

New Economic Model Working Group Recommendation

A Sustainable Economic Ecosystem

Summary

This is a recommendation for a new approach to funding the core services provided by Shambhala to its centers, groups and members.

Key features are:

- Continued annual fundraising by the center of the mandala
- Revenue transfers from Shambhala centers and practice centers
- An annual budgeting cycle that would balance plans for core services with plans for revenue transfers

Implementation would begin in 2005 and take several years to complete.

<i>Table of contents</i>	<i>page</i>
Introduction	2
Recommendations	4
Appendix A: 13 Guiding Principles	6
Appendix B: Individual Membership and the Practice of Generosity	8
Appendix C: Notes on Practice Centers and Regions Outside North America	9
Appendix D: Frequently Asked Questions	11

Introduction

“...it is out intention to:

*Manifest enlightened society
Through a global unified mandala
Based on a practical plan
Achieved with community-wide participation
To present to the Sakyong and the Shambhala Congress on Shambhala day 2005”*

From the 2004 Community Plan, February 2004

Towards a Unified Mandala

This recommendation, along with the recommendations for Mandala Structure and Governance, and Membership Policy provide the foundation for realizing the aspiration for a unified mandala articulated in the Community Plan.

- *Mandala Structure and Governance* defines the core governance structure, the relationships of the various parts of the mandala to each other, and the critical common services to be provided. It is based on mandala principle and includes direct participation by all Shambhala Centers and other major entities in the mandala.
- *Membership Policy* provides a unified membership policy for Shambhala worldwide.
- *New Economic Model* provides a system for the flow of money across the mandala based on the recognition that the health of each part of the mandala is vital to the overall health of the mandala.

A Sustainable Economic Ecosystem

On one level, the new economic model is simply a way to provide stable funding for the Sakyong and the core services provided by Shambhala to its centers, groups and members. On this level it can be thought of as a practical business arrangement that articulates the financial responsibility of being part of Shambhala and the way in which services are provided and paid for.

But of course it is not merely a business arrangement.

The parts of the mandala are an interconnected, interdependent whole, with each providing an essential service to the community. The center of the mandala provides the basic view, the practice and study programs and materials, and the support services necessary for centers to have a purpose and to function. The local centers and groups provide the primary ground for students to connect with practice and study, to become

part of Shambhala society. As they progress on the path, these students go to practice centers, and return to their local centers with a deeper connection and commitment.

The model should articulate and reinforce the fundamental relationship and interdependency between the center of the mandala and the various entities throughout the mandala, i.e. the financial relationship must be in harmony with the overall relationship. The model must reflect the inherent interdependency: the health of the whole mandala depends on the health of each part.

Energy flows from the center of the mandala to its surrounding circles, from the periphery to the center, and across the mandala as well. Money is an aspect of this energy flow, as are ideas, communication, services and generosity. When properly aligned, the energy flow nurtures and supports the growth of the mandala and all its parts.

13 Points of Guiding Principles

This work of the New Economic Model is based on 13 Guiding Principles. These originated in work done at the Shambhala Congress and were subsequently revised and extended by the New Economic Model Working Group and the New Economic Model Review Group. The full list of principles can be found in Appendix A. The following two are most relevant to this recommendation:

- 4.) Funding core services. The core services of the mandala should be funded primarily by a portion of dues and/or program revenue from centers and study groups. Other entities with revenue streams (e.g. practice centers) should make contributions appropriate to their circumstances, so that support for the Sakyong and the core services is shared across the entire mandala.

- 8.) Fundraising. Annual fundraising appeals from Central Office for both one time and monthly donations should continue. As new revenue streams are implemented (#4 above), a portion of fundraising should be shifted from operating budget to special projects. This could include appeals for capital projects (e.g. for practice centers, retreat centers, the seat in Halifax), funding teachers for new and emerging regions (e.g. South America), and seed money for new initiatives or one-time projects.

Recommendations

The New Ecosystem

- 1) *Budgeting*. Annually through the governance process and with the participation of centers, groups and major Shambhala entities, an overall central budget to support the Sakyong and the core services of the mandala would be established. This would include a description of core services to be provided. It might also include a few options, e.g. ideal level, moderate level, minimum level, with corresponding ranges for revenue transfers.
- 2) *Revenue planning*. Each center, group and major Shambhala entity would be asked to make a commitment for their financial support of the proposed central budget. The commitment would include a remittance schedule, preferably monthly.
- 3) *Reconciling*. If proposed revenue commitments are inadequate to meet the proposed budget, the governance process would be used to adjust expense and/or revenue accordingly.

