

Mandala Governing Council – July 2004

Recommendations

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New Economic Model Working Group Recommendation

Hiring A Chief Financial Officer (CFO) for Shambhala International

Summary

Given the many pressing financial and strategic concerns facing the Shambhala Mandala, we recommend creating a CFO position and hiring for this position in order to have a CFO in place by the next Shambhala Congress. To this end we have drafted a job description for consideration by the President and the Mandala Governing Council (MGC). It is not presumed that a qualified candidate can necessarily be found within the Shambhala International community. Therefore, this recommendation contemplates posting the job in and outside of community-only venues. The full job description follows. Summary or abbreviated postings can be developed once this recommendation has been reviewed and accepted.

New Economic Model Working Group Recommendation

Hiring A Chief Financial Officer (CFO) for Shambhala International

Background

The need for the kind of overall financial planning and leadership a CFO could provide has been discussed in governance and other circles for some time. In his financial overview report to the President, Jim Rosen of the Trust and MGC made a CFO position one of his key recommendations. In his report which included a look at the financial status and risk profile of the practice centers, Chris Tamdjidi of Shambhala Europe also stressed the need for oversight for both the Central Administration and the extended SI mandala. Recently, President Reoch has commented on the many financial issues brought before him that require time and expertise not now available in the management team at SI. Our own experience in these volunteer committees has revealed the urgency and complexity of issues facing SI and the Shambhala Community without adequate management resources to address them.

The draft job description which follows is an attempt to be complete as possible in imagining the leadership that a competent, professionally trained and credentialed CFO could provide. While it is unlikely that one candidate would excel in all of these areas, we thought it best to list them so as to make prioritization possible. We expect that some responsibilities listed here may be assigned to other functional areas. Some may receive attention only later.

The parameters designated as required/preferred may determine in a significant way the pool of candidates considering the position. We would look to Pres. Reoch to fine tune these in consultation with others. The issues include:

- * Base of operations (necessarily Halifax?)/willingness to travel
- * Educational and professional background
- * Pay scale
- * Level of practice/experience in the Shambhala Mandala
- * Coordination of the organization's engagement of legal counsel
- * Information technology oversight

The recommendation is to determine which requirements are key to success in the job and to make all others preferred. The assumption is that the list of key requirements starts with *demonstrated professional competence* as outlined in point #6 of the "13 Guiding Principles" for the New Economic Model Working Group:

- * "6. Services must be provided in a professional and competent manner. There must be accountability for service quality."

***New Economic Model Working Group Recommendation
Hiring A Chief Financial Officer (CFO) for Shambhala International***

Given the nature of the responsibility and the requirement for a close working relationship with the President, we felt it was likely that qualified candidates within our community may need to be personally ‘invited’ to apply for the job by President Reoch so as to have a pool of candidates to consider.

Implementation

At the President’s request, the Finance Function Committee is prepared to assist in the implementation of this recommendation including the posting of the position, designing the application process, receiving and reviewing applications and hiring negotiations.

Recommendation (The full job description to be posted by SI)

Chief Financial Officer for Shambhala International

Shambhala International (SI) is seeking a Chief Financial Officer, preferably based in Halifax, Nova Scotia. Reporting to the President, this person supports the financial health of SI’s central administration and of the Shambhala mandala as a whole. This person will direct the financial planning, supervision, and reporting functions at SI toward a prudent and inspired allocation of the resources of the organization. The expected result is clear and effective decision-making, so as to inspire a culture of generosity and organizational strength. Open, hands-on, collaborative leadership will be needed to establish and implement a financial vision for SI and its worldwide affiliates.

Requirements include a demonstrated track record of leadership in financial management. Appropriate qualifications will be required; CA/CPA is strongly preferred. This individual will be a skilled communicator and sharer of information, with the ability to engage, educate and inspire trust from governance groups, affiliate leadership, the SI staff and other stakeholders. The ability to travel and respond in a timely way to unanticipated challenges is important. Respect and appreciation for the teachings and practice of Shambhala Buddhism is essential. Experience with a personal discipline of meditation is preferred.

Interested candidates should contact President Richard Reoch at Shambhala International.

Chief Financial Officer for Shambhala International

Responsibilities:

1. **Contractual Arrangements:** With the President, corporate counsel and governance bodies, develop and implement contracts as well as financial and legal relationships with local and residential practice centers, as well as other affiliates. Represent SI worldwide in the articulation of contractual and license agreements for the use of SI's intellectual property.
2. **Risk Management:** Working with the President, corporate counsel, and governance groups, develop a legal and liability risk management strategy for the US and Canadian corporations. Negotiate and maintain liability and property insurance coverage for US and Canadian affiliates.
3. **Planning, Reporting and Budgeting:** With the President and governance groups develop and implement long-term financial planning for SI and affiliates. Assist strategic decision-making, financial development and communications efforts at SI with the design and implementation of timely and meaningful financial reporting. Embody, define and support a culture of transparency and directness in the collecting and reporting of financial information. Develop, present and interpret annual budgets for SI and its affiliates to governance groups and stakeholders. Present and interpret interim and year-end budget-to-actual reports.
4. **SI Office and Corporate Finance Function:** With the Comptroller, design and define the SI financial function, including job descriptions, policies and procedures for adequate internal controls. Oversee all Canadian and US compliance with tax authorities. Manage communication and engagement with regulators, auditors and other external financial contacts.
5. **Asset and Debt Management:** Develop guidelines for the investment and management of liquid and real assets at SI and affiliates. For the President, governing bodies and other stakeholders, analyze long-term debt risks and opportunities at SI and its residential and local centers. Develop organizational guidelines for debt acquisition and management. When required, negotiate with lenders over terms. Manage new and existing mortgage and unsecured debt obligations undertaken by SI.

Chief Financial Officer for Shambhala International

6. **Financial Development:** Develop and oversee policies for SI fundraising and reporting of restricted and unrestricted giving. Support donor relationships with transparent financial reporting and communication.

7. **Human Resource Management:** Working with governance groups, establish SI payroll and benefit policies, employment contracts, and payroll tracking. Design and implement guidelines for the support for the Sakyong and his office. Assist the payroll function at affiliates with the development of suggested employment and benefit guidelines.

8. **Affiliate Support:** With Comptroller, and in coordination with governance groups: lead the development of SI and affiliate guidelines for internal financial controls, rent vs. buy decisions, banker relations, negotiations with lenders, dues and donation policies, payroll policy and compliance, as well as financial reporting templates. With Comptroller and corporate counsel, provide responsive technical support to affiliates for legal and finance related questions. Through on-site visits and open communication, foster trust and transparency around the financial and political relationships between SI and its affiliates for mutual financial and organizational health.

Potential Additional Areas of Oversight:

9. **Information Technology:** Oversee ongoing development and implementation of integrated information systems. Review current systems, assess needs, and coordinate the design, development and implementation of systems that meet the SI's needs and where applicable, SI's North American and worldwide organization.

10. **Coordination of Legal Activity:** Oversee and coordinate engagement of outside counsel for SI in the diversity of issues requiring a legal opinion and/or action.

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 Central Office, 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 International, 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 International 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.

*New Economic Working Group
Financial Reporting Recommendation*

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

*New Economic Working Group
Financial Reporting Recommendation*

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
Shambhala International (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 Shambhala International
Unincorporated Centers	Part of Shambhala International	Varies	Required reporting to Shambhala International

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Financial Reporting Recommendation*

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 Shambhala International, 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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Financial Reporting Recommendation*

Timing

It is important for Shambhala International 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 International 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 International'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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Financial Reporting Recommendation*

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 SI 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?

