



# SHAMBHALA

## Finance Report to the Shambhala Community

August 15, 2018

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With Susan Engel, Treasury Council Chair

Reviewed by the Kalapa Council and Treasury Council

As requested by the outgoing Kalapa Council, this report to the Shambhala community shares the current state of Shambhala's finances and how we are organized, as well a sense of the challenges ahead. We have done our best to share the complexity of this information as transparently and clearly as possible, so it can be better understood by the community.

Accompanying this report, and linked in the Appendices section at the end of this document, are financial statements and spreadsheets that further illuminate the financial picture.

Questions and comments from members are welcomed at [info@shambhala.org](mailto:info@shambhala.org). These questions will be compiled and responded to in the coming weeks.

## Summary

Shambhala's organizational and financial structures have sustained our community for almost three generations of practitioners. While hard questions about the future are being asked, and organizational change may be required, we have a solid foundation and many resources to draw on.

- Shambhala in North America has net assets of \$22.5 million USD and gross annual revenue of \$18 million USD.
- Since late 2017, there have been steadily increasing cash flow challenges in Shambhala Global Services, the Sakyong Potrang, and other entities. This pattern has occurred with some regularity in Shambhala's history. The outgoing Kalapa Council has initiated actions to address the current situation in the short term, with the intention to leave the incoming Interim Board as stable a financial situation as possible. Further changes are likely to be required in the coming months.
- The Sakyong and his teaching have played a critical role in overall revenue generation for Shambhala. The financial impact of his current step back from teaching is not yet fully known.
- In 2017, no Shambhala funds were used to pay compensation for the Sakyong or Sakyong Wangmo or lineage or parsonage expenses. These expenses are currently funded by direct donations to the Sakyong Potrang entities.
- The financial health of Shambhala Global Services is fully dependent on Unified Giving transfers and donations from Shambhala Centres and members.
- Elevated debt levels and low cash balances in Shambhala Global Services and the Sakyong Potrang are prompting consideration of asset sales as one option to build financial stability going forward.

# A Snapshot of Legal Entities in Shambhala

Shambhala is a global conglomerate of nonprofit organizations, currently based primarily in North America and Europe.

## Shambhala Legal Entities in North America

- **Shambhala Canada Society**

The Shambhala Canada Society (Shambhala Canada) is a registered Canadian charity. This corporation manages all city centres and retreat centres in Canada. All Canadian Shambhala Centres and Groups are authorized to represent Shambhala, and use its name, service marks, and copyrighted materials through the International Charter and Bylaws.

- **Shambhala USA**

Shambhala USA is a 501(c)(3) tax-exempt charitable nonprofit corporation registered in the state of Colorado. This corporation manages Shambhala's city centers and retreat centers in the United States (except Shambhala Mountain Center, below). All U.S. Shambhala Centers and Groups are authorized to represent Shambhala, use its name, service marks, and copyrighted materials through the International Charter and Bylaws. Centers and Groups are identified as "subordinate organizations" for purposes of the Shambhala USA group exemption from federal income taxation.

The Charter and Bylaws provide that the centers are authorized to establish local governance bodies and rules, subject however, to the ultimate governance of Shambhala USA. While some centers are incorporated in their local jurisdictions (usually for banking purposes to finance property purchases), this does not affect the basic relationship between those centers and Shambhala USA.

- **Shambhala Mountain Center**

Shambhala Mountain Center is a 501(c)(3) tax-exempt charitable nonprofit organization registered in the state of Colorado that operates a Shambhala retreat center located in Red Feather Lakes, CO.

The corporations above collectively manage the operations of Shambhala in North America, including Shambhala Global Services (see below). Management authority, including financial decision making, is delegated by the Boards of Directors of Shambhala Canada and Shambhala USA to 130+ divisions of these corporations, including retreat centres, media divisions, Shambhala Centres, and Shambhala Groups across the continent.

On December 31, 2016, Shambhala entities in North America held a combined \$35 million USD in assets and \$12.5 million USD in liabilities, for net assets (total equity) with a book value of \$22.5 million USD. Book value is based on purchase price and depreciation, while the actual market value of Shambhala's assets would likely be substantially higher.

Donations, program revenue, and merchandise sales are Shambhala's primary revenue streams. In 2016, members, donors, and patrons of Shambhala gave over \$6 million USD. Program fees and merchandise sales brought in over \$10 million USD. Gross revenue totalled \$18 million USD across the North American Shambhala corporations.

