

New Economic Working Group

Financial Reporting Recommendation

Financial information can help the Shambhala Buddhist community to join heaven with earth. It can help us to develop and allocate the sangha's resources soundly and sanely, in a way that supports our deepest aspirations.

Summary

The group's objectives are to:

- Define what financial reports are required by center of the mandala, local centers, and other affiliates, e.g. Nalanda Translations
- Define format and timing of data to be provided between, including templates, suggestions and options for local centers
- Create a time line for project progress

It is recommended that:

- Shambhala, working with our external accountants, compile the specific list of center and affiliate financial reporting required on an annual basis.
- Additional information of administrative interest be requested on an annual basis from affiliates.
- Each entity of the mandala provide the required annual reporting information no later than March 31 of the subsequent year.
- Shambhala provide to the reporting centers its electronic templates and questionnaires for capturing all required annual reporting information; no later than January 15 of each year.
- This process begin for the 2004 financial year, with the templates available by January 15, 2005.
- Each entity provide, as soon as possible after year-end, a simple summary of the financial results of its year, with appropriate commentary, to the local membership and other parties as required.
- Additional issues be brought forward to the governance group that will have ongoing responsibility for financial management oversight.

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Vision

- External and internal stakeholders¹ receive required information in a timely fashion.
- Templates and forms are available to simplify and expedite reporting function between entities.
- We are able to prepare a timely, consolidated income statement and balance sheet that incorporates both Canadian and US entities.
- In the longer term, we develop a financial picture of the total mandala, which will eventually include Europe and other non-North American entities in consolidated financial reports.

Background

The work of the New Economic Model Working Group is based on 13 Guiding Principles. The following is particularly relevant to the recommendations in this document:

Reporting. Financial reporting must be timely and accurate and available to the community. It must include both standard reports and other reports/ commentary designed to help the average person understand.

The recommendations in this report are part of a continuing evolution of building a stronger financial foundation for the mandala.

¹ 'Stakeholders' include local center membership, the whole Sangha, Board of Directors and Leadership, government regulators and lenders

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Current Analysis

Organization	Legal Entity	Entities Included	Required Reporting
Vajradhatu Buddhist Church (Canadian organization)	Registered Charity under the Canadian Income Tax Act Registered as a Church	All Shambhala Centres and Groups in Canada Dorje Denma Ling Gampo Abbey Otso Shingsa Vajradhatu Publications Shambhala Archives Council of Warriors Kalapa Shambhala Society	Canadian Customs and Revenue Agency (CCRA) form T3010 Reviewed Financial Statements required by Central Office Bank
Center of the mandala (Vajradhatu) (US organization)	Colorado corporation 501(c)(3) association of Churches	Shambhala Centers & Groups in US, excluding Shambhala Training activity Karme Choling Sky Lake Lodge Samadhi Cushions Dorje Khyung Dzong Marpa House Translation Committee The Great Stupa Shambhala Trust	US form 990-T required annually Reviewed Financial Statements required by Karme Choling's bank as well as some centers' banks
Nalanda Foundation of Canada	Registered Charity under the Canadian Income Tax Act Registered as an Educational Charity	Shambhala Sun Nalanda Translation Shambhala Training in Canada Shambhala Institute Shambhala Training International	Canadian Customs and Revenue Agency (CCRA) form T3010
Shambhala/Nalanda Foundation (US)	Colorado corporation 501(c)(3) - Education	Shambhala Training in the US	US form 990 required annually
Shambhala Mountain Center	Colorado corporation 501(c)(3) – Non profit	All its operations	US form 990 required annually
Separately incorporated Centers	Varies	Shambhala Mountain Center Boston, Austin, Milwaukee, Atlanta, Seattle	Responsible for separate corporate filings Required to report to Center of the mandala
Unincorporated Centers	Part of Center of the mandala	Varies	Required reporting to Center of the mandala

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Minimum Reporting Requirements

It is clear that regulatory requirements must be met and therefore, there is a minimum amount of financial information that each Shambhala entity must report. The financial reporting responsibility, which may seem onerous at times, helps to create a stronger foundation for the mandala as a whole. We can use the financial information to make sound decisions about how to develop and apply our resources to further our community's vision.

