

the zen practice of balancing the books

The Big Picture on San Francisco Zen Center's Long-Term Financial Sustainability

By Robert Thomas, San Francisco Zen Center President, June 2, 2010

“Money is a very important thing for us when we take care of it, when we respect it. It doesn't matter how much money you have, and even if the money you have is very little, you should pay respect to it and you should make the best use of it. How you make the best use of it is to make it work to help our society.”

—Shunryu Suzuki Roshi, May 24, 1970, San Francisco

Dear Good Friend of Zen Center,

As San Francisco Zen Center proceeds through the “quiet phase” of its Capital Campaign, I am pleased to continue this important conversation with you on the future of Zen Center. In this second White Paper, I will share with you a snapshot of Zen Center's financial model with an overview of recent performance and projected trends. My goal is to give you a clear sense of the critical challenges we face today and the big picture view of how we plan to meet those challenges in ways that will sustain Zen Center with stability over the long term.

As one of the largest Buddhist sanghas outside Asia, San Francisco Zen Center remains deeply committed to carrying out its mission, “...to embody, express, and make accessible the wisdom and compassion of the Buddha...” and passing on, warm hand to warm hand, the Zen Buddhist practice that our founder, Shunryu Suzuki Roshi, brought to America in 1959.

The Zen Center sangha faces both great challenges—and new compelling opportunities—as we carry forward the legacy passed down to us from Suzuki Roshi, the early founders, and the many people who have helped shape Zen Center today: How will we maintain our three residential practice centers—Tassajara, City Center, and Green Gulch Farm—and continue to offer peaceful and inspiring places of refuge where people of all walks of life, colors, religions and backgrounds can explore their innermost questions? How will we support the increasing number of people coming to Buddhist meditation practice to find seasoned dharma teachers who can guide them on their path of practice? How will we continue to develop new and vital ways for practitioners to connect with others, experience the benefits of sangha, and extend those benefits into their lives?

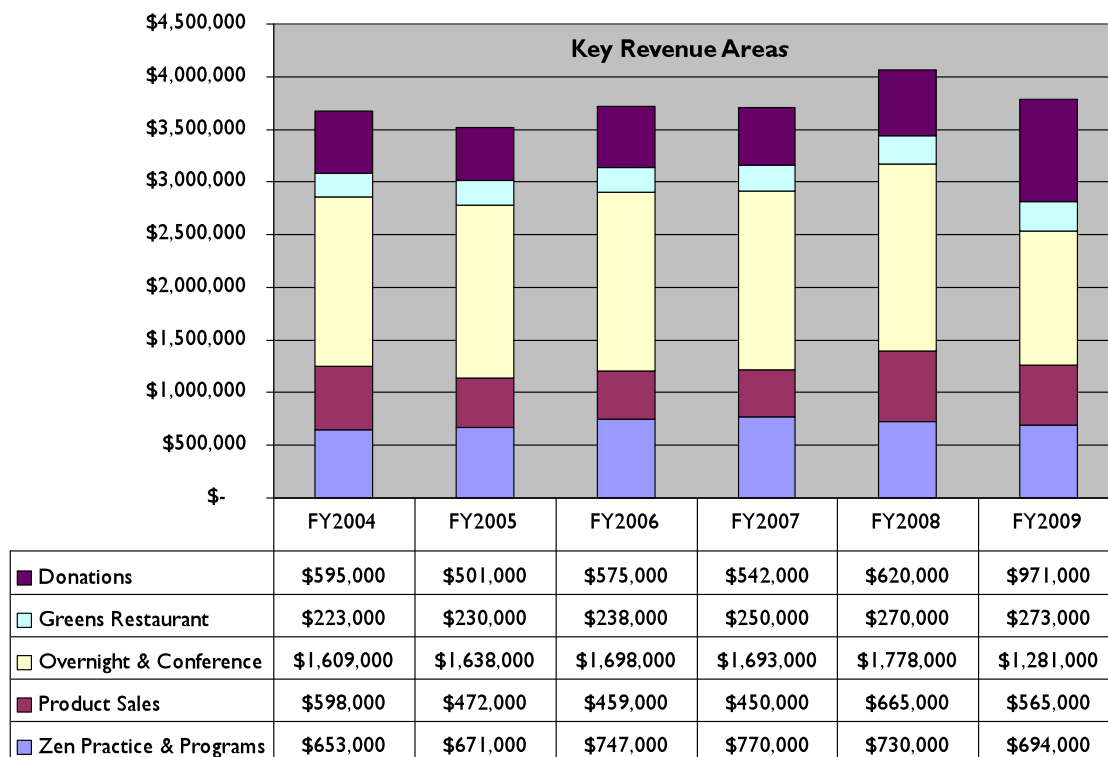
To address these questions and fulfill our shared dream of creating a better world through the offering of our Buddhist practice, Zen Center is taking critical steps to ensure that we have resources sufficient to support our efforts over the long term. On the following pages, we will **outline our plan for how we will both support the continued success of Zen Center's mission and establish the foundation for long-term sustainability.**

