

Towards a New Economic Model

Discussion paper for the Shambhala Congress

Introduction

This paper is based on work done by Ms Connie Brock of the Shambhala Trust who kindly looked into some of the issues surrounding the mandala's fund-raising difficulties and assessed options for new funding models. As a result of serious illness in her family, that work could not be completed, but this paper incorporates her work and serves as a basis for discussing options for the future.

It should be read in conjunction with the report on the financial health of the mandala, another essential Congress document, which presents the findings and recommendations of Mr Jim Rosen and Mr Chris Tamdjidi.

This paper has three parts:

1. Overall assessment of current situation
2. Recommendations
 - a. Notes and recommendations on fund-raising
 - b. Options for a new economic model
3. New Economic Model Working Group

Assessment of current situation

The current situation for funding the mandala varies significantly between North America and Europe.

Shambhala Centers

- North American Shambhala centers raise a significant share of their money through ongoing dues from centers. The model and the level of these dues is set individually by each local center – there is no common policy. There is a reliance on fundraising to supplement dues income. Naturally, program income also plays a part, especially in strong and large centers, where program income is crucial to pay the high levels of rent required.
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- European Shambhala Centers raise most of their money through dues. There is a common membership policy, and a European-wide dues recommendation. A share of each member's local membership dues gets transferred to Shambhala Europe. There is very little fundraising at the centers. Program incomes are only significant at the larger centers.

Practice centers

- These essentially have a similar funding split worldwide, with something between

65-85% of operating expenses being covered through program income. The rest of operating expenses are covered by donations, and donations are also used for capital campaigns. There is extensive reliance on fundraising, and some of the practice centers have quite advanced fundraising activities.

The center of the mandala

- In Halifax, this relies heavily on ongoing contributions and fundraising. Some income is transferred from practice centers as gate fees. High uncertainty in income.
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- Shambhala Europe gets a significant share of its income from dues transfers from centers. This provides significantly more stability and means less reliance on fundraising.

This system suffers from a number of connected problems in North America

- Center of the mandala has very little stability in finances
- A lot of fundraising activities, some of them conflicting, all of them uncoordinated
- No ability to determine investment priorities for the mandala

This report contains recommendations both for improving the existing fundraising processes, and more importantly, moving to a new funding model for the overall mandala.

Recommendations

Notes and recommendations on fundraising

1.

These observations come from a conference call in March 2003 with roughly a dozen fund-raisers throughout the Shambhala Community. The question that was asked was: "How do we create a culture that actually enables us to be effective in providing for the present and the future?" This is followed by the assessment and recommendations from Connie Brock.

Participants spoke about the importance of communication as the basis of generating financial support for any part of our mandala:

"Good communication builds generosity as an organic process."

"Inclusively is the main issue in fundraising."

"We need to practice bodhichitta around money."

"Can teachers talk about generosity?"

"When raising money, we need to be able to answer the question; what has this got to do with the dharma? Administrators need to come from a dharmic point of view, really putting their hearts into it. This leads to transparency, openness and trust."

The need to have a coherent view of the entire mandala – and how all the parts fit together – was stressed as a major support for fund-raising efforts, both locally and for the international structure:

“Everyone needs to be able to see and feel part of a larger whole.”

“We need to think from the point of view of others rather than just funding the needs of the center. We need to think from the point of view of others rather than just funding the needs of the center.”

“We will know the culture is right by the way it feels – a sense of upliftedness and delight, very ordinary, every time a donation is made - a sense of actually building our world.’

The relationship of local fundraising to the larger sense of the mandala was seen as not only a matter of structure, but also of the relationships within the mandala and the overall leadership style:

“My future vision would to have strong, caring, honest leadership at the center and in each center. Leadership is key. Each center needs to feels some freedom, fresh air, and be really grounded in their local situation. There has to be an active, generous, balanced board, known and trusted and a broad base of practitioners, even those with other teachers. Everyone needs to feel welcome, respected, that the hierarchy is interested in them -- they volunteer and give money; they are a group of friends.”