2005 will be a year of transition as we begin to implement recommendations from the various working groups, including the structure and governance mechanisms that will make the above process possible. However, many centers have indicated a readiness to move forward in 2005, so guidelines for 2005 have been developed.

For 2005, the *recommended guidelines* for revenue transfers are:

- For local centers in North America: 4 to 6% of gross unrestricted revenue
Note: This transfer is in addition to whatever is transferred for Shambhala Training, and the gross unrestricted revenue does *not* include Shambhala Training revenue. At some point we would like to consolidate so that there is only one transfer based on the combined revenue.
- For North American practice centers: 2% of gross unrestricted revenue
- For Europe: 2% of gross unrestricted revenue

Fundraising

Continue direct fundraising from the center of the mandala. Donations are an opportunity for individuals to personally support the Sakyong and the greater mandala.

For the next several years, these individual donations will continue to be a critical source of revenue for funding core services. Over time, we hope that growth in revenue transfers will free up direct fundraising dollars for other uses, such as support for economically poor areas (e.g. the Maritimes), emerging regions (e.g. South America), small groups as may be needed to support growth, and for new initiatives and one-time projects. How quickly this happens will depend on the rate of growth in revenue transfers and the level of core services required.

Shambhala Training

Some centers are now using an integrated model for accounting and remitting funds for different practice streams, such as funds received for the Shambhala School of Buddhist Studies, Shambhala Training and various contemplative arts. Many centers have expressed a strong desire to move to this integrated model since it considerably eases the administrative burdens they face. However, given that this is a somewhat intricate issue that is also connected to mandala structure and governance issues, it was not possible to fully address it this year.

We recommend this issue be pursued after the 2005 Congress by the new core governing body.

Program Benefits

For many years Shambhala has offered discounted programs to a varied group of people: employees of Shambhala, acharyas, lifetime monastics, board members, etc. Use of this benefit as it is currently structured can often create substantial financial hardship for the host practice center.

For 2005, we recommend major programs like the Shambhala Ngondro at SMC be looked at on a case-by-case basis. We also recommend this issue be addressed by the new core governing body as soon as practical after the 2005 Congress.

Appendix A: 13 Guiding Principles

The work of the New Economic Model Working Group is based on 13 Guiding Principles. This originated in work done at the Shambhala Congress and was subsequently revised and extended by the New Economic Model Working Group and the New Economic Model Review Group. The principles are:

- 1) Core services. There is a need for some core common services provided from the *center*:
 - the Sakyong
 - the president
 - basic practice and study support
 - basic financial services, e.g. consolidated financial reporting, group insurance
 - basic legal services, e.g. trademark protection
 - data base and website services
- 2) Other services. Other services may be requested and provided when agreed upon and financially viable.
- 3) Regionalization. In recent years, centers and study groups have formed into “regions” for a variety of purposes (e.g. sharing an acharya, integrated programming). Where this is done, the region may provide some non-core services to its centers and groups. Regions may be multi-layered, e.g. the German region within the European region.
- 4) Funding core services. The core services of the mandala should be funded primarily by a portion of dues and/or program revenue from centers and study groups. Other entities with revenue streams (e.g. practice centers) should make contributions appropriate to their circumstances, so that support for the Sakyong and the core services is shared across the entire mandala.
- 5) Funding regional services. Regional services would typically be funded by the region itself.
- 6) Service quality. Services must be provided in a professional and competent manner. There must be accountability for service quality.
- 7) 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.
- 8) Fundraising. Annual fundraising appeals from the center of the mandala for both one time and monthly donations should continue. As new revenue streams are implemented (#4 above), a portion of fundraising should be shifted from operating budget to special projects. This could include appeals for capital projects (e.g. for practice centers, retreat centers, the seat in Halifax), funding teachers for new and

emerging regions (e.g. South America), and seed money for new initiatives or one-time projects.

