Dear Friends,

I am very pleased that you all have been inspired to become patrons of Buddhism. Milarepa said that the merit accumulated by the practitioner and the merit accumulated by the sponsor are the same. The Endowment for Monastic Education guarantees that the monastic tradition at the Dzongsar Institutes will continue and that all the basic needs of at least 700 students will be covered for as long as the Endowment exists. I cannot guarantee that all the graduates of the Institutes will become egoless, selfless individuals, or that they will conquer all their negative emotions, but I am very sure that at least one of them will become a selfless being. Do not underestimate the value of one such individual. One person can influence millions of beings. HH the Dalai Lama alone has made an impact on so many people. The purpose of Khyentse Foundation supporting monastic institutions is to produce such individuals – scholars and teachers who positively influence the world.

Your contributions are drops in the ocean that is the Endowment. They have a ripple effect. The Endowment supports hundreds of practitioners. Out of those hundreds, one emerges. This individual is sent out into the world where, through wisdom and compassion, he or she inspires hundreds and thousands more.

I have an aspiration that Khyentse Foundation follow the footsteps of great patron kings of Buddhism such as Ashoka of India and Trisong Detsen of Tibet. Khyentse Foundation’s aim is to become an on-going patron of Buddhism. In this sense, the Foundation’s job is just beginning and there is still very much that needs to be done. It is not something that we will finish within this decade. I don’t think our job will ever finish. The progress made by Khyentse Foundation is a group effort. Thank you for being a part of this group. Khyentse Foundation’s many beneficiaries and volunteers count on your continued support.

Enjoy the year of the wood rooster,

Dzongsar Jamyang Khyentse
Dear Friends of Khyentse Foundation,

It is with great pleasure that I bring to you the Annual Report 2004, celebrating the third anniversary of Khyentse Foundation.

**Endowment for Monastic Education**

In 2004, we reached a major milestone by accomplishing our initial fund-raising goal of US$2.8 million to establish the Endowment for Monastic Education. The fund will provide ongoing support for 700 monks, nuns, and students in the various Khyentse institutes and monasteries in Tibet, India, and Bhutan. It was through the generosity of close to five hundred donors from over twenty countries, including eighty recurring donors in our Matching Funds Program, that we were able to achieve this vital objective.

In November of last year, His Holiness Dalai Lama presided over the inauguration of the new Chökyi Lodrö College of Dialectics (CLCD) in Northern India. CLCD will receive much-needed operating support for its students, administration, and faculty from Khyentse Foundation. The Foundation also provides for the needs of Khyentse Rinpoche’s institute in Tibet. The rigorous programs at these institutes are recognized for their ability to train scholars who are able, in turn, to make the Buddha’s teachings available to many others, both in Asia and in the West.

During this past year, the Investment Committee, led by Chair Isabel Pedrosa, has worked hard to diversify our portfolio in an attempt to generate higher income while maintaining a prudent balance. In 2004, our portfolio generated a total average return of 11%, surpassing our expectations. (See Report from the KF Investment Committee for details.)

Even though almost all the funding since our inception has gone into establishing the Endowment Fund, much progress has been made in the Foundation’s other projects as well.

**Publications**

The Foundation contributed to the preservation of Tibetan and Pali texts by supporting the work of the Tibetan Buddhist Resource Center (TBRC) in the United States and the Fragile Palm Leaves Foundation in Thailand. Khyentse Foundation, TRBC and the Bodhi Foundation collaborated in creating a pilot program to establish digital libraries of Tibetan Buddhist texts at CLCD and the Chökyi Gyamtso Institute in Bhutan. This innovative project will ultimately allow students at these institutes to download and print texts that would otherwise not be available to them.

Efforts are under way to seek funding for further software development and the establishment of print-on-demand facilities so that these digital archives can be readily available to khenpos, students, and scholars from other centers and monasteries.
The Foundation continued to publish original commentaries based on Rinpoche’s teachings and to make them available to students as free digital downloads upon formal request. Over 2,000 students have received or downloaded Rinpoche’s commentary on Chandrakirti’s Madhyamakavatara and the Longchen Nyingtik Ngöndro, and requests continue to come in every day from all over the world.

**Scholarships**

With limited appropriation for scholarships this year, the Foundation supported several students for three-year retreats; offered a language scholarship to a western student whose goal is to become a translator; offered scholarships for attendance at Rinpoche’s Madhyamika teachings; and sponsored Cambodian monks to study English and Theravada Buddhism in Thailand. We have received many more requests for financial aid than we have been able to fulfill, and we hope to expand our ability to offer scholarships of various kinds in the future.

