

# University of Hawai'i at Mānoa Library — Archives

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October 31, 2002

The Board of Directors  
The Zen Studies Society Inc.  
223 East 67<sup>th</sup> Street  
New York, NY 10021

also Dai Bosatsu Zendo Kongo-ji  
HCR 1 Box 171  
Livingston Manor, NY 12758

Re: Oversight and Financial Reporting Requirements

I have had the privilege of consolidating the separate financial statements issued by those having check writing and other financial responsibilities assigned to them. I have received the following reports from:

1. Dai Bosatsu Zendo (DBZ)
2. New York Zendo (NYZ)
3. Dharma Fund (recently established in year 2000)
4. Endowment Fund

The first two are the operating funds with an adjunct activity of fund raising. The amounts raised and earmarked for capital improvements or for endowment are transferred to either the Dharma or the Endowment Fund. The Dharma Fund began with the initial donation from Mr. & Mrs. Dornier and matched by transfers from DBZ and NYZ Funds and a donations from its Board member Ms Jean Bankier.

Based on my readings the purpose of both Dharma and the Endowment is to use only income from dividend and interest for its respective mission. However, the necessity to have separate boards were not well documented and I could not find any **meaningful document** on how these funds are to proceed going into the future. Mrs. Dornier is designated an Assistant Treasurer but from my discussions it does not report directly to the Treasurer but reports directly to Reverend Shimano and a few from the general board.

I believe that the investment has been well managed considering the stock market decline, however it appears that there is a concern on who will manage their principle amounts going forward. This needs to be addressed by the board and documented.

The number of activities and therefore the need for an extended reporting varies considerably. DBZ having the most extensive activities and therefore requires an extensive number of reporting accounts and NYZ having a lesser number of accounts or less than a tenth of DBZ accounts. The numerical amount reported in the financial reports reflects the differences in its reporting details. My purpose here is to bring out the need to have a **'uniform chart of accounts'** allowing for ease of consolidation and to allow their respective members to have the necessary details required for their respective requirements. Also, for training and to provide a continuation of the financial records requires a system easily trainable and passed on to the next person. During my last 5 years of reporting requirements the systems have steadily improved but it's because of the share force of individuals understanding and willingness to take upon them-selves to report the details listed. It is difficult to transfer this knowledge without the accounting system in place. There is a definite need for a **single accounting system** to report for DBZ, NYZ, Dharma and Endowment.

The accounting requires a **double entry system**. For example it's only in year 2001 that I realized that there was a vehicle loan outstanding of over \$25,000. There is no financial report showing payables and receivables or any other balance sheet activity because its not been done before. It is difficult to be aware of what took place if the transactions are never reflected in their respective financial statements. The DBZ reports an excellent profit and loss statement but does not disclose any balance sheet impact. A double entry system would understand this and provide for this.

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**Insurance:** A separate policy is issued for Reverend Shimano's life. The premiums paid for this is additional salary and should be handled as such. I did not have the supporting details on this policy and I was not in a position to understand its purpose, its ownership, or how long it existed. The premium amount should be in Reverend Shimano's W-2 tax form. ADP should be made aware of this. This is a federal tax issue.

It's been the practice of providing **stipends** to monks and nuns performing internships with the society. The stipends are not pay and therefore there is no federal insurance coverage through social security. Any disability or building retirement credits in the United States social security system is lost to these individuals. It's a policy that needs to be reviewed. If this is continued then a formal statement needs to be declared as part of its organization statement.

Currently one staff person is contributing to his own **pension plan**. There should be a overall policy on how coverage will be provided. Does it mean that individuals need to take out individual policies that appear as payroll deferrals but is not covered by an organizational pay policy?. This appears to be in conflict with federal employee regulation that states organizations should adopt a retirement policy covering all full time staff members or express it as an optional volunteer program for the employee. There is no written policy.

Organizations should have written plans or **employee handbooks** covering benefits and other work related guidelines. This handbook should be issued and updated as change occurs.

**Succession Planning.** Reverend Shimano celebrated his 70<sup>th</sup> birthday in 2002. With the leadership ranks being thinned by age or attrition the board should address this issue with Reverend Shimano taking the lead. Leadership if left unanswered will create turmoil within the organization. Its been questioned whether the organization will survive without direction and someone to continue to give direction. The organization can ill afford to stay on 'auto pilot' for the next ten years.

**Asset Listing** does not exist. The Zen Studies Society has had donations received in and other assets purchased. Currently there is no body of information that continually list those assets and identifies its location or its disposition. Some are sold, some given away, and some may have gotten lost. The organization needs to track this information. Without this information, the assets cannot be monitored nor valued properly for financial and other purposes.

**Fund Raising.** In the past fund raisings were the principle responsibility of its leader Reverend Shimano. With the organization reaching a large mass dependent on a continuous stream of income it becomes a responsibility that needs more identifiable leadership spread beyond one person. This responsibility has been addressed but its been handled loosely by several participants on a volunteer basis. The question the organization must consider is can they afford to continually have a short fall of revenues not equally or exceeding its expenses. In year 2001 there has been a short fall.

Respectfully submitted,

  
Edward Hara, CPA