The largest consolidated expense line was the almost \$5 million USD spent on salaries and contract staff expenses across the 130+ divisions. Direct program expenses and cost of merchandise sales totalled \$4 million USD. Rent and facilities expenses were \$3.5 million USD. Total expenses were \$18 million USD.

In 2016, the 130+ Shambhala entities managed in these North American corporations ran at a combined operational deficit of \$91,000 USD. 2017 numbers are not yet available.

### **Shambhala Legal Entities in Europe**

- **Shambhala Europe GmbH**

Shambhala's corporate structure in Europe is locally oriented. With the exception of the Netherlands where there is a national organization, in most other cases centers and groups are incorporated separately and independently.

Shambhala Europe GmbH is a non-profit limited liability corporation registered in Germany, and is a 100% subsidiary of Shambhala USA. It shares ownership of the real estate of the French land center of Dechen Chöling and is the owner of a number of European and global trademarks of Shambhala, which it licenses to European Shambhala Centres.

At the end of 2016, Shambhala Europe held net assets of 1.5 million EUR. This figure includes a building asset in Cologne, which was effectively sold in 2017. Shambhala Europe booked an operating deficit of 120,000€ in 2016. Audited figures are not yet available for 2017.

- **Association Shambhala Europe (Dechen Chöling)**

Association Shambhala Europe (Dechen Chöling) is an Association 1901 incorporated in France to manage the Dechen Chöling retreat center near Limoges, France. In 2017 it held net assets of 773,000€ and booked an operating surplus of 43,000€.

### **Shambhala Legal Entities in South America, Asia, Africa, and Oceania**

Shambhala centers and divisions in other regions of the world have simple or no corporate structures, and less financial activity than their North American and European counterparts. These centers and Groups manage their finances independently of any centralized oversight and structure, although they do connect to and benefit from the services and activities of Shambhala Global Services.

## **Shambhala Global Services**

Shambhala Global Services manages the combined operations of the head office divisions of Shambhala USA and Shambhala Canada Society. Global Services provides the following resources and support to local centers, groups, and land centers:

*Please note that the staffing numbers shown below reflect staffing after recently announced staff cuts are fully implemented in October.*

- Practice & Education Pillar - International program planning, scheduling and support; curriculum development and support; training and support of teachers, meditation instructors and guides; training and guidance in ritual and form; support of local/regional P&E leaders. Staffing: 2.5 full time equivalent positions, including a part time position in Europe.
- Government Pillar - Support and mentorship of regional and center leadership, leadership trainings (Monarch Retreat), facilitation of regional gatherings, development of regions. Staffing: 1 full time equivalent position.
- Dorje Kasung Pillar - Ongoing support of Dorje Kasung curriculum development, classes and trainings. Staffing: 0.5 full time equivalent position.
- Economy Pillar - Ongoing work to develop Pillar of Economy teachings, curriculum, and retreats. Staffing: 0 full time equivalent positions; volunteer work only.
- Finance - Accounting, banking, reporting, regulatory filings, tax receipts, insurance, and payroll. Staffing: 3.5 full time equivalent positions.
- Development - Fundraising (Shambhala Day, Harvest of Peace, patrons, donor events, campaigns, bequests), other revenue generation. Staffing: 1 full time equivalent position.
- Communications - Ongoing emails to all members regarding community updates and programming, dissemination of translations, media relations, website updates. Staffing: 1 full time equivalent position.
- IT - Shambhala database maintenance and trainings, mentoring of database administrators, website maintenance, compliance with applicable privacy laws. Staffing: 1.5 full time equivalent positions.

- Office of Culture and Decorum - Works with Shambhala holidays, celebrations, ceremonies, environments, design and iconography, resources for programs, Centres and Culture & Decorum Delegates, and the biennial Shambhala Service Awards. Staffing: 0.2 full time equivalent positions.
- Office of Social Engagement - Supports engagement projects both within the Shambhala community and externally. Includes projects that work with understanding systemic oppression, racism, gender harm, classism, and other forms of discrimination. Works to better understand how justice in an enlightened society may look and feel. Funded through December 10 by restricted donations received in early 2018, and therefore currently has no bottom line budget impact. Staffing: 1 full time equivalent position.
- Executive Secretary to the Sakyong - Oversees schedules and responds to communications directed to the Sakyong and Shambhala. The Executive Secretary also serves as Secretary of the Shambhala corporations. Staffing: 1 full time equivalent position.