**Buddhist Schools for Children**

While Vajradhara Gonpa in Australia continues with its successful Siddhartha’s School Children’s Days program, Brazil joined Australia and Germany in initiating programs to train teachers of Buddhism. The Foundation is now working jointly with Chagdud Gonpa in Brazil to develop a curriculum for teachers that could ultimately form the basis of a Buddhist school for children.

**Endowed Chair in Buddhist Studies**

Based on the recommendation of KF advisor Gene Smith and the findings of the working committee, the Board of Directors decided that the Khyentse Foundation Endowed Chair in Buddhist studies should be established at the University of California, Berkeley. The Foundation is now seeking a sponsor to fund this million-dollar endeavor, which will make the authentic teachings of the Buddha accessible to many sentient beings for generations to come. Initial discussions are taking place with several interested parties.

**Other Initiatives**

Because it is our mission to follow the footsteps of the great patrons of Buddhism, Khyentse Foundation is positioning itself as a supporter, a catalyst, and an incubator of innovative and meaningful efforts to spread the Buddha’s teachings. To this end, a Grants Review Committee, personally chaired by Khyentse Rinpoche, was established this year. The committee will review applications for funding and will determine the Foundation’s level of involvement in projects submitted for our consideration. Special working groups, drawing on the expertise of a number of individuals in the international sangha, were formed to work on different projects. (See the Khyentse Foundation Team List.)
**COMMUNICATION**

Although the Foundation is a very young organization, we already have representatives serving as spokespeople and coordinators in thirteen countries. The growth in each country is organic because the activity level very much depends on the resources and support of the local sangha.

In view of the international nature of the Foundation, communication is a major challenge. Much effort has been made to facilitate the flow of information among those in the KF community. Through the hard work of Communications Director Noa Jones, we have continued to publish a quarterly newsletter that enables us to keep people around the world informed about the Foundation’s activities.

In 2004, we revamped our website, www.khyentsefoundation.org, which now serves as an important information center as well as a practical and efficient tool to distribute texts, receive donations, operate our on-line shopping gallery, and more. We continue to explore effective ways to improve communication among ourselves and with the communities that we serve.

**LOOKING INTO THE FUTURE**

Following the tradition of Rinpoche’s previous incarnations, Khyentse Foundation is a truly nonsectarian and all-encompassing organization. Our support goes to all students and practitioners of Buddhism, Tibetan and non-Tibetan, lay and monastic, eastern and western, in the Hinayana, Mahayana, and Vajrayana schools of Buddhism. Despite the growing complexity of its operations, the Foundation continues to be a volunteer organization that depends entirely on the generosity of our donors and supporters. It is our intention to continue to keep our administrative expenses to a minimum.

Now that we have completed the first phase of our funding goal, we are moving forward to concentrate our efforts on establishing the publication and scholarship funds. In order to fulfill our mission to establish a system of patronage that supports institutions and individuals engaged in the study and practice of Buddha’s vision of wisdom and compassion, we will need your help so that we can continue the work we have begun.

I would like to take this opportunity to thank Khyentse Rinpoche for his inspiration and guidance, all our donors for their generosity, and the entire Khyentse Foundation team for their time and effort in moving the Foundation forward.

May the Foundation’s activities benefit all beings!

In the Dharma,

Cangioli Che
Executive Director, Khyentse Foundation
The Investment Committee is happy to announce that the investment goals of the Khyentse Foundation Endowment for Monastic Education were surpassed in 2004. The Endowment returned 11%, a total gain of US$ 214,044. At year-end 2004, total assets amounted to approximately $2.9 million.

In order to cope with the challenging economic outlook for the United States, where our assets and the Foundation are based, but keeping in mind that our commitment is for long-term capital preservation with disbursements in different currencies, the Investment Committee made several tactical changes to the asset allocation.

By mid-year we started to look into a possible diversification of assets into different currencies, in order to reduce the exposure to the weakening US dollar. We also considered moving from a balanced mix of 50% fixed income and 50% equities to a more flexible asset allocation. This move will require some changes in the guidelines that were approved by the Foundation’s board in June 2004. Taking advantage of the positive stock market, we finished 2004 with an asset mix of 40% bonds, 50% equities, and 10% cash. This mix, however, did change considerably during the year.

The weakening of the US dollar is still one of our main concerns. The current US trade deficit, the government deficit, the budget deficit, and the political decisions should keep driving the US market, and we do not foresee a potential recovering of the currency for the short term. Therefore, we will keep our focus in investments that can offer us a positive return and a “hedge” against the weak US dollar. Combined with this scenario, the necessary increases in interest rates by the US Federal Reserve should continue to drive us away from US bonds.

