



The Kalapa Council

Briefing on current finances **Challenges facing Shambhala Europe, Shambhala Mountain Center and** **the centre of the mandala** **January 2014**

This briefing provides current information on financial challenges facing three major entities in the Shambhala Mandala: Shambhala Europe, Shambhala Mountain Center and the centre of the mandala.

A summary of the current situation is outlined below, and there is a contact email address for each for further information and offers of assistance.

Shambhala Europe

Shambhala Europe, the central office for Shambhala in Europe, provides a variety of support services for the multilingual, multicultural, economically diverse European sangha. Shambhala Europe is funded primarily through a share of the revenue of the local European centres.

For multiple reasons the financial situation of Shambhala Europe has not been sustainable over many years. Since the beginning of 2012, work has been under way to sort out problems with the accounting procedures, which were very complex. A small team at Shambhala Europe has been working hard to sort out these problems and has managed to gain more understanding.

While that financial clarification was still under way, during the year 2012 Shambhala Europe operated with a loss of about 4,000 Euro per month, which was reduced to an average of 3,000 Euro per month or 36,000 Euro per year in 2013. One of the core financial challenges has been that the European centres have not been able to generate sufficient revenue to fully fund Shambhala Europe.

In comparison to the figures presented below for Shambhala Mountain Center and the Centre of the Mandala, the scale of the financial challenge it faces is not as great. Nonetheless, for Shambhala Europe, this is a significant and pressing issue with considerable impact throughout Europe.

The Shambhala Europe Leadership has been working on ways to eliminate the monthly shortfall. Negotiations are under way to reduce Shambhala Europe's office, so that it can rent out more space, providing more rental income. One member of the staff has been laid off.

The discussion on cutting costs is still in progress, and more measures to cut costs and increase income will be necessary. This will be a balance between necessary saving and enabling Shambhala Europe to continue serving the European Shambhala mandala. Shambhala Europe is also encouraging European centres to give more financial support to Shambhala Europe.

The aim is to establish a healthy positive cash-flow by spring 2014. In the meantime, Shambhala Europe will be asking Shambhala centres and individuals for loans to cover the debts accumulated over the past years.

Some members of the European Donor Group, on their recent meeting in November, signalled willingness to support this loan initiative. One of the conditions of the EDG's commitment is a clear plan on how Shambhala Europe would reach financial sustainability within the year 2014, and could pay back the loans in a reasonably short time starting in 2015.

If you wish to have more information or want to offer assistance, please consult the following document online: *The Financial Crisis of Shambhala Europe* <https://db.tt/mloZgOiF> . You are also welcome to directly contact the Kalapa Envoy to Europe, Christoph Schönherr at [<director@shambhala-europe.org>](mailto:director@shambhala-europe.org)

Shambhala Mountain Center

Shambhala Mountain Center generally meets 75% of its operating costs through program revenue, rentals and store sales. It relies on fund-raising to cover the rest of those costs, as well as to make payments on the bond that it undertook in order to build the Sacred Studies Hall, Shambhala Lodge and Rigden Lodge. It also relies on fund-raising to build the new water treatment system required by Larimer County. The combination of these three fundraising needs: operations, debt service and the wastewater project – has made the annual fundraising challenge about \$1,000,000 per year for the past several years.

2013 was different from recent years in several respects. Funds raised were approximately \$400,000. Annual debt service was \$300,000 less than usual because we were able to defer some bond payments following the 2012 fire. Early registrations for 2014 brought in \$100,000 more than usual. To close the gap for the year we used \$150,000 in cash reserves.

Our forecast for 2014 again shows the need to raise about \$1,000,000 to cover operations, debt service and the next phase of the waste water project – upgrading the collection system that transports the waste for downtown to the treatment plant. This project work was scheduled to begin in spring 2014 and we are in the process of requesting a six month delay in order to complete the fundraising for this next phase. Shambhala Mountain Center is working on grants to cover part of the project costs.

Last fall Wells Fargo bank, which handles the Shambhala Mountain Center account, asked for a meeting with our Chief Financial Officer, Deben Tobias. Three bank officers were present: a Vice-President from their Denver Credit Management Group, a Vice-President and Loan Adjustor from the Credit Management Group stationed in Fort Collins, and a Business Relationship Manager from the Boulder office.