### **Shambhala Global Services Is Funded by “Unified Giving”**

Unified Giving is the mechanism by which program and donation revenue received at Shambhala Centres and Shambhala Global Services is transferred internally to fund the local, national, and global work of Shambhala. It is the way that centers and groups fund the support they receive from the center of the mandala.

Most Shambhala Centres in Canada and the United States transfer funds monthly to the Global Services division of their respective corporation. Local Shambhala centers and groups make their own independent decisions about finances, including what programs to offer, program pricing, whether to have paid staff, how to structure membership dues (Unified Giving guidelines exist for membership, but are not currently monitored or enforced), fundraising, etc, including setting their own Unified Giving transfers to Shambhala Global Services.

A process to hold transfer rates steady was attempted in recent years, but is not currently implemented. The Unified Giving transfer percentage target has historically been 25% of gross revenue, however the actual average transfer in 2017 was 15%. Any revenue beyond a center or group’s Unified Giving transfer is retained at the local level to fund local operations.

Whether donations are received at the local Shambhala Centre or to its respective Shambhala head office (during the annual Shambhala Day campaign, for example), they are included in that center or group’s Unified Giving transfer calculation.

Unified Giving also funds certain activities within the Sakyong Potrang (see below), and transfers from Shambhala Global Services to the Sakyong Potrang are the mechanism to cover these expenses. In the past, when these entities were treated as a single management unit, there was no need to clearly define which activities were funded by which revenue stream. All unrestricted revenue to both the Sakyong Potrang and Shambhala Global Services was treated

as general revenue, and expenses were viewed by division (eg Practice and Education) rather than by legal entity (eg Shambhala Canada). This practice has now changed, and this report attempts to apply the clarity of the new reporting regime to recent activity, as well as to future activity. See below for details of inter-entity transfers.

### **Revenue Impacts of the Sakyong Stepping Back from Teaching**

The Sakyong and his teaching activity have contributed substantially to the overall revenue of Shambhala. His annual summer teaching at Shambhala's retreat centres are a cornerstone of their financial model, and his occasional programs at city centres contribute substantially to their revenue as well. Work is underway to examine the impacts of his current step back from teaching, particularly on the land centres, and to plan scenarios for the future.

### **The Sakyong Potrang Legal Entities**

The Sakyong Potrang entities house all the charitable work of the Sakyong lineage in support of Shambhala, as well as other charitable lineage activities. These entities support the lineage succession of Sakyongs and hold lineage texts, sacred sites, ritual implements, trademarks, and copyrights. This is different from the activity of the Shambhala entities mentioned above, which manage the general operations and assets of the city and retreat centers. Also currently within the Sakyong Potrang are staff positions that support the Shambhala organizations. The Sakyong Potrang was originally incorporated in the United States in 2012 as the Sakyong Ladrang, and renamed in 2015.

- **The Sakyong Potrang**

The Sakyong Potrang is a 501(c)(3) nonprofit corporation registered in the state of Colorado. This U.S. division of the Sakyong Potrang holds the copyright and trademarks for core Shambhala teachings, practices, religious texts, and iconography.

- **The Sakyong Potrang Canada**

The Sakyong Potrang Canada is a registered Canadian charity. It owns Kalapa Valley in Cape Breton, Nova Scotia and the Kalapa Court residence in Halifax, Nova Scotia. It also rents the Kalapa Centre office space in Halifax until the lease expires in March, 2020.

The Sakyong Potrang entities held unrestricted net assets (total equity) of negative \$130,000 USD at the end of 2017. In 2017, these entities ran at a deficit of just under \$200,000 USD.

The Sakyong Potrang entities are partially funded through the Lady Sharon Hoagland Restricted Lineage Endowment. The structure of the endowment allows for the withdrawal of up to 3% per year, which can fund general Sakyong Potrang operations and/or specific Sakyong Potrang projects. This endowment has permanently restricted assets of approximately \$1 million.

### **The Sakyong Potrang in Europe**

There is no separate Sakyong Potrang legal entity in Europe. There is a separate Sakyong Potrang sub-account held within the Shambhala Europe GmbH accounts. Donations from tangra offerings at programs and financial patrons fund this account. Available funds are used to cover the teaching related costs and travel of the Sakyong to regions in Europe with insufficient financial means, ritual objects like thangkas, and legal costs to research the formation of a European Sakyong Potrang entity. This sub-account also holds funds that have been offered by donors who wish to build a future Kalapa Court in Europe. It is not funded by Shambhala member, center, or group contributions.