It is recommended that the center of the mandala, working with our external accountants, compile the specific list of financial reporting items that will be required from reporting entities on an annual basis. Generally, this will include basic accounting information sufficient to compile a balance sheet, income statement, statement of cash flows, and footnote disclosures required by US and Canadian Generally Accepted Accounting Principles for not-for-profit organizations. This process will begin immediately after the approval of these recommendations in July 2004.

In addition, **it is recommended** that additional information be requested from entities on an annual basis. This information will include:

- Total number of members within the center.
- If payroll exists, are all statutory withholding payments complete and up to date?
- Are all retail and/or sales taxes properly collected and submitted to tax authorities?
- Is the entity in default of any loan covenants?
- Does any actual or potential litigation exist?
- Have any of the center's assets been pledged as security for obligations of any other organization or person (provide details), or have any other commitments been made that are not reflected in the balance sheet?
- Year-end principal balance, term, interest rate, repayment terms, and security of all debt obligations (including previously held debt).
- Debt information for the year, including, interest paid, principal amount of new borrowings, principal repayments made, principal payments due in each of the next five years.
- What are the total lease payments due in each of the next five years?
- What is the cost, description, and acquisition date of each fixed asset addition costing over \$1,000? (Or contributed asset valued over \$1,000?)
- What is the cost, description, and year of acquisition of each fixed asset retirement during the year?
- Do you have back-up procedures for data? Is the back-up current?
- Have any multi-year contribution pledges been received?

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Timing

It is important for Shambhala to have sufficient time to complete the consolidation of information, in order to meet statutory and government reporting deadlines, which are generally June 30 of the subsequent year.

On an annual basis, and in order to complete December 31 statements in a timely manner, **it is recommended** that each entity of the mandala provide the required reporting information no later than MARCH 31 of the subsequent year.

It is recommended that Shambhala provide templates, on an annual basis, no later than January 15 of each year, to capture all required reporting information. Ideally, **it is recommended** that this process begin for the 2004 financial year, with the templates available by January 15, 2005.

Communication to Stakeholders

Regular timely financial reporting to stakeholders is essential in order to build trust and foster transparency. **It is recommended** that each entity provide, at minimum, a simple summary of the results of its year as soon as practical after year-end, with appropriate commentary, to the local membership and other parties as required. The reporting group will provide templates to assist with these recommendations. It is also recommended that Shambhala's reviewed financial statement be provided to any member who requests it.

Additional Issues

The group has identified the following issues, which, at this time, do not have a recommendation or solution; however, the group felt it was important not to lose sight of these issues. **It is recommended** that these issues be brought forward to the group that will have ongoing responsibility for financial management oversight.

1. Policies and Procedures
 - Should the group begin to consider reporting/financial policies and procedures that are mandala-wide?
2. Internal Control
 - Are there internal control protocols that could be shared with all affiliates to improve overall financial management?

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3. Enforcement
 - How do we encourage or enforce the meeting of deadlines required to complete information? How do we encourage/ enforce compliance with policies and procedures that have been adopted? What form could enforcement take?
4. Technology and Templates
 - Is there an opportunity to further use technology to assist Centers in these reporting requirements? E.g. input directly into shared program
 - Consider, even in the short term, making other templates available on the website for Centers to customize and use, e.g. budgets, cash flow formats for reporting to local membership, interim reporting statements, annual acknowledgement letters to donors.
5. Budgets and Interim Reporting
 - Is there a template or process that could be developed in order to assist affiliates in preparing and managing an annual budget?
 - Should more frequent interim reporting to center of the mandala be a consideration? a priority?
6. Expense and other information reporting
 - How should information received from centers be allocated to “functional” reporting categories (program services, management and general, and fundraising) required by Generally Accepted Accounting Principles? Do we want to also show “natural” or object classification of the expenses (which is encouraged but not required by GAAP)? Which classification do we want in the Statement of Activities?
 - Other than number of members, are there other non-financial items of administrative interest that could be naturally reported to SI with the financial information?
7. Audit versus Review Engagement
 - What is the impact to Centres if an audit is mandated, in terms of additional reporting required, cost of compliance, etc?
 - Should we be thinking/ making decisions assuming that reporting requirements will only grow, not decline?