They acknowledged that our cashflow may not be sufficient to cover operations, the debt service and the next phase of the new water treatment system. The discussion covered a possible re-structuring of the bond and all other debt currently held by Shambhala Mountain Center. They want to avoid seeing us default or go into non-performing loan status. We will continue to explore options with the bank in the coming months.

In parallel with this, Shambhala Mountain Center is trying to build a sense in the community of the cross roads at which they find themselves. Shambhala Mountain Center has been on the edge for years - paying bills with future revenues, no cash reserves, working to resolve non-compliance with building code and wage codes, and so on.

To address these issues the leadership at Shambhala Mountain Center has assembled a team of senior managers and governing council members with operational and financial expertise. The goal is to fundamentally change the culture and professional and business conditions, while carefully managing the way through the next few years, which will continue to be very challenging. We believe our new team makes us better positioned to improve our operating revenue and work towards a more sustainable model for funding operations.

One of the ongoing challenges Shambhala Mountain Center faces is the accumulation of deferred repairs and maintenance. A good example of all this is Shambhala Mountain Center's kitchen and dining building. The makeshift and partial repairs applied over the years were no longer sufficient and Shambhala Mountain Center needed to redo the roof, insulation, interior ceiling and dishroom floor. The Shambhala Trust very generously funded the work. Each year we will have similar items requiring attention.

One of the questions that gets raised periodically about Shambhala Mountain is this: Are we going bankrupt? The short answer is that the value of the property far exceeds the amount of debt we are carrying, and our net assets (total assets minus loans and liabilities) at the end of 2012 were over \$6,000,000. But we do have a considerable challenge to manage our yearly cash flow to ensure that we bring in enough revenue each year to cover operations, debt service, completion of the wastewater project, and required maintenance to the facilities. Our team has identified the structural problems that result in a chronic liquidity crisis and we are developing a strategic plan to address the issue, which will probably take three years to fully implement. We will be sharing this plan with the sangha over the course of this year.

If you wish to have more information or want to offer assistance, please contact Michael Gayner: mgayner@shambhalamountain.org

Centre of the Mandala

This term is used to refer to the main elements included in Shambhala's international budget: support for the Sakyong and Sakyong Wangmo, their work, and the core services that sustain our centres, groups and members.

Since 2011 we have invested in a number of new services needed to advance the Sakyong's vision and to better support the mandala. This included the Executive Director, the Director of Centre and Group Support, the Kalapa Acharya, the Kasung Executive Officer and an additional editor to work with the Sakyong's writing. While revenue for the centre of the mandala has grown during this period, it has not been sufficient to keep pace with expenses, and the amount needed from fundraising has been very challenging to raise. This is one of the many factors moving us to Unified Giving. The roll out for that began in November 2013, and is expected to begin to ease our fundraising needs in 2014.

2013 Summary (updated from what was posted in the fall)

*The total amount of the international budget for 2013 is: **\$1,492,558***

<i>This is what we receive from recurring donations:</i>	<i>\$422,600</i>
<i>This is what the Shambhala Centres transfer:</i>	<i>\$392,300</i>
<i>International programs and other funding provides:</i>	<i><u>\$117,600</u></i>
<i>That's a total, before fund-raising, of:</i>	<i>\$932,500</i>

The rest of the funds need to be raised through our fund-raising efforts:

<i>This is what we raised in our Shambhala Day campaign:</i>	<i>\$290,000</i>
<i>This is what we raised in our "Give-a-day" campaign:</i>	<i>\$ 63,000</i>
<i>This is what we project from the year-end campaign:</i>	<i><u>\$125,000</u></i>

*This leaves a 2013 shortfall of: **\$82,058***

The shortfall will be covered by our remaining lines of credit, but this needs to be repaid in early 2014 in order to provide modest credit reserves for managing cash flow.

2014 Summary

For the past several years we have borrowed to cover our year-end operating shortfall, but this approach cannot be continued beyond 2013.

At present expense and revenue rates, we would have a gap of \$600,000 in 2014, plus the carry forward shortfall from 2013. We know from experience this is too large a burden to place on fundraising. Unified Giving is likely to increase our monthly revenue from the centres significantly, but not soon enough to maintain our current spending levels. We are exploring alternatives for new revenues, but are preparing to make expense cuts if need be to keep expense in line with revenue projections.

If you would like additional information, please contact Connie Brock:
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