“In the future we need, there is an absence of fear, a freedom from fear, and instead there is joy. Fundraising is a person to person thing, an intimate conversation. There is a real sense of accountability and responsibility across the mandala.”

Assessment

- Our ability to do fundraising varies widely across the mandala. Some groups do this well, most struggle with it.
- We have a very long list of fundraising entities, some of which raise money for both operating budgets and for capital/special projects. This tends to fragment efforts and leads to even more groups trying to do something at which they are not very good.
- Fundraising entities by and large do not share or compare databases. There is no single source of integrated donor information, so we cannot identify the level of generosity an individual might express across the mandala, nor can we make a decision about how best to relate/fundraise with each person.
- Efforts are largely uncoordinated. A donor may receive (and respond to) multiple requests throughout the year.

Recommendations – Developing Skilful Means

1. Articulate the view of money and generosity. Use this as the foundation for

everything we do.

Example: “Money is mother’s milk”. It nurtures the community by providing for its livelihood needs. We need to maintain a proper relationship with our world, and this includes tending to livelihood. The practice of generosity is joyful (give until it feels good). When we offer someone the opportunity to practice generosity, it is a gift.

2. Consolidate and reduce the number of fundraising entities.
Example: Each Practice Center, each Shambhala Center and Meditation Group (unless an area decides to regionalize), the Trust, and “Shambhala Central”. Shambhala Central would include the center of the mandala and its common services and would also include all mandala wide entities (Archives, Translation, Council of Warriors, Dorje Kasung, etc.) This approach would require clarifying what it means for each center to include “Shambhala Central” in its fundraising.
3. Develop and maintain an integrated database of donor information.
Example: Each fundraising entity provides data at the end of the year with donor information for each person who made a cash donation larger than \$25. This could be done as part of the entities year-end reporting of tax deductibility.
4. Segment donors into groups and develop fundraising strategies for each group.
Example: Large donors, mass market donors, small donors. Set up three task forces, each charged with the responsibility to develop a strategy for its segment. Large donors might be dealt with at the global level, in coordination with the donor’s local center. Mass market and small donors might be the responsibility of the local center. This approach would require a working definition of “large donor”, “Mass marker donors” and “small donors”.
5. Develop an integrated fundraising strategy covering all fundraising entities. The strategy would articulate whether and how data is shared and describe how efforts will be coordinated.
Example: The fundraising entities would form a steering committee that would set the strategy, review it periodically, and adjust as needed.
6. Develop a training program and support materials for fundraisers, based on the view, the donor segment strategies, and the integrated fundraising strategy.
Example: This could be done as part of the “Secular Sacred Governance Program”
7. Develop a planned giving program (estate planning, bequests, etc) that covers all mandala entities (Shambhala Central, Shambhala, Centers, Practice Centers).

Options for a new economic model

Overview of funding models

Each entity within the mandala has these potential *types* of revenue:

- Dues and donations (one time and recurring)
- Program revenue, i.e. fees for classes and programs
- Sales of goods
- Rentals

If we look at recent data, we find that dues/donations and program revenue provide nearly 90% of all revenue. Shambhala Centers average 60% dues/donations, while Practice Centers (includes Retreat Centers) average 65% program revenue.

Table: Current Revenue Distribution

No. America	% Dues/Donations	% Program Revenue
<u>Shambhala Central</u>	62%	26%
<u>US Shambhala Centers</u>	61%	28%
CA Shambhala Centers	62%	29%
SMC	28%	65%
KC	22%	63%
Other practice centers	17%	71%
All entities combined	38%	49%

The revenue *source* for each type of revenue could either be someone who is part of the community or someone who is not.

The following table illustrates the combinations of revenue type and source possibilities, with an assessment of the likely magnitude of each.

Table: Assessment of Revenue Potential

Revenue Type	Source: Community	Source: Non-community
<u>Dues/Donations</u>	Large	Small
Program revenue	Large	Small - medium
Sales	Small	Small
Rentals	-	Small

Conclusion: Although funds from all sources are necessary and helpful, the majority of revenue will continue to come from community dues/donations and program revenue. Therefore the primary focus of the funding model will be these two sources.