### **The Kalapa Court**

The Kalapa Court is the term used for the residence, teaching facility, and office of the Sakyong and Sakyong Wangmo, wherever they happen to be in residence at the time.

Kalapa Court expenses are paid by the Sakyong Potrang entities in compliance with applicable laws governing charities and churches. Independent legal and accounting advice is sought when necessary to confirm which expenses are permissible to be paid by these church entities. Personal expenses of the Sakyong and his family, education of the Sakyong and Sakyong Wangmo's children, and any child care expenses are paid for personally by the Mukpo family.

Including salaries for the Sakyong and Sakyong Wangmo, health insurance, travel, car rentals, and a food stipend, in 2017 the Sakyong Potrang spent approximately \$194,000 USD on lineage expenses. An additional \$211,000 USD went to parsonage support of the two Kalapa Court properties in Boulder, Colorado and Halifax, Nova Scotia. This is in accordance with standard church practices, and is in compliance with tax regulations (as per [Canada Revenue Agency](#) & [Internal Revenue Service](#)).

In 2017, 100% of these allowable church expenses were paid for by patrons whose intention was to support the Kalapa Court and the lineage through unrestricted donations and tangra offerings at programs. These funds were received as direct donations to the Sakyong Potrang entities. No funds from Shambhala entities or Unified Giving transfers were allocated towards these lineage and parsonage expenses.

### **Funding the Sakyong's Teaching Support**

The Sakyong Potrang budget also includes staff expenses which support the teaching, writing, practice, travel, and administrative activities of the Sakyong and Sakyong Wangmo. Positions in this category have included a part time editor, a Kalapa Court Manager, four continuity staff, one Machen (cook), and associated living and travel expenses for these staff members. This staff support allowed the Sakyong and Sakyong Wangmo to maintain their active teaching schedule, which supported the community of practitioners who benefit from the teachings.

These expenses totalled approximately \$240,000 in 2017. With the Sakyong currently stepping back from teaching and administrative duties, these expenses are currently planned to drop to approximately \$60,000 annually, covering a part time editor, two continuity staff, and occasional kitchen help.

### **Transfers from Shambhala Global Services to the Sakyong Potrang**

In 2017, Shambhala USA and Shambhala Canada transferred a little under \$500,000 USD to Sakyong Potrang entities. These transfers funded leadership functions, teaching support, and business expenses related to leadership and management roles that provided services to both Shambhala and the Sakyong Potrang. None of these funds were used to pay for lineage or parsonage expenses (see Kalapa Court section above).

With significant expense cuts occurring in both the Sakyong Potrang and Shambhala Global Services, these transfers are being reduced, re-examined, and clarified. A short-term arrangement is being established that will fund a reduced level of operations in Shambhala Global Services and the Sakyong Potrang through the current leadership transition and into 2019. The details of this arrangement are being finalized and will be shared when more information is available.

Future transfers and the long term financial relationship between the entities will be decided in dialogue between the new boards of Shambhala and the boards of the Sakyong Potrang.

## **Kalapa Media**

Kalapa Media is not a separate legal entity. Its operations and staff are distributed through the Sakyong Potrang, Shambhala Global Services, and Shambhala Europe. Kalapa Media manages the production and sale of religious texts by the Sakyong and others, provides marketing and communications services to Shambhala and the Sakyong Potrang, and oversees Shambhala's IT processes. The various departments that Kalapa Media manages are outlined below:

- **Kalapa Publications**

Kalapa Publications is a division of Shambhala Canada Society, based in Halifax Nova Scotia that produces and sells practice texts, books, and other Shambhala materials. This division is self-funded through sales.

- **Shambhala Online**

Shambhala Online is a division of Shambhala USA that offers video courses with the Sakyong and other senior Shambhala teachers. It is funded through online program fee revenue. Until revenue dropped in 2018, this division transferred funds monthly to support Shambhala Global Services.

- **The Video Project**

The video project, capturing broadcast quality footage of the Sakyong's talks, and curriculum videos of many teachers for online courses, resides in Kalapa Media within the Sakyong Potrang and is funded by restricted donations, with no bottom line impact on Shambhala or Sakyong Potrang budgets.

