	\$-21,446
Mortgage Principal	\$-26,920
Total	\$-43,718
Nilotpala Refi Earmarked Funds	\$8,605
Adjusted Total	\$-35,113

We had projected \$10,000 in capital expenses and \$24,000 in mortgage principal pay down, for a total of \$34,000. In the end, we had \$21,446 in capital expenses and paid down \$26,920 in mortgage principal, for a total of \$48,366. We thus incurred \$14,366 in expenses above our projection. While we were \$15,783 ahead of our projection on

the operating side, we were \$14,366 beyond our projection on the capital side – as a result of which, our actual deficit of \$43,718 was very close to the projected deficit of \$44,535.

From a strict cash flow perspective, the total outflow was \$43,719 above what we brought in. I have included an “adjusted” total to reflect the fact that the amount spent on the Nilotpala project was approved by the Board with money that had been earmarked from funds that were borrowed as part of our mortgage refinancing in 2013. It is both a real expense as well as a planned expense with separate financing. So, depending on how you treat that expense, our deficit is either \$43,718 or \$35,113.

Once again, we ended the year with a significant deficit – our deficit represents approximately 8.5% of our total expenditures. Obviously this is a cause for real concern; as discussed in my report at the end of 2013, our reserves cannot sustain \$40,000 deficits for more than a limited number of years. Our 2015 budget process resulted in a predicted balanced budget, and it is very important that we make every effort to maintain the discipline that will keep us on track for that result. (And as this report is being written well into 2015, I am happy to report that, as of now, we are “on budget” which means that currently we are operating with a balanced budget.)

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 restricted funds as of December 31, 2014.

### **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 Zen Center. If the revenue exceeds expense, at the end of the year the difference is transferred to Zen Center’s Balance Sheet and carried forward. The balance as of December 31, 2014 was \$6,329.

### **B. Lowell and Cartee Bequests**

We are currently maintaining one bequest to the Zen Center – the Lowell Bequest, which we received from Dolores Ejun Lowell. The Lowell Bequest total is \$95,644. Until this year, we also had maintained a bequest from Teido Cartee; however, the

Cartee Bequest has now been fully exhausted in helping to pay for the deficits we incurred in 2012 and 2013 and is no longer maintained as a separate account.

### **C. Sujata Fund**

The Sujata Fund was established by Sensei Daniel Nagacitta Buckley to support women's practice at ZCLA. The balance as of December 31, 2014 was \$4,084.

### **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 balance as of December 31, 2014 was \$3,873.

## **CONCLUDING REMARKS**

This was a busy year with a lot of movement and programing activity at ZCLA. There was a lot of turnover in our housing, and we had Darla Myoho Fjeld step (nimply and ably) into the Temple Co-Director position in January 2014. Although we did not have extensive unexpected capital expenses this year, the shift to a 15-year mortgage and the inevitable jump in our monthly payment that it entailed is showing up in the form of our annual deficit figures. As noted above, we have projected a balanced budget for 2015 and so far we are on target to meet that projection. The Board of Directors is intently focused on developing a Strategic Plan for Zen Center that will keep us on a sustainable financial path for many years to come.

Dana paramita – 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. Thank you all for your many ways of giving!

I want to express my thanks to all the people who labor daily to keep Zen Center functioning and, in particular, who support the incredibly efficient financial operation of ZCLA. Zen 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, Strategic Planning, Development, Endowment and Investment Committees 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; our Temple Co-Directors Darla Myoho Fjeld and Deb Faith-Mind Thoresen; and our Program Steward, Katherine Senshin Griffith. 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 Zen Center's financial operations, please feel free to contact me.

Sincerely,

Tom Dharma-Joy Reichert  
Chief Financial Officer  
[dharma-joy@zcla.org](mailto:dharma-joy@zcla.org)

**ZEN CENTER OF LOS ANGELES BOARD OF DIRECTORS**

*Wendy Egyoku Nakao, Abbot*

*Darla Myoho Fjeld*

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*John Plum-Hermit Swanger*

*Thomas Dharma-Joy Reichert, CFO*

*Deborah Faith-Mind Thoresen*

# Summary of Revenue and Expenses 2014

## 2014 Revenue & Restricted Funds Usage

Membership	\$84,471
Program	\$45,881
Fundraising	\$70,647
Facilities	\$247,622
Bookstore	\$9,804
Publications Royalties	\$5,558
Other Restricted Gifts	\$5,045
<b>Total</b>	<b>\$469,028</b>

## 2014 Capital & Operating Expense

Personnel	\$263,335
Programs/Archive	\$31,447
Fundraising	\$6,987
Facilities	\$110,832
Bookstore	\$6,625
General & Administrative	\$45,154
Capital Expenses	\$21,446
Mortgage	\$26,920
<b>Total</b>	<b>\$512,746</b>