Options:

1. Increase dues and donations, both through growth of the community and through increasing dues and donations from the existing community.

2. Increase program revenue (more programs or more people at existing programs or higher fees), potentially growing the revenue from non-community sources.
3. Restructure the funding model to align existing and new revenue differently.

The next section – Funding Model - will focus on option 3.

It should be noted that we might adopt a legal structure in which Practice Centers and Shambhala Centers become members of Shambhala International, rather than local divisions. This may lead to a financial structure in which Practice Centers and Shambhala Centers pay a membership fee to Shambhala International. Since the original source of funds for these payments would still be dues/donations and program revenue, such a structural change would not change this financial analysis, nor would it materially change the recommendations in the next section.

Aligning Revenue and Expense

We can view the mandala as being comprised of three major entity types:

- Shambhala Centers, which provide a seat for the community, a day-to-day place for practice, study and community.
- Practice Centers, which provide a place for resident programs and retreats.
- Shambhala Central, which provides both overall leadership and common services

These entities are an interconnected, interdependent whole, with each providing an essential service to the community. Shambhala Central provides the basic view, the “products” and the support services necessary for centers to have a purpose and to function. Shambhala Centers 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.

From this point of view, revenue can be seen as a mandala resource, regardless of where it is collected, which needs to be properly aligned with expenses incurred by the various entities in fulfilling the functions of whole.

Dues

Shambhala Centers are the ideal place to collect membership dues. However, the membership could be seen as membership in the whole, with a portion of dues going to Shambhala Central. (This model is currently in place in Europe, with approximately 30% of dues going to Shambhala Europe.)

It is important to note that the collection of dues is not just seen as an onerous tax on centers and members in Europe. Naturally, this met with some protest at first, but it has served well to connect the pieces of the mandala. Now, anyone who becomes a member

of a local group or center at the same time becomes a member of Shambhala Europe and the worldwide Shambhala mandala, and a share of their dues goes to support the center of the mandala.

The dues system is a very important, and actually quite profound element of the functioning of the European mandala. The way it is presented to members clearly communicates that on becoming a member, one is not just member of a local center or group, but part of a much mandala, and part of the Shambhala vision. As part of their membership, members receive a pin from Shambhala Europe, and two letters a year from the director of Shambhala Europe. So there is for all members a real and tangible experience of being in a mandala.

Beyond that, the regular transfer of dues by the centers and groups to Shambhala Europe is also very important. It provides a very dependable and regular source of income for the activities of the European Administration, and serves to act as a regular connection between the center and the fringe. It also means that in order to ensure its income, Shambhala Europe has to be aware of the health of each of the groups and centers (if they are not financially healthy, then they tend to stop transferring the Shambhala Europe dues shares). Thus Shambhala Europe's financial growth and security comes only through ensuring that as many centers are healthy and growing as possible. Finally, it also means that centers and groups have a voice – they have a right to ask Shambhala Europe what exactly is done with the money and ensure that funds are used in a manner which is efficient and helpful. All of these points together serve to ensure a deep connection between the center and the fringe – it is not merely a matter of money.

Recommendation

Establish a plan for migrating to this integrated membership model.

Example: Ask Centers to commit to sending \$5 per member per month in year 1, \$10 in year 2 and \$12-15 in year 3. Plan that 50% will comply full, that 25% will provide partial payment, and 25% will not be able to do it. (Such a plan could shift \$75,000-\$350,000 per year to Shambhala Central.)

Program Revenue

If we think of classes and programs as “products”, then how we offer them is our delivery strategy. The product may be developed by Shambhala Central, but delivered by any of the three entities. Currently, our delivery strategy calls for delivering the highest volume products through our local outlets (eg Shambhala Training levels and Shambhala School of Buddhist Studies through our Centers). Products that require a resident situation are offered at Practice Centers (eg dathun, Warrior Assembly, seminary). However, we currently use 2 different delivery models for these resident programs. For example, dathuns are delivered by the Practice Centers. Seminary is delivered by Shambhala Central, who “rents” the practice center for this purpose.