- **Shambhala Archives**

Operating as a division of both Shambhala Canada and Shambhala USA, the Archives holds sacred relics, texts, and recordings of the teachings of the Sakyong lineage. It is funded by direct restricted donations and general Unified Giving revenue.

## **Shambhala Department of Finance**

The Shambhala Department of Finance is based in Halifax, Nova Scotia, and directly manages the books and bank accounts of the Shambhala Global Services divisions and the Sakyong Potrang entities. The Sakyong Potrang entities began to be brought under the umbrella of the Shambhala Department of Finance in 2016. Prior to this, the Sakyong Potrang entities were known as the Sakyong Ladrang and they were held and managed much more separately from the functioning of Shambhala Global Services.

Bringing the Sakyong Potrang under the Department of Finance, along with the Shambhala Canada and Shambhala USA entities, was a way to unify the work of these different entities. While they have different foci, they are also inseparable with respect to their shared mission of propagating the Shambhala dharma and their dependence on one another to serve the community fully.

In recent years, these four entities have been managed as a single unit, with funds flowing between them as needed. It has always been a challenge to unambiguously define the different functions and activities of Shambhala Global Services and the Sakyong Potrang. While Shambhala Global Services is community-focused and the Sakyong Potrang is oriented around the activity of the lineage, the specific allocation of any individual expense between these two is not always cut and dried. As we go through the current transition, all remaining ambiguity is being clarified, and the results of this clarification are stated to the best of our ability in this report.

In addition to directly managing the finances of Shambhala Global Services and the Sakyong Potrang, the Department of Finance also does annual consolidation of North American financial statements for Shambhala USA and subsidiaries, Shambhala Canada, Nalanda Canada, and all required annual reporting for the Sakyong Potrang entities.

### **Reporting**

Shambhala Canada submits an annual charity return to the Canada Revenue Agency, including complete financial statements consolidated from each centre and division and reviewed by an independent accounting firm.

As a U.S. based church, Shambhala USA has no annual reporting requirement. Consolidated statements are created, but these are usually not available until 12-18 months after the end of the fiscal year. The Department of Finance has still not received full 2017 year end packages from eight U.S. divisions, and currently does not have the staff capacity to manage the full U.S. consolidation.

The Sakyong Potrang Canada submits an annual charity return to the Canada Revenue Agency, including audited financial statements. This entity came under management of the Department of Finance on January 1, 2016.

As a U.S. based church, the Sakyong Potrang has no annual reporting requirement, and produces only internal statements. This entity came under management of the Department of Finance on January 1, 2017.

### **Tax Receipting**

The Shambhala Department of Finance currently manages all tax receipting for Shambhala Canada, Sakyong Potrang Canada, Nalanda Canada, and Sakyong Potrang (USA), and has complete donor records for these entities. The Department of Finance also receipts Shambhala USA donations that are received by the Shambhala USA division of Global Services. Other Shambhala USA divisions, such as local centers and groups, are responsible for their own tax receipting, and that donor information is not collected or consolidated.

## Shambhala Day Fundraising

Starting in 2017, the decision was made to bring together the giving of financial patrons who donate directly to the Sakyong Potrang entities with individual donations made by members around the world for Shambhala Day. What previously were separate fundraising campaigns were brought together into one cohesive annual campaign. Results are shown in the table below that was sent to all members in May 2018:

	<b>2018 PLEDGES TO DATE</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Kalapa Patron Lineage Support	235,000	200,000	200,000	200,000
Jewel Patron Campaign New Revenue*	153,035	-	-	-
Major Gift to the 2018 Campaign	90,000	-	-	-
Shambhala Day Giving Europe** (in USD)	46,943	50,419	37,436	46,179
Shambhala Day Giving Worldwide***	226,403	273,605	201,400	236,980
<b>TOTAL</b>	<b>751,381</b>	<b>520,704</b>	<b>401,400</b>	<b>436,980</b>

\* Does not reflect actual number of Jewel Patrons. This total includes all "new revenue" from this campaign that can be counted towards the 2018 Shambhala Day campaign.

\*\* All donations in Europe fund projects in Europe.

\*\*\* Includes donations from North America, South America, Central America, Africa, Asia, and Oceania.