the financial model

It was a remarkable achievement that despite the relative obscurity of Zen in America in the 1960s and 1970s, Suzuki Roshi, Richard Baker, and the rest of the Zen Center community were able to acquire Tassajara, City Center, and Green Gulch. None of these three practice centers would be available to us today without the many contributions—monetary and non-monetary—from a wide community of supporters.

In the early years, Zen Center established a number of revenue generating enterprises and eventually crafted the financial model we have today, where the bulk of our operating funds are generated from earned revenue. The Tassajara Summer Guest Season and Greens Restaurant (started in the 1960s and 1970s) continue to provide significant portions of Zen Center’s income. Other income-generating activities include hosting overnight guests and conferences at Green Gulch and City Center, sales from our bookstores, and selling our organic produce to farmers markets in San Francisco and Marin County. In addition, Zen Center earns revenue by providing a large number of public dharma programs, including lectures, workshops, classes, retreats and practice groups.

These programs are supported by a large group of Zen Center-trained Dharma teachers, and are kept operating at a high level by the more than 150 students in our unique residential Zen Buddhist work-practice training program, most of whom receive small stipends. In addition, we have a small number of



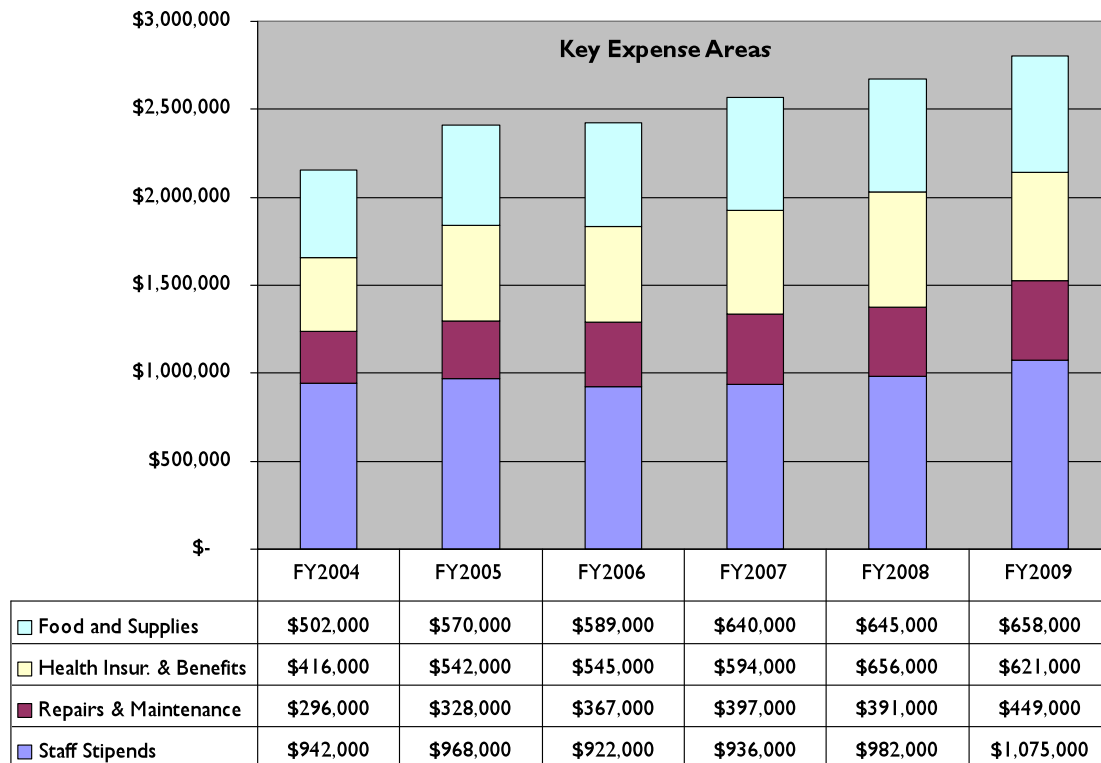
Note: 2009 revenue for Overnight & Conference reflects the impact of a shortened Tassajara summer guest season due to the Big Basin/Los Padres forest fire. The 2009 Donations figure includes the extraordinary donations received in response to the fire.