The following section highlights a few of our investment highlights over the past year:

**Fixed Income**

The US fixed income portfolio was composed of corporate bonds (50%), agency bonds (37%), and US treasury notes (9%), with a weighted average rating of AA and an average current yield of 5%. We have added to the portfolio a position in Cia Vale do Rio Doce (CRVD), the largest iron ore company in the world, which produces the natural resource necessary for the production of steel. This company represents a diversification from US bonds. Our current holding of CVRD is only 4% of the total portfolio, or 8.5% of the bonds portfolio, and it returned 3.4% in 2.5 months.

The average annualized return since inception in July 2002 on the fixed income portfolio (including cash balances) was 3.9%. This represents a worse than expected performance for the US bonds portfolio in the year 2004.
**Equities**

For more than half of the year, the equity portfolio was composed of only two mutual funds: a stock fund (composed of US companies) and an international stock fund. The larger exposures in these funds were Materials, Consumer Discretionary, Financial, and Energy. The diversification came around September when we included a Japan stock index, some Energy Trust Units traded in Canadian dollars, and an India fund. The percent allocation at year-end 2004 was stock fund (34%), international fund (46%), Japan index (4%), Canadian Energy Trust Units (7%), and India fund (8%).

Based on net asset value data, returns for the stock and international funds for the year 2004 were 13% and 32% respectively. Returns from the date of the Foundation’s initial investment in September in the Japanese index, the Energy Trusts, and the India fund were 11%, 6%, and 23% respectively.

**Overall Performance**

The aggregate investment portfolio is now composed of a mix of 40% bonds, 50% equities, and 10% cash. The cumulative capital invested since the Endowment Fund’s launch in July 2002 totaled US$2,816,000 as of January 21, 2005, originating primarily from donations received.

The Committee anticipates that a variable asset mix will be necessary to maintain the current performance vis-à-vis the very unstable global economy in the short-term. The group’s strategy will continue to reflect a conservative yet responsive approach to managing the Endowment Fund, based on the Investment Guidelines approved by the Khyentse Foundation Board, a copy of which is available upon request.

Prepared and submitted by KF Investment Committee:

Isabel Pedrosa (Chair)

Amelia Chow
Valerie Chou
Marco Noailles
Angie Tsai
January 25, 2005
## KHYENTSE FOUNDATION
### SUMMARIZED AUDITED FINANCIAL STATEMENTS

#### STATEMENT OF FINANCIAL POSITION

**June 30, 2004**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>USD 624,883</td>
</tr>
<tr>
<td>Investments</td>
<td>1,953,329</td>
</tr>
<tr>
<td>Pledges receivable, net of allowance for</td>
<td></td>
</tr>
<tr>
<td>Unfulfilled pledges and discounts to present value</td>
<td>380,353</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>2,958,565</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>2,198</td>
</tr>
<tr>
<td>Grants Payable</td>
<td>65,500</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>67,698</td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>2,510,513</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>380,354</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>2,890,867</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>2,958,565</strong></td>
</tr>
</tbody>
</table>

#### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2004

<table>
<thead>
<tr>
<th>REVENUES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$2,627,829</td>
</tr>
<tr>
<td>Less discount on long-term receivables</td>
<td>(1,037,787)</td>
</tr>
<tr>
<td>Less receivables reserve expense</td>
<td>(838,511)</td>
</tr>
<tr>
<td><strong>Net Contributions</strong></td>
<td>751,531</td>
</tr>
<tr>
<td>In-kind donations</td>
<td>8,681</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>88,157</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>20,118</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>46,205</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>914,692</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Grants:</td>
<td></td>
</tr>
<tr>
<td>Monastery Support</td>
<td>50,000</td>
</tr>
<tr>
<td>Publications and text preservation</td>
<td>23,000</td>
</tr>
<tr>
<td>Scholarships</td>
<td>44,490</td>
</tr>
<tr>
<td>Other expenses in support of programs</td>
<td>19,736</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td>137,226</td>
</tr>
<tr>
<td>Management</td>
<td>7,516</td>
</tr>
<tr>
<td>Fundraising</td>
<td>4,734</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>149,476</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>765,216</td>
</tr>
<tr>
<td>Net assets – beginning of year</td>
<td>2,125,651</td>
</tr>
<tr>
<td>Net assets – end of year</td>
<td>2,890,867</td>
</tr>
</tbody>
</table>

A full set of the Audited Financial Statements is available upon request.

“We have the aspiration to become a major patron of Buddhism. We are providing alms in the form of endowments and assets according to the conventions of today. The world is changing, the method is not exactly as it was 2500 years ago, but this is the modern day equivalent.”