The Shambhala and Sakyong Potrang combined Shambhala Day campaigns of 2017 and 2018 were incredibly successful, historic, record-breaking efforts of our whole community at all levels of giving and patronage. In 2017, the combined campaign raised 30% more than 2016. In 2018 our community again stepped up with a pledged 45% increase over the 2017 numbers, enhanced by a major gift to the 2018 campaign.

Yet these historic successes were not enough to offset other factors driving the current financial challenges in Shambhala Global Services and the Sakyong Potrang.

## Kalapa Council

The Kalapa Council included the Boards of Directors of Shambhala Canada and Shambhala USA. The salaried members of the Kalapa Council were situated in the Sakyong Potrang, funded by Unified Giving transfers. These leaders supported both the activities and teaching of the Sakyong and Shambhala Global Services. Many of the nine members served on a volunteer basis. With the resignation of the Kalapa Council, 3.5 full time equivalent staff positions held by Kalapa Councillors are being terminated, and Unified Giving transfers will be adjusted accordingly.

**Treasury Council**

The Treasury Council was formed in 2015. It advises the Kalapa Council on financial matters and does risk assessment for financial transactions of \$100,000 or more made by Shambhala Centers (such as real estate purchases). The Treasury Council currently comprises: Susan Engel, Ryan Watson, Landon Mallery, Robert Reichner, and incoming member Wendy Friedman. The existence, function, and composition of the Treasury Council will be evaluated by new leadership groups after the Kalapa Council steps down. Expenses associated with this advisory body are negligible.

## Historic and Present Financial Situation

The overall financial trajectory of Shambhala has been one of gradual growth since the founding of its corporate entities in the mid and late 1980s, as demonstrated by a few net asset (total equity) numbers for the North American Shambhala corporations in USD:

**2002:** \$18 million

**2010:** \$20 million

**2016:** \$22.5 million

While steady growth is the big picture reality of Shambhala as a whole, the history of Shambhala Global Services is far more variable, alternating between periods of expansion and contraction. We are now in the midst of the third contraction in the past 15 years. In the early 2000s, almost all Global Services staff were laid off. As the financial situation stabilized, hiring resumed and the staff was slowly rebuilt.

About ten years later, an across the board cut of 13% of salaries was implemented, and \$400,000 USD of loans were offered from individual members and various other Shambhala divisions. These loans were fully repaid, on schedule (mostly 5-year terms) and with interest.

As of August 31, 2018, the total long and short term debt of Shambhala Global Services and the Sakyong Potrang is projected to be approximately \$1.4 million USD. Most of this debt is cross guaranteed by both the Shambhala and Sakyong Potrang corporate entities.

- \$858,000 USD mortgage (Sakyong Potrang Canada)
- \$412,000 USD line of credit debt (Shambhala Canada).
- \$150,000 USD miscellaneous loans (Shambhala USA)

Approximately \$250,000 USD of this debt has been added in the past 12 months, and the remainder over prior years.

Slowly building financial challenges have reached a tipping point. Unrestricted cash balances in all four entities are critically low, and this cash flow emergency is the most urgent financial issue currently being faced by the Department of Finance and the Boards of Directors of Shambhala Global Services and the Sakyong Potrang.

Many factors combined to create this situation, including but not limited to:

- An investment in increased staff in 2016 and 2017 that did not generate the expected revenue to cover the increased costs of these positions.
- Increased revenue generation was an expectation of increased staffing in 2016, however it was not specifically assigned to any particular Department, Pillar, or group to manage.

- Starting in 2016, accounting complexity increased. The Department of Finance took on accounting for the Sakyong Potrang Canada in January 2016 and Sakyong Potrang in January 2017. Regular management reporting to combine the results of all four entities and to understand the full combined operations of the Sakyong Potrang and Shambhala entities was not developed in a timely manner.
- Shambhala's volunteer Treasurer retired in mid-2017 after 15 years of service.
- Shambhala's Director of Finance was on leave or part time status for much of 2017 due to a family tragedy.
- Many local centers were facing financial challenges in 2017 and reduced their year end and Harvest of Peace Unified Giving transfers relative to previous years.
- *The Lost Art of Good Conversation* three-city North American book tour in late 2017 was projected to contribute net revenue to Shambhala Global Services, but instead a net loss had to be absorbed.
- In June 2018, Shambhala Mountain Center and Shambhala Online simultaneously ended transfers due to internal financial issues that had been slowly building in these divisions. Global Services revenue loss: \$138,000 USD annually.
- Some Shambhala Centres reduced their Unified Giving transfers to Global Services in July and August 2018. Global Services revenue loss: \$63,000 USD annually
- Some members ended their direct recurring monthly donations to Global Services and the Sakyong Potrang in July and August 2018. Global Services and Sakyong Potrang revenue loss: up to \$7,000 USD annually.