- 9) Subsidies. A central pool of funds, either from revenue sharing of dues/program revenue or from fundraising, is needed to provide support for economically poor areas (e.g. the Maritimes), emerging regions (e.g. South America), and small groups as may be needed to support growth. These subsidies must be carefully managed to ensure intended results.
- 10) Managing exceptions. Whatever the model calls for, it is assumed there will be centers or groups who will not be able to comply. Therefore, we will need a process for managing exceptions that ensures fairness, responsibility and equity.
- 11) Binding the mandala. There need to be people in the centers/regions who understand the financial and service structure of the mandala so that they can be a local resource to their communities.
- 12) Implementation. Implementing a new funding model is a huge undertaking. Even if everyone agrees this is needed, it will take careful thought and planning and most likely a phased approach using pilots. Special care is needed to ensure that donations to the center of the mandala are not eroded.
- 13) A new approach cannot be simply dictated. In order for it to work, it must be broadly supported throughout the mandala. The fundamental generosity of the sangha can be engaged by a process that is genuinely open.

Appendix B: Individual Membership and the Practice of Generosity

People become members of Shambhala for a variety of reasons ranging from inspiration and appreciation to a sense of commitment and obligation. Currently in North America and other non-European locations, one becomes a member of the local center only. In Europe, membership in a local center automatically confers membership status in Shambhala Europe. The Membership Policy Working Group recommends that members, wherever they may be in the mandala, be accorded membership in the global mandala and their names be registered in a comprehensive membership record. This would also apply to the new category of international members recommended by that working group.

In addition to practice, study, and volunteering, paying dues is a basic aspect of membership, and it is membership dues that make our local centers financially possible.

At some point on their path, people often feel inspired to and able to do more. As they experience the richness of our mandala, they may make donations to one of the land centers, Gampo Abbey, the Great Stupa, Archives, Translations, Shambhala Training, the Trust, or Shambhala International. These may take the form of recurring monthly donations that help fund basic operations, or one-time gifts for special projects or capital campaigns. These donations will continue to be essential to both the individual practice of generosity and to the well being of the mandala as a whole.

The new economic model is not intended to in any way replace individual donations. But rather it is hoped that a healthier economic system will provide a better ground for the practice of generosity.

Appendix C: Notes on Practice Centers and Regions Outside North America

Practice Centers

The major land centers in North America have been providing financial support to the center of the mandala. However, we recommend the method used for determining the level of support be changed from a calculation based on program revenue to a percentage of gross unrestricted revenues. The guideline for 2005 is 2% of gross unrestricted revenues.

This guideline results in roughly the same revenue transfer as is being done in 2004. Changing the method of calculation to a percent of unrestricted revenue provides a more stable, predictable amount. It also makes the overall funding model simpler, since all transfers would be based on percent of gross unrestricted revenue, with only the percentages varying.

Shambhala International programs: Shambhala International programs (e.g. Sutrayana and Vajrayana Seminary) are not currently included in the formula for transferring a percentage of program revenue, but are subject to a special arrangement. This special arrangement will continue for 2005. During 2005 this will be reexamined.

Gampo Abbey: The typical revenue stream for practice centers has roughly 70% of income coming from program revenue and housing fees. In addition to covering the direct expense of the programs, this revenue is the primary source of funds for infrastructure expense (land, buildings, maintenance staff).

The Abbey is different. Since the Abbey's focus is monasticism, program fees and housing are kept very low and at best only cover direct expenses. Their primary source of revenue for infrastructure expense – about 80% - is publishing royalties from Pema Chodrun. Their long-term plan is to grow the endowment to a level that would cover these expenses. Until that happens, the Abbey's ability to transfer revenue is dependent on no erosion of its existing revenue base. It is perhaps worth noting that typically an abbey would receive subsidies rather than provide revenues, so we are fortunate indeed that is not the case with Gampo Abbey.

Karme Choling: For many years Karme Choling bore a large financial burden in providing support for the care of Tagi Mukpo. That burden has been relieved.

Karme Choling is not yet ready to respond to this recommendation. They need to go through a review process with their primary stakeholders regarding both the approach and the specifics for 2005. This is currently in process.

Shambhala Mountain Center: Other transfer payments between Shambhala Mountain Center and Shambhala International would remain in place and are not affected by this recommendation.

Other Land Centers: Small and developing land centers would not be expected to make transfers, but would be encouraged to do whatever is appropriate to their circumstances.

Regions Outside North America

We recommend that *well developed* regions be included in the revenue transfer model. For 2005, this would apply only to Europe, and the recommended guideline is 2% of gross unrestricted revenues of centers and groups.

Shambhala Europe would make this transfer on behalf of European centers and groups. Since Shambhala Europe already receives a share of dues from centers and groups, this would mean that Shambhala Europe would transfer a share of its budget to the Central Office.

