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THE ZEN STUDIES SOCIETY INC.

**YEAR ENDED
DECEMBER 31, 2002**

**THE OFFICE OF GEORGE Y. HARA
501 FIFTH AVENUE, SUITE 2009
NEW YORK, NY 10017**

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THE ZEN STUDIES SOCIETY INC.

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THE OFFICE OF
George Y. Hara

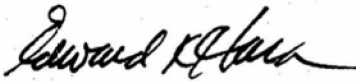
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The Board of Directors
The Zen Studies Society Inc.
New York, New York

I have compiled the accompanying statements of revenues and expenses, changes in fund balances, and cash flows as of December 31, 2002, in accordance with standards established by the American Institute of Certified Public Accountant.

A compilation is limited to presenting in the form of financial statements information that is the representation of the organization whose financial statements are presented. I have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

I have included those disclosures available but did not obtain all the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements they might influence the user's conclusion about the financial condition of The Zen Studies Society and its fund balances. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Edward K. Hara, CPA
New York, New York
October 31, 2003

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The Zen Studies Society Inc. Balance Sheet December 31, 2002

<u>ASSETS</u>	<u>Restricted Endowment fund</u>	<u>unrestricted General fund</u>	<u>fixed asset fund</u>	<u>Total</u>
Current Assets:				
Cash	\$ 15,681.	\$ - 0 -	\$ - 0 -	\$ 15,861.
Inventory-Stores		25,955.	- 0 -	25,955.
Investment	<u>607,267.</u>	<u>58,890.</u>	<u>- 0 -</u>	<u>666,157.</u>
Total	<u>\$ 623,128.</u>	<u>\$ 84,885.</u>	<u>\$ -0 -</u>	<u>\$ 708,013.</u>
Furniture, furnishings, Equipment, artwork, Religious articles			\$ 41,110.	\$ 41,110.
Equipment			87,662.	87,662.
1)Roof costs capitalized			142,135.	142,135.
Land, Building & Other properties	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$3,610,700.</u>	<u>\$3,610,700.</u>
Total	<u>\$ 623,128.</u>	<u>\$ 84,885.</u>	<u>\$3,881,607.</u>	<u>\$4,589,620.</u>
Liabilities & Fund Balances				
Liabilities	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 12,984.</u>	<u>\$ 12,984.</u>
Fund Balances	<u>\$ 623,128.</u>	<u>\$ 84,885.</u>	<u>\$3,868,623.</u>	<u>\$4,576,636.</u>

See accompanying notes financial statements

- Appraised values as of 1995 were reported to reflect values donate on hand.
- No depreciation was taken since the values were historical donations.
- Fixed Assets Liability is Estimated Balance of Vehicles loans payable.

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The Zen Studies Society Inc. Statement of Revenue and Expenses Year Ended December 31, 2002

	<u>Unrestricted General Fund</u>	<u>Fixed Assets Fund</u>	<u>Endowment Fund</u>	<u>Dharma Fund</u>	<u>Totals</u>
Revenue:					
General Donation	\$ 112,321.		\$ 0.	\$ 0.	\$ 112,321.
Membership Dues	41,882.				41,882.
Program Fees	278,494.				278,494.
Timber Logging	0.				0.
Store Sales	45,968.				45,968.
Other Income	108.				108.
Dividends/Interest Income	<u>228.</u>	<u>0.</u>	<u>38,618.</u>	<u>10,087.</u>	<u>48,933.</u>
Total Revenue	\$ 479,001.	\$ 0.	\$ 38,618.	\$ 10,087.	\$ 527,706.
Operating Expenses:					
Advertising & Newsletter	\$ 16,211.				\$ 16,211.
Program, Kitchen, guest	81,670.				81,670.
Stores, mailing & phone	24,864.				24,864.
Salary, wage, stipends	<u>175,412.</u>	<u>0.</u>	<u>0.</u>	<u>0.</u>	<u>175,412.</u>
Total Operating Costs	\$(298,157.)	\$ 0.	\$ 0.	\$ 0.	\$(298,157.)
General & Administrative Expenses:					
Investment Value Decline	\$ 0.		\$ 8,652.		\$ 8,652.
Gifts/Donations	17,305.				17,305.
ADP Fees	5,250.		1,103.		6,353.
Payroll Tax	12,379.		868.		13,247.
Maintenance (Jisha)	6,951.				6,951.
Supplies & Other Expenses	19,849.				19,849.
Depreciation	0.	26,306.			26,306.
General & Board Insurance	19,883.				19,883.
Gatehouse & "Zomu" Repair	21,521.				21,521.
Utilities	24,024.				24,024.
Vehicle & Transport Costs	16,369.				16,369.
Postage	2,348.				2,348.
Travel	6,237.				6,237.
Accounting Service	0.		3,050.		3,050.
Sales Tax & Assessments	2,588.				2,588.
Office Expense	432.				432.
Altar/Property Tax	9,387.				9,387.
Medical Insurance	49,310.				49,310.
Bank Service Fee	1,160.		63.		1,223.
Parsonage	13,024.				13,024.
Pension	<u>5,500.</u>				<u>5,500.</u>
Total General & Administrative Expenses	\$ (233,517.)	\$ (26,306.)	\$ (13,736.)	\$ 0.	\$(273,559.)
Total Expenses	\$ (531,674.)	\$ (26,306.)	\$ (13,736.)	\$ 0.	\$(571,716.)
Expenses Excess of Revenue	\$ (52,673.)	\$ (26,306.)	\$ 24,882.	\$ 10,087.	\$ (44,010.)