employees in key administrative positions, and also receive the benefit of numerous volunteers who contribute in a wide variety of ways.

Today, Zen Center generates approximately \$5 million in annual income, 84% from our work-practice and Dharma education programs and the other 16% from our fundraising efforts. The “Key Revenue Areas” chart on the previous page shows the approximate performance of our key revenue areas between fiscal 2004 and 2010. As you can see, while our overall ability to generate revenue is stable, and in some areas quite strong, the six-year trends for each revenue category are either relatively flat or only modestly increasing.

Looking at the expense side, the “Key Expense Areas” chart below shows a list of key categories of basic operating costs, most of which are related to the financial support and medical insurance for the members of our residential work-practice program. **All of the key expense areas show rising costs over the past six years, with some categories showing dramatic increases.**

For instance, comparing FY2009 with FY2004, the expenses for facility repairs increased by \$153,000, or 52%; health insurance and workplace benefits increased by \$205,000 or 49%; and food and basic supplies increased by \$156,000 or 31%. In Zen Center’s current fiscal year, we are projecting that all of these basic expense categories will continue to rise; health insurance costs alone are projected to be in excess of \$720,000!

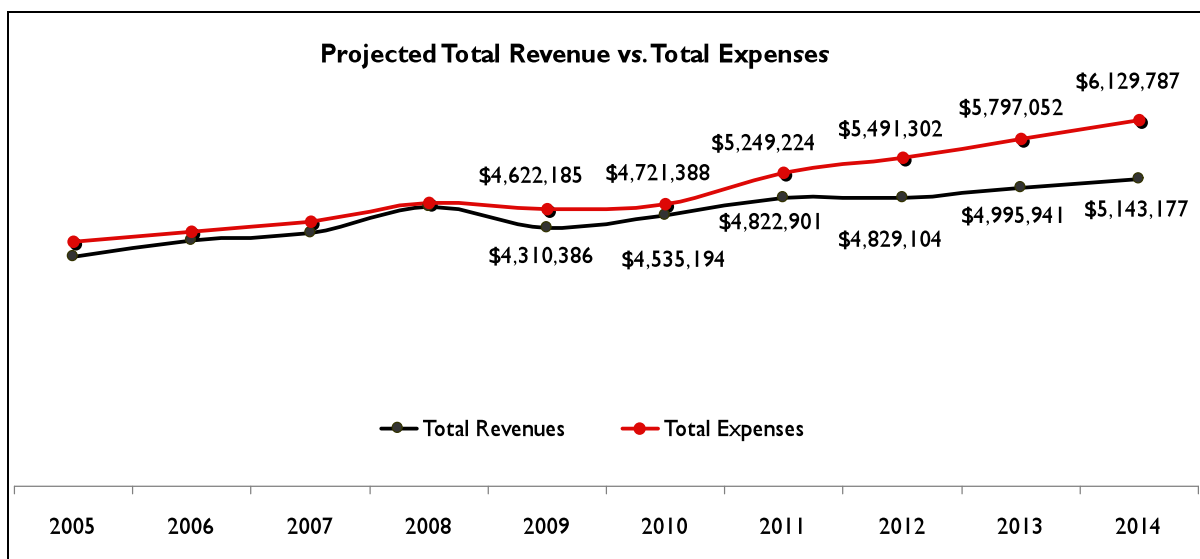


the challenge

Beginning in 2006, the Zen Center administration began to focus on the organization’s financial condition and long-term sustainability. Analyzing the performance of our financial model, it became clear that rising expenses were outpacing relatively flat revenue. As a result, it was becoming more difficult each year to cover our basic operating costs, generate surplus revenue, and maintain adequate cash reserves. This was putting a tremendous strain on Zen Center’s leadership and dedicated work-practice staff, who were increasingly challenged to make ends meet, let alone be able to respond to new opportunities or make much-needed investments in staff, programs and facilities.

Looking forward, the situation was even more troubling. Projecting revenue and cost trends over the coming years exposed a growing gap between modestly increasing revenues and significantly rising costs. Specifically, as we can see in the “Projected Total Revenue vs. Total Expenses” chart below, if there were no significant changes to Zen Center’s operating model, we would be faced with the prospect of expenses exceeding revenues by nearly \$1 million in FY2014.

The challenge for the Zen Center leadership became clear. There was an urgent need to shift the trends and close the revenue-expense gap. We saw that we would need to continue to actively pare back expenses and become as efficient as possible, but realized that unless we were to become a much smaller or different organization, there were limited opportunities for meaningful shifts on the expense side. And so we turned our focus to the revenue side: understanding how, in alignment with our mission, we could over time **increase our ability to generate resources sufficient to meet our needs and achieve long-term financial sustainability**.



the path to financial sustainability