Comments on Europe: Europe is an essentially independent administrative entity. Shambhala Europe provides most of its own services to European centers and groups. Many of these services parallel those provided by the center of the mandala to North American centers and groups, e.g. finances, legal and communications, and specifically address the language, legal and cultural aspects specific to Europe. In some cases, Shambhala Europe has become a “center of excellence”, e.g. web development, and is also providing the service to regions outside of Europe.

Some core services are international in nature and apply equally to Europe. This would include support for the Sakyong, the President, and the Office of Practice and Study, and this is the basis for their financial support.

The Shambhala Europe office has an annual budget of approximately \$220,000cn, with the primary source of funding being a share of dues from local centers and groups. The guideline for 2005 would mean a transfer to the center of the mandala of \$26,000cn, or 12% of the budget for the Shambhala Europe office.

Credits against the recommended transfer amount would be applied for worldwide services provided by a region on behalf of the center of the mandala (e.g. website services), or for agreed upon investments the region makes in other regions (e.g. Shambhala Europe support to Central Europe).

Comments on other regions: Emerging and developing regions such as South America and New Zealand would not be expected to provide revenue transfers. However, in keeping with the spirit of giving everyone the opportunity to participate in supporting the center of the mandala, they would have the option of making a transfer appropriate to their circumstances.

Appendix D: Frequently Asked Questions

Question 1: Why are we doing this? Why do we need to change anything?

Answer: For the past several years, the center of the mandala has been funded primarily by individual donations, a significant portion of which came in annually as part of the Shambhala Day fundraising. While this generosity has sustained the center of the mandala, it has not been a stable revenue stream that has reliably covered regular monthly expenses. Revenue has grown steadily over the years, but has not kept pace with the growth in demand for services. This has resulted in chronic funding shortfalls – expenses at planned levels but revenues less than plan - which led to short-term borrowing and debt.

The fall of the US dollar relative to the Canadian dollar made the shortfalls even worse, since most donations were in US dollars and most expenses were in Canadian dollars. Rather than simply asking people to donate more money to cover the accumulated shortages, it was decided in last year that now was the time to dramatically cut spending, pay off the debt, and develop a new approach to funding that would provide the long term stability we need.

Question 2: Where does the rest of the revenue come from?

Answer: The second largest source of revenue is the large practice centers (Shambhala Mountain, Karne Choling, Gampo Abbey). Shambhala Training International, which is a separate legal entity from the center of the mandala, receives a share of the revenues from Shambhala Training programs offered throughout the mandala and a portion of that revenue is currently being transferred to the center of the mandala. The 2004 revenue sources and projected amounts are described below.

Cash In	Canadian \$	US \$
Recurring individual donations	442,578	340,785
One time individual donations	320,386	246,697
Practice Center revenue sharing	208,500	160,545
Shambhala Training transfers	91,067	70,122
Shambhala Center transfers	7,980	6,145
Other income	4,800	3,696
	1,075,311	827,989

Question 3: What expenses are included in the budget for the center of the mandala?

Answer: The 2004 projected expenses are described below.

Cash Out	Canadian \$	US \$		Comments
Sakyong salary	35,632	27,437		
Sakyong support	162,936	125,461		Mortgage, utilities, car and 3 staff
Family Support	67,798	52,204		
<i>Subtotal Sakyong</i>	<i>266,366</i>	<i>205,102</i>	<i>26%</i>	
Salaries, Taxes, Ins.	189,374	145,818		4.8 full time staff equivalents
Space costs	34,628	26,664		space cost for 10-12 people & CTR artifacts
<i>Subtotal staff</i>	<i>224,002</i>	<i>172,482</i>	<i>22%</i>	
The "Dot"	52,000	40,040		Publishing expenses excluding labor
Bank fees, interest	20,000	15,400		Service charges, processing fees, interest
Misc admin	60,521	46,601		Phones, fundraising, misc office expenses
Accounting/legal	45,300	34,881		Professional services
Insurance provision	70,000	53,900		Net cost to CO for mandala wide insurance
<i>Subtotal Admin</i>	<i>247,821</i>	<i>190,822</i>	<i>24%</i>	
Travel	23,200	17,864	<i>2%</i>	Primarily President Reoch
Kalapa Valley Upkeep	12,000	9,240	<i>1%</i>	
<i>**Subtotal</i>	<i>773,389</i>	<i>595,510</i>	<i>75%</i>	
Operating debt	221,962	170,911	<i>22%</i>	Balance (245,000) will be paid off in 2005.
Contingency	32,700	25,179	<i>3%</i>	
Total	1,028,051	791,599	100%	

Question 4: The recommendations refer to “gross unrestricted revenues”. What is this?