See accompanying notes to financial statement

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The Zen Studies Society Inc. Statement of Changes in Funds Balance Year Ended December 31, 2002

	<u>Unrestricted General Fund</u>	<u>Restricted Endowment</u>	<u>Fixed Assets Fund</u>	<u>Totals</u>
Fund Balance Beginning of Year	\$ 100,727.	\$ 624,075.	\$3,855,640.	\$4,580,442.
Excess Expenses Over Revenue			(26,306.)	(26,306.)
Expenses over Revenue	(52,673.)			(52,673.)
Revenues over Expenses		34,969.		34,969.
Market Value decline		(43,621.)		(43,621.)
Transferred Amounts	36,831.	(41,000.)	39,289.	35,120.
Investment Returns	<u>\$ - 0 -</u>	<u>\$ 48,7085*</u>	<u>\$ - 0 -</u>	<u>\$ 48,705.</u>
Fund Balance End of Year	<u>\$ 84,885.</u>	<u>\$ 623,128.</u>	<u>\$3,868,623.</u>	<u>\$4,576,636.</u>

* (1) Dharma \$10,087.
 (2) Endowment \$38,618.

See accompanying notes to financial statements

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**The Zen Studies Society Inc.
Statement of Cash Flows
Year Ended December 31, 2002**

Cash flows from Operating activities:

Revenue over Expenses	\$ (17,704.)
Adjustments to reconcile excess revenues over expenses to net cash used in operating activities:	
Depreciation	\$ 26,306.
Write Down of Market Values from Investments	<u>8,652.</u>
Changes in assets and liabilities which provided (used) cash	<u>\$ (34,042.)</u>
<u>Net Cash flows from operating activities</u>	\$ (16,788.)
Cash, Beginning of the Year Balance	\$ 724,801.
Cash, End of the Year	<u>\$ 708,013.</u>

Note: Cash and Cash Investments are treated as being comparables.

See accompanying notes to financial statements

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**The Zen Studies Society Inc.
Notes to Financial Statements
December 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of The Zen Studies Society Inc.'s significant accounting policies consistently applied in the preparation of the accompanying Financial Statements follow:

a. Principals of Accounting

The financial statements have been prepared on the accrual basis of accounting. This being the eighth year in recording accruals. The accrual procedure by which resources for various purpose are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund: however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

b. Depreciation

The Zen Studies Society has had donated as well as purchased items including furniture, furnishing, religious artifacts, murals and many other items. Those items donated are placed on the books of records at Donated Value, with its assessed or appraised value, if available.