### **Responding to the Financial Crisis**

As cash flow projections became dire in January 2018, the outgoing Kalapa Council initiated a process to cut \$100,000 from the 2018 budget. Another round of cuts of approximately \$500,000 has been made in the past two months, to take effect between July 31 and October 31. The majority of these cuts have occurred within the Sakyong Potrang entities, including the positions of the Kalapa Councillors themselves, some of whom were paid, and the termination of much of the teaching, writing, and administrative support for the Sakyong.

Additional cuts are likely to be required in the coming months, depending on the health of local centers and groups' own finances, and their ability and desire to continue Unified Giving transfers. The most important variables are whether old and new members of Shambhala continue to donate to their local centres and to Shambhala Global Services, and whether participation rates hold steady in local Shambhala Centre programming.

The Treasury Council and Kalapa Council have also been exploring the possibility of asset sales since January 2018 as the scope of the cash crunch has become more evident. We have used short term strategies such as borrowing from our own restricted funds in order to have more time to analyze which assets have the best combination of value, liquidity, and minimized impact to the community. With insolvency months, and then just weeks away, a mortgage process was initiated on the Nalanda Translation Committee building as bridge financing. This loan has not been finalized, and every effort is being made to find other options to hold off insolvency.

The outgoing Kalapa Council is making every effort to leave as stable a financial situation as possible to the incoming Interim Board, at the same time as striving to delay decisions about potential asset sales.

The Kalapa Council members who sit on the Boards of Shambhala USA and Shambhala Canada Society will continue to hold fiduciary responsibility for these corporations until the Interim Board is seated on September 22, and they must do what is necessary to avoid defaulting on any obligations of the Shambhala Global Services divisions.

### **Finances and the Future**

From one perspective, the Shambhala financial model has basically worked. Over the past several decades, Shambhala Centers and Groups have opened all over the world, many real estate assets have been acquired, thousands of people have studied the dharma and taken longer retreats at land centers.

From another perspective, the model has always been tenuous. While the overall assets of the organization are growing, it seems that at every level — local centers, land centers, and the center of the mandala — there is constant pressure to find enough revenue to cover costs, let alone to grow. Despite the general upward trajectory, financial crises occur periodically throughout the system, and different entities have to compete for donors' interest and money. For members who have been around for decades, it may feel like there is little new about the financial side of what the community is going through right now.

The immediate goal of the current leadership is to create a more stable footing at the centre of the mandala through budget cuts and potentially asset sales. This will give the community and new leadership some time to explore how we can go forward together and how the financial model will evolve. How the finances will look in the future will depend on many things, including:

- Do Shambhalian still want to gather at their local centers to study, practice, and create community together? If so, are the Centers able to generate enough revenue through donations, dues and program income to be able to thrive?
- Do Shambhalian still want to gather at land centers for deep retreat? If so, for what programs, and how will the Sakyong's current step back from teaching impact the

financial models for those? Will the large international assemblies (Enlightened Society Assembly, Warrior Assembly, Sacred World Assembly, Scorpion Seal Assemblies, etc.) continue to be filled at the same size and frequency? If not, what programs can help make up that revenue for the land centers?

- What services do Shambhala Centers want to fund through Unified Giving transfers?
- What is the proper financial relationship between the Sakyong Potrang and the Shambhala entities going forward?
- How do we create proper management reporting, or even reorganize our entities, so that a more efficient and effective approach to finances is possible?

We look forward to your questions, and to continued exploration of these issues as we go forward as a community.

## Appendix

An appendix is available containing all financial statements from all Shambhala entities referenced in this report, including: Shambhala USA, Shambhala Canada Society, Sakyong Potrang USA, Sakyong Potrang Canada, Shambhala Mountain Center, Shambhala Europe, and Nalanda Foundation.

These files are available for Shambhala members to view. To access these files, [please click here](#).

*(Note: You will need to log in using your Shambhala Database credentials. If you encounter any issues, please contact [info@shambhala.org](mailto:info@shambhala.org)).*