Answer: In general, gross revenues include funds from all sources – dues, donations, program revenue, sale of books, etc. However, gross Shambhala Center revenues do not currently include Shambhala Training (See Question 9). “Restricted revenue” is money donated for a specific, limited purpose, such as space renovations. Typically the donor states this in writing, and these funds are tracked separately from unrestricted funds. So “gross unrestricted revenue” is gross revenue minus restricted revenue. The idea is restricted donations would not be subject to the revenue transfer so that 100% of such donations would go for it’s designated purpose.

Question 5: What happens to fundraising from the center of the mandala, like the annual Shambhala Day request? If my center is sending in money, doesn’t that cover me?

Answer: The new economic model is not intended to in any way replace individual donations. But rather it is hoped that a healthier economic system will provide a better ground for the practice of generosity.

Fundraising is a vital component of the overall funding model. We need to continue to raise money directly from individuals. In the near term, these funds are essential to covering all of the core operating expenses of the center of the mandala.

Over time, we hope that growth in revenue transfers will free up direct fundraising dollars for other uses, such as support for economically poor areas (e.g. the Maritimes), emerging regions (e.g. South America), small groups as may be needed to support growth, and for new initiatives and one-time projects. How quickly this happens will depend on the rate of growth in revenue transfers and the level of services required from the center of the mandala.

As for center transfers, the guideline for 2004 represents an average of roughly \$40 per member per year. The current average individual donation to the center of the mandala is \$400 per year, so the capacity of some individuals to donate at much higher levels is essential.

Question 6: How was the recommendation for the North American centers and groups developed? How do we know that centers can really do this?

Answer: This recommendation was developed for the New Economic Model Working Group by its associated Review Group. The Review Group distribution list contains approximately 75 names. About half participated in the development of the recommendation, either in the conference calls or via email. All major centers had participation via a designated representative. The guidelines were based on the input of these participants and representatives.

Question 7: What other alternatives were considered? Why was this chosen?

Answer: The Review Group looked at several other possible models: \$x per member, x% of member dues, x% of program revenue, and combinations of these. Program revenues are the least predictable and membership methods are complicated by questions of how we count members. We chose % of gross unrestricted revenue as both the simplest and most stable method. It also has the advantage that it can be used for any Shambhala entity, regardless of what kind of revenue sources they have (e.g. practice centers don't have members).

Question 8: How much money could be raised by doing this?

Answer: The table below shows sample centers of various sizes, as well as an estimate for all North American Centers, in both Canadian and US dollars, using 2002 data. Gross revenue does not include Shambhala Training (see Question 10).

2002 data Sample Centers	Gross revenue	Canadian \$		Gross revenue	US \$	
		4%	6%		4%	6%
Austin	76,946	3,078	4,617	59,248	2,370	3,555
Boulder	487,075	19,483	29,224	375,048	15,002	22,503
Chicago	124,626	4,985	7,478	95,962	3,838	5,758
Halifax	324,000	12,960	19,440	249,480	9,979	14,969
Minneapolis	30,992	1,240	1,860	23,864	955	1,432
Seattle	55,242	2,210	3,315	42,536	1,701	2,552
Sample Total	1,098,881	43,955	65,933	846,138	33,846	50,768
All N. America	3,600,000	144,000	216,000	2,772,000	110,880	166,320

Question 9: What about Shambhala Training? How does that fit in?

Answer: Most centers currently send some portion of their Shambhala Training revenue to Shambhala Training International, which is legally separate from the center of the mandala we have been discussing here. (STI is part of an educational legal entity; the center of the mandala is part of a religious legal entity). At some point in the future we would like to be able to fold Shambhala Training into this funding model so that a center would only have one transfer to center of the mandala, which would be based on total revenues including Shambhala Training.

Question 10: What is the revenue and expense for Shambhala Training International?

Answer:

2004 estimated	Canadian \$	US \$
Revenue		
Donations	20,000	15,400
Publications (net)	12,250	9,433
Programs	6,845	5,271
Transfers from centers	91,750	70,648
total	130,845	100,751
Expense		
transfer to Central Office	90,000	69,300
Administration	7,050	5,429
Staff	33,795	26,022
total	130,845	100,751