Dzongsar Khyentse Rinpoche
Khyentse Foundation Team List
(as of December 31, 2004)

CHAIRMAN OF THE BOARD OF DIRECTORS
Dzongsar Jamyang Khyentse Rinpoche

ADVISORS
Richard Dixey
William McKeever
Gene Smith

BOARD OF DIRECTORS
Cangioli Che
Amelia Chow
Lisa Davison
Florence Koh
Barbara Ma
Marco Noailles
Christian Rhomberg
Phuntsho Tobgyal
Penelope Tree
Angie Tsai
Pema Wangchuk
Malcolm Watson

FUND RAISING COMMITTEE
Penelope Tree - Co-chair
Noa Jones - Co-chair
Jain Feng
Florence Koh
Mazy Kwong
Stephanie Lai
Alysia Lee
Nancy Lee
Lesley Ann Patten
Doris Wolter
Kris Yao
Yong Siew Chin

INVESTMENT COMMITTEE
Isabel Pedrosa - Chair
Valerie Chou
Amelia Chow
Marco Noailles
Angie Tsai

GRANTS DEVELOPMENT COMMITTEE
Sydney Jay - Chair
Chris Jay
Ryan Lee
Yinwah Ma
Isaiah Seret

GRANTS REVIEW COMMITTEE
Dzongsar Khyentse Rinpoche - Chair
Luc Dierckx
Steven Goodman
Ron Stewart

BENEFICIARY LIAISON COMMITTEE
Marco Noailles
Phuntsho Tobgyal
Pema Wangchuk
Malcolm Watson

TEXT EDITORS AND TRANSLATORS
Steve Cline
Chanel Grubner
Jampa C. Lecardonnel
Jakob Leschly
Jimmy Ma
Alex Trisoglio
Albert Wongchirachai

COUNTRY REPRESENTATIVES
Australia
Kathie Chodron
Jill Robinson

Brazil
Consuelo Peña.
Manoel Vidal

Canada
Amelia Chow
Lesley Patten

Germany
Arne Schelling
Doris Wolter

Hong Kong
Florence Koh
Alysia Lee

India
Pema Wangchuk

Indonesia
Loekito Hidajat

Malaysia
Yong Siew Chin

Singapore
Cheau Ho
Lee Kwang-boon

Switzerland
Marie Crivelli

Taiwan
Jain Feng
Kris Yao

UK
Penelope Tree

USA
Cangioli Che
Linda Coelln
Noa Jones
EXECUTIVE COMMITTEE
Cangioli Che - Executive Director
Lisa Davison - Secretary
Marco Noailles - Treasurer

EXECUTIVE OFFICE
Noa Jones - Communications Director
Isaiah Seret - Program Development
Jakob Leschly - Editor
Kelly Roberts - Art Director
Jesse Wood - Copy Editor
Michelle Tsao - Accounting Manager
Margaret Sablatnig - Database Manager
Alex Trisoglio - KF Fellow
Dave Zwieback - Web Master
Helen Jackson Jones - Benefits Gallery Manager

CONSULTANTS
Ivy Ang - Strategic Planning
Christopher and Sydney Jay - Executive Coaching

LEGAL COUNSEL
Alexander Halpern LLC
Boulder, Colorado, USA

AUDITORS
Gregg Associates, PC
Portland, Oregon, USA
Attention: Beth Bown

WORK GROUPS
BUDDHIST SCHOOLS FOR CHILDREN
Noa Jones - Project Coordinator
Australia: Ari Summa
Eva Thomas
Kathie Chodron
Meg Hui
Jill Robinson

Chökyi Lodrö College of Dialectics, India
Amelia Chow - Project Coordinator
Lama Sonam Phuntsok - CLCD Liaison
Pema Wangchuk - India Liaison
Dr. Rob MacLachlan - Medical Services
Faculty Panel - Computers and Technology
Hugo Croci
Arne Schelling
Ron Stewart
Isabel Pedrosa
Faculty Panel - English
Chanel Grubner
Pema Maya
Jason Sanche
Lama Shenphen

DIGITAL LIBRARY
Isaiah Seret, Project Coordinator
Gene Smith
David Lunsford
Sydney Jay
Ron Stewart
Tsewang Gyurmey, Yashodhara Publishing
Chökyi Lodrö College of Dialectics Liaisons
Lama Sonam Phuntsok
Sonam Tenzin
Tulku Ngawang Tsepa
Chökyi Gyamtso Institute Liaisons
Ugyen Thrinley
Ugyen Wangchuk

ENDOWED CHAIR IN BUDDHIST STUDIES
Sydney Jay, Chair
Amelia Chow
Lisa Davison
Ryan Lee
Isaiah Seret