In 2007, the spiritual and administrative leadership (within the context of our already established organizational plan and in collaboration with Zen Center Board, staff and volunteers), began to envision ways to take care of the needs of the sangha and grow Zen Center's revenue-generating capacity. Two factors were evident: first, there was a growing request and need for what Zen Center uniquely has to offer; secondly, there was a great and untapped potential for new donor, member and alumni participation and support.

The plan that emerged supports Zen Center's teachers and residential practice community to extend its practice offerings and expand access to an ever-widening circle of people. We call this plan and its initiatives "Widening the Circle," and it has the following objectives:

- ⇒ **Extend and expand Zen practice and dharma education opportunities**
- ⇒ **Foster a connected and inclusive sangha that can provide sustaining support**

The *Widening the Circle* plan will provide the community with greater access to Zen teachers, deliver an expanded offering of dharma programs; provide improved, welcoming facilities and compelling online tools; and enhance our ability to support meaningful life-long practice relationships. This will foster a culture of mutual support in which all members of the community, both near and far, play a part and have a stake in Zen Center's long-term sustainability.

In making the shift to increase our capacity to offer programs and extend our practice to the wider community, we are aligning that which we are most passionate about—our Zen practice and our Dharma offerings—with our ability to generate resources. These resources, in the form of program fees, overnight stays, membership dues, donations, volunteer time, etc., **will over time grow and ultimately provide support sufficient to meet our needs and establish financial stability.**

Today we are successfully underway in efforts to implement a few of the key initiatives of this plan:

- We have established and staffed a *Public Programs* department, and are in the beginning stages of **designing, promoting and delivering a range of programs**—both Zen "basics" and "applied Zen"—that will enhance our already robust and unique residential practice offerings and extend practice opportunities to the wider community.
- We have added additional staff and resources to our membership and alumni programs, and are implementing systems and launching new efforts to greatly **improve our ability to foster mutually supportive member, donor, and alumni relationships.**
- We have launched a major fundraising campaign to raise the capital resources necessary to **make much-needed investments in staff, programs and facilities** in support of the *Widening the Circle* objectives.

widening the circle: the capital campaign

To accomplish the objectives of our plan will require sufficient resources to support our teachers and staff to develop and deliver programs to the wider community. It will also require us to build additional program spaces and housing for residential staff, as well as make critical infrastructure improvements at each of our three centers. In addition, it will require that we establish adequate capital reserves to respond to future opportunities to serve the needs of the Zen Center sangha as it evolves and grows.