Items depreciated are:

5 vehicles/2 vehicles fully depreciated	\$105,571.	
Various ages, straight line 5 years		1998 Fixture \$25,504.
Less: Accum. Depreciation	<u>(58,900.)</u>	7 year straight
Book Value	<u>\$ 46,611.</u>	Less: Accum. <u>(15,004.)</u>
Annual Depreciation	<u>\$ 12,510.</u>	Book Value <u>\$10,500.</u>
		Annual Depreciation
		<u>\$ 3,643.</u>
Various furnishings, computer,		
Lines, alter texts with lives		
From 3 to 10 years	\$126,984.	
Less: Accum. Depreciation	<u>(126,984.)</u>	
Book Value	<u>\$ 0.</u>	
Annual Depreciation	<u>\$ 0.</u>	
Air Condition & Accessories		
10 year life	\$ 19,013.	
Less: Accum. Depreciation	<u>(19,013.)</u>	
Book Value	<u>\$ 0.</u>	
Annual Depreciation	<u>\$ 0.</u>	
New Roof on Gate House	\$ 6,782.	
& Monastery	<u>145,502.</u>	
Total	\$152,288.	
Depreciated over 15 years		
Less: Accum. Depreciation	<u>(69,321.)</u>	
Book Value	<u>\$ 82,967.</u>	
Annual Depreciation	<u>\$ 10,153.</u>	
Total Annual Depreciation	<u>\$ 26,306.</u>	

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c. Contribution

Contribution given to each other within the funds were eliminated.

Depreciation

The Zen Studies Society depreciates furniture, furnishings, equipment and vehicles on the straight-line method based on the estimated useful lives of the respective assets. Artwork is not depreciated.

d. Income Taxes

The Zen Studies Society is a non-for-profit corporation incorporated in New York and exempt from income taxes under section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

e. Donated Properties and Buildings

The Zen Studies Society has placed an appraised value as of 1995 on assets arrived from donations. Assessed and appraised values are included here for informational purposes. Amounts of Apprised values inserted into restricted Endowment Fund Assets to show '94 valuation as part of its assets on the Balance Sheet.

Upstate New York, Dai Bosatsu, 20,000 acres	\$1,246,700.00
Dai Bosatsu monastery	1,912,000.00
New York City Zendo Building & property	351,900.00
Contents of New York City Zendo	100,000.00
Contents of Upstate, Dai Bosatsu Monastery	<u>not available</u>

f. Stores: Inventory is at cost. Items sold to members and other associated interested individuals consists of religious books, artifacts, and various memobiliias on Zen.

g. Investments

The Zen Studies Society investments consists of bonds and funds managed by Nomura Securities. The portfolio consists of :

	<u>2000</u>	<u>2001</u>	<u>2002</u>
American Express Advisors, 5 Mutual Funds	133,569.38	0.00	0.00
Nomura Cash Account & Others	<u>421,320.36</u>	<u>390,526.16</u>	<u>363,757.56</u>
Total Investment	<u>\$ 554,889.74</u>	<u>\$390,526.16</u>	<u>\$363,757.56</u>

First Australia Fund, Kemper, and U.S. Bonds were liquidated and proceeds were allocated into Battery Park Mutual Funds effective 11/98. American Express Advisors began in mid year 1999. A transfer of assets to a newly endowed Dharma Fund with \$100,000 was started in year 2001. The Dharma Fund is chartered in January, 2001 to raise \$2 million or to July 20, 2010 for long term self sufficiency to maintain the Zen Studies Society's well being of its physical plant, education and well being of its monks and nuns ordained at Dai Bosatsu Zendo.

DHARMA Fund

Investment

US Treasury, 5 years note 4.67% yield	\$100,000.00
Certificate of Deposits & Cash	<u>135,971.14</u>
	<u>\$235,971.14</u>

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Endowment Fund does provide additional resources to cover operating expenses. This Fund has the same needs as the Dharma Fund and it needs to generate investment income to expand its principal investment base.

The Dharma Fund increased its base by a Transfer from the General Fund of \$25,000. and donation from a board member of \$10,000.00 and from the Endowment Fund of \$100,000.00. A donor matched the amount to start the fund with \$200,000.

Insurance of the New York Zendo is a 3 year policy with first year premium of \$11,936, 2nd year and 3rd year premium of \$3,847. It covers only the location at 223 East 67th Street, New York.

There is no insurance coverage for the Livingston Manor, New York location of the buildings and grounds of the Dai Bosatsu Zendo.

The Parsonage has a separate insurance policy from the New York Zendo property location.

The Zen Studies Society Inc. has a parsonage occupied by Rev. Shimano in his name with the understanding the condo will revert back to the society upon his and his wife's death. The condo market value is above \$400,000. as of 2003.