Follow up on Recommendations

The following update is provided, as of November 1, 2004, on the recommendations outlined above:

Summary of Recommendations and Current Status

It is recommended that Shambhala, working with our external accountants, compile the specific list of center and affiliate financial reporting required on an annual basis.

It is recommended that additional information of administrative interest be requested on an annual basis from affiliates.

It is recommended that each entity of the mandala provide the required annual reporting information no later than March 31 of the subsequent year.

It is recommended that Shambhala provide to the reporting centers its electronic templates and questionnaires for capturing all required annual reporting information; no later than January 15 of each year.

It is recommended that this process begin for the 2004 financial year, with the templates available by January 15, 2005.

Above being implemented by Shambhala

It is recommended that each entity provide, as soon as possible after year-end, a simple summary of the financial results of its year, with appropriate commentary, to the local membership and other parties as required.

Sample document is appended

It is recommended that additional issues be brought forward to the group that will have ongoing responsibility for financial management oversight (see list in original report).

The reporting group will meet to discuss these additional items and identify priorities. There is significant work required to implement these recommendations; however, sufficient resources are not currently available. Ultimately, implementation, monitoring and sustaining the work identified in these issues will require a CFO, who will be responsible and accountable for these items within an overall financial/ risk framework.

Sample Practice Center Presentation of Financial Information for 2004
(Figures are for presentation only and are not accurate)

Shambhala Centre of XXXXX is a contemplative community providing meditation instruction and various teachings and programs. This report summarizes the financial activity of XXX for the calendar years 2003 and 2004 and includes a summary of the 2005 operating budget.

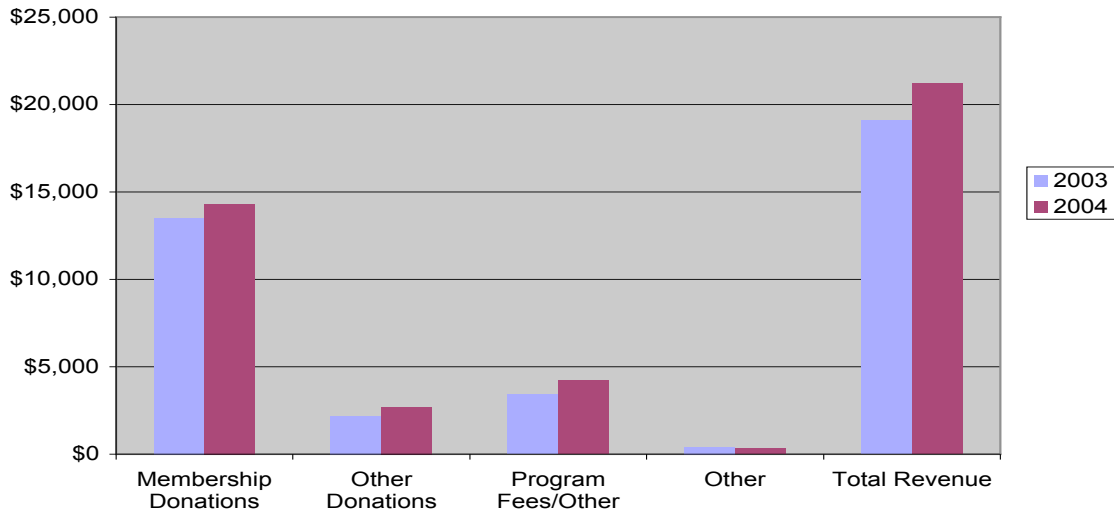
Financial Overview

XXXX has dramatically improved its financial position in the last year. The cash position as of the end of December 2004 is \$XXXX. XXXX would like to maintain a minimum balance of at least \$5,000 in the bank account for unforeseen items. Shambhala Training continued to attract more participants in 2004, which has improved the finances. This is the balance sheet as of December 31, 2004:

ASSETS		LIABILITIES AND EQUITY	
Current Assets		Current Liabilities	
Petty Cash Account	\$ 100	Accounts Payable	\$ 2,000
Main Bank Account	5,000		
Other Current Assets	3,400	Long-Term Liabilities	
Total Current Assets	8,500	Loan Payable	5,000
Property and Equipment		Equity	
Furniture & Fixtures	10,000	Beginning Balance Equity	14,600
Art & Shrine Objects	4,000	Net Income	900
Total Property and Equipment	14,000	Ending Equity Balance	15,500
Total Assets	\$ 22,500	Total Liabilities and Equity	\$ 22,500

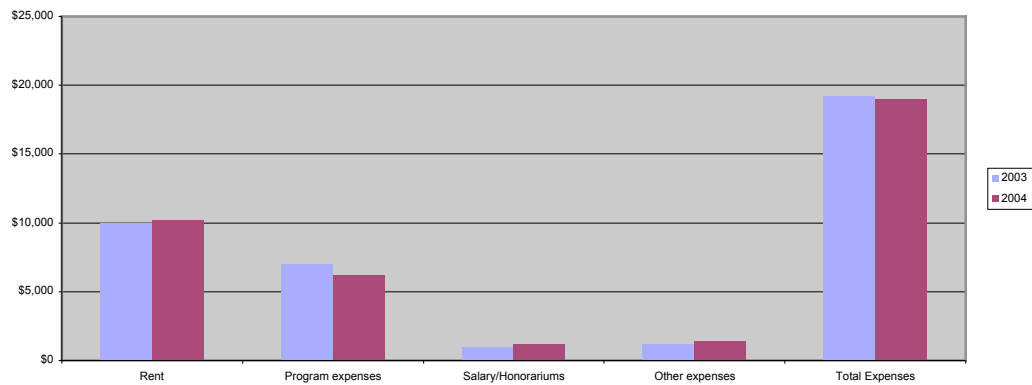
Revenue

Revenue consists mainly of membership donations, other donations, program fees and other revenue. The summary below provides a breakdown for 2003 and 2004.



Expenses

The following chart summarizes the major categories of expenses for 2003 and 2004.



Net Surplus (Deficit)

Overall, in 2003, XXX had a slight loss of \$700 due to additional activities undertaken at the Centre, which were unexpected, such as XXX. However, in 2004, XXX had a slight surplus of \$900.

Looking Ahead

XXX looks forward to another stable year financially. Below you will find the budget for 2005.

	2005	2004
	Budget	Actual
Receipts:		
Membership donations	\$14,300	\$13,900
Other donations	2,700	2,200
Programs/ Other	4,500	3,800
Total Receipts	<u>\$21,500</u>	<u>\$19,900</u>
 Expenditures:		
Rent	\$10,500	\$10,200
Program expenses	5,000	6,200
Administration and Other	3,000	2,600
Total Expenditures	<u>\$18,500</u>	<u>\$19,000</u>
 Surplus (Deficit)	<u>\$3,000</u>	<u>\$900</u>

The surplus in 2004 was used to (choose as appropriate):

- pay down debt \$ XX
- purchase furniture/ computer/ etc. \$ XX
- increase our cash balance \$ XX

The budgeted surplus in 2005 will be used (choose as appropriate):

- pay down debt \$ XX
- purchase furniture/ computer/ etc. \$ XX
- increase our cash balance \$ XX

If you have any questions regarding this summary, please contact XXXX at XXXXX.