In 2008, after much planning and careful study, and with the support of a key long-time benefactor, we launched the “quiet phase” of a \$17 million capital campaign that we have called, “*Widening the Circle: A Vision of Interconnectedness and Possibility.*” Our *Widening the Circle* campaign is organized by three types of funds: Endowment Funds, Capital Funds, and Seed Funds.

- The **Endowment Funds** will provide annual income streams to create up to five endowed “chairs” for full-time dharma teachers and two “fellowships” to give critical support for emerging and affiliated dharma groups in the Suzuki Roshi lineage. They will also provide the much needed funds for building and infrastructure maintenance at each of our three centers.
- The **Capital Funds** will provide resources to make critical investments in environmentally sustainable capital projects at each of our three centers. These projects include: long-range master plans; renewable-energy, utility infrastructure and disability access improvements; and the design and building of inspiring new practice and residential spaces.
- The **Seed Funds** will provide initial monetary support for key projects and programs intended to extend and expand access to Zen practice. These include: creating an enhanced new online experience that makes Zen teachings and teachers more available to the worldwide community; developing and delivering innovative programs to populations in need; and developing a new model for Zen-inspired living and long-term compassionate care for elders.

We are still very much in the early stages of this multi-year fundraising effort. In the first 12 months, we raised approximately \$1 million, including \$400,000 from our Board of Directors. In the next 12 months, we met next our goal of raising an additional \$2.5 million, qualifying us for the first phase of our matching grant program. To date we have raised over \$6.5 million.

In the coming months, our goal is to raise \$1.8 million, half of which will complete the funding for additional solar panels and a spacious new retreat center at Tassajara. Raising this amount will result in Tassajara being 100% renewable energy-powered and make the retreat center available for the 2011 summer guest season. Both of these projects are wonderful examples of capital projects that will immediately have a positive impact toward Zen Center’s financial picture. Specifically, we project that the Retreat Center will generate significant additional revenue through increased retreat participation, **meeting our objectives to expand our practice offerings and provide sustaining support.**

we invite you to join us

The generous participation of our community of practitioners and benefactors and the successful completion of this major fundraising campaign will strengthen Zen Center's ability to offer the wisdom and compassion of the Buddha, make a difference in the lives of an ever-widening circle of people, and help create a better world.

We invite you to join us in taking care of a Zen Center sangha that we value deeply and help ensure that it will continue for the benefit of all beings and generations to come.

Our current goal is to raise \$1.8 million by early 2011. With this amount raised, we will be halfway toward meeting our next matching grant, and two-thirds of the way toward the completion of the entire \$17 million campaign. At that point we will enter the "public" phase of the campaign.

To join in this conversation about Zen Center's future, or to find ways to participate in the Capital Campaign, please feel free to contact me at robert.thomas@sfzc.org, or contact Campaign Manager Kate Frankfurt at kate.frankfurt@sfzc.org or phone 415-354-0435.

coming up...

In the third white paper the Abbots and I will share with you our plans to support and sustain our core Zen Buddhist practice and training programs, and create new opportunities to develop and support Zen teachers as they make the practice of Zen available to the wider community of practitioners.

"Do you know what takuhatsu is? In the morning the Japanese priests go out with a begging bowl and receive food—and recently money too, and come back [to the temple]. At Tassajara we have a guest season. Our guest season is a kind of takuhatsu. We help people by our spiritual practice, and they give us money. This is a practice for guests and for us too. We give spiritual truth to them, and they give material resources to us. This is the spirit of our guest season: the extended practice of takuhatsu."

—Shunryu Suzuki Roshi, July 29, 1971, Tassajara