Product development expenses are incurred primarily by Shambhala Central; but product delivery expense varies depending on who delivers the product.

If we want to align program revenue with program expense, we need to consider both product development and product delivery expenses. When revenue exceeds expense, the net profit should be distributed in a way that reflects underlying expenses.

Recommendation

Establish revenue sharing plans for program revenue based on the delivery mechanism and the associated expenses.

Example: (1) Shambhala Centers send 15% of their net program revenue (operating revenue minus operating expense, i.e. no overhead for facilities or management) to Shambhala Central to cover product development expenses. (2) Practice Centers send 7% of their gross program revenue to Shambhala Central. (3) Shambhala Central sends 10% of net profit (operating revenue minus operating expense) to the hosting Practice Center.

Estimates: (1) \$20,000 – \$90,000 to Central. (2) \$150 - \$350,000 to Central. (3) \$10,000 - \$40,000 from Central to host Practice Centers.

Miscellaneous Recommendation – Dues levels and Program Pricing

Dues levels and program prices should be determined by local centers, based on local situations and local markets. Develop guidelines and support materials to help centers set dues levels and program prices.

Donations

See the first section for a discussion of fundraising

Steps towards a new model

One of the major challenges facing the mandala is to develop a stable base of funding for its center. This includes the regular support we provide to the Sakyong and the core central services provided to Shambhala Centres, groups, practice centers and individual practitioners throughout the mandala. There are two principle funding models: the one used in North America and the one used in Europe.

The North American model, the one on which Shambhala International has relied, consists of a mix that involves centralized fund-raising, income from Shambhala Training and major international events and small percentages of income from major practice centers. There is no structured system of funding through the network of Shambhala centers and groups across the continent.

The European model relies on a structured set of financial relations that funds both the Shambhala Centers and groups as well as the regional seat, Shambhala Europe. Shambhala Training Europe, as in North America, receives income from Shambhala Training programs at local centers. By comparison with North America, dependence on centralized fundraising is relatively small. Furthermore, membership in a local center (to which all members pay their dues) automatically includes membership in Shambhala Europe. Shambhala Europe, however, despite being a major region within the global mandala, makes no contribution towards the finances of Shambhala International.

Some Shambhala Centers in North America have started making regular monthly donations to Shambhala International. This spontaneous support is very much welcomed, but if it is to become the principal basis of funding a number of considerations need to be taken into account. If the basis of funding Shambhala International is to be largely based on support from local Shambhala Centres, then the large number of donors who make regular recurring donations to Shambhala International will need to be persuaded to make those donations to their local center and to rely on their center to then reach an arrangement that provides reliable funding to Shambhala International. Some centers have proposed that a standard percentage of income be paid by all centers to Shambhala International. There would then be a need to work out a basis for reliable predictions of funding (and dependable commitments) since that funding would be the sole basis of ongoing support of the Sakyong and core staff at the center of the mandala. It would also be reasonable in such a model to establish some appropriate level of financial support to the center of the mandala from Shambhala Europe.

It is also conceivable that a mix of funding models, as analysed by Connie Brock in the second section of this paper, may be useful either as a long-term model for Shambhala International or as a transitional model while a more stable long-term model is established.

Any new model will also have to be established on the basis of

- sound planning,
- realistic budgeting,

- full accounting, and
- complete and transparent reporting.

These principles will need to be proclaimed and respected by all entities within the mandala. It is clear that without respect for these, the necessary level of trust cannot be established, and we will be able to sustain the agreements that are reached as a result of this process. There are detailed recommendations for our financial processes contained in the reports from Mr Rosen and Mr Tamdjidi. These could be examined by the New Economic Model Working Group that has been proposed as a result of their work.

All this requires careful analysis, and whatever is introduced mandala-wide needs to have a solid and realistic base of agreement at the local level. Working on this could be the task of the New Economic Model Working Group.

New Economic Model Working Group

Mr Jim Rosen, in his report on the financial health of the mandala, has recommended the creation of a New Economic Model Working Group. The issues raised in this paper could also be referred to this group to develop a more thorough basis for discussions with centers, groups and the other entities throughout the global mandala.