FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

DECEMBER 31, 2012

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees The Tibet Fund

Report on the Financial Statements

We have audited the accompanying financial statements of The Tibet Fund which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or errors.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Tibet Fund as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Tibet Fund taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013 on our consideration of The Tibet Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in considering internal control over financial reporting and compliance.

Loub: Tropa CLP

July 12, 2013



STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012 (With Summarized Financial Information for the Year Ended December 31, 2011)

	_	2012	_	2011
ASSETS				
Cash and cash equivalents Investments (Note 3) Prepaid expenses and other assets	\$	1,740,533 2,965,508 225,528	\$	3,596,241 2,681,938 63,918
Fixed assets - net (Note 4)		498,162		513,456
Total assets	\$_	5,429,731	\$_	6,855,553
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses Refundable advances (Note 2) Due to Dalai Lama Trust (Note 7)	\$	22,276 296,526	\$	35,518 366,237 1,712,622
Total liabilities	_	318,802		2,114,377
	_	310,002	_	2,111,377
Net assets (Exhibit B) Unrestricted Temporarily restricted (Note 5)		4,177,728 933,201		3,962,170 779,006
Total net assets	_	5,110,929	_	4,741,176
Total liabilities and net assets	\$	5,429,731	\$	6,855,553

See independent auditor's report.

THE TIBET FUND

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012 (With Summarized Financial Information for the Year Ended December 31, 2011)

				Temporarily	Total				
	1	<u>Unrestricted</u>	_	Restricted	_	2012		2011	
Revenues, gains and other support									
Public support and revenues									
U.S. federal grants	\$	3,301,611			\$	3,301,611	\$	2,975,765	
Special events		226,962				226,962		308,891	
Less direct expenses of special events		(26,334)				(26,334)		(23,702)	
Contributions		241,562	\$_	1,128,076		1,369,638		2,272,113	
Total public support and revenues		3,743,801	_	1,128,076		4,871,877		5,533,067	
Other revenues									
Interest and dividends		99,148				99,148		90,648	
Realized and unrealized gain on investments - net		154,713				154,713		3,271	
Rental income (Note 2)		37,375				37,375		33,845	
Miscellaneous income	_	1,809				1,809		10,550	
Total other revenues		293,045				293,045		138,314	
Net assets released from restrictions (Note 5)		973,881	_	(973,881)					
Total revenues, gains and other support		5,010,727	_	154,195		5,164,922		5,671,381	

⁻continued-

THE TIBET FUND

EXHIBIT B

-2-

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012 (With Summarized Financial Information for the Year Ended December 31, 2011)

				Temporarily		T	otal	tal		
	1	Unrestricted		Restricted		2012		2011		
Expenses (Exhibit C)										
Program services										
Humanitarian assistance	\$	2,541,780			\$	2,541,780	\$	2,085,557		
Education and scholarship		1,061,444				1,061,444		1,282,511		
Cultural and religious preservation		172,666				172,666		2,209,599		
Economic and community development		428,557				428,557		127,594		
TAP		61,442				61,442		135,352		
Health care	_	132,119				132,119		153,127		
Total program services		4,398,008				4,398,008		5,993,740		
Supporting services										
Management and general		213,943				213,943		261,947		
Fund raising	_	183,218				183,218		253,514		
Total supporting services	_	397,161				397,161	_	515,461		
Total expenses	_	4,795,169				4,795,169		6,509,201		
Change in net assets (Exhibit D)		215,558	\$	154,195		369,753		(837,820)		
Net assets - beginning of year	_	3,962,170	_	779,006		4,741,176		5,578,996		
Net assets - end of year (Exhibit A)	\$	4,177,728	\$	933,201	\$	5,110,929	\$	4,741,176		

See independent auditor's report.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012 (With Summarized Financial Information for the Year Ended December 31, 2011)

				P	rogram Services					Supporting	Services				
			Education	Cultural	Economic and		TT 1/1		Management	ъ 1	g 11			TD. 4	•
		lumanitarian Assistance	and Scholarship	and Religious Preservation	Community Development	TAP	Health Care	Total	and General	Fund Raising	Special Events		Total	7ota 2012	2011
Salaries	\$	43,919 \$	82,792	\$ 17,537	\$ 17,538 \$	17,416 \$	6,235 \$	185,437 \$	60,576 \$	93,608		\$	154,184 \$	339,621 \$	440,725
Fringe benefits and payroll taxes	_	8,379	10,884	4,806	4,807	3,671	1,174	33,721	16,005	32,782			48,787	82,508	99,297
Total salaries and															
related expenses		52,298	93,676	22,343	22,345	21,087	7,409	219,158	76,581	126,390			202,971	422,129	540,022
Grants and contributions		2,467,899	371,124	148,884	404,816	39,647	124,002	3,556,372						3,556,372	4,912,601
Student support			591,742					591,742						591,742	775,663
Professional fees		13,707	3,463					17,170	22,298	10,300			32,598	49,768	89,294
Office expenses		935	935	935	935	468	468	4,676	8,762	2,403			11,165	15,841	7,205
Telephone		49	49	49	49	24	24	244	4,454	1,986			6,440	6,684	6,248
Postage and shipping		57	57	57	57	28	28	284	5,373	4,444			9,817	10,101	14,429
Occupancy		230	230	230	230	115	115	1,150	21,810				21,810	22,960	14,325
Insurance		91	91	91	91	46	46	456	8,666				8,666	9,122	11,349
Printing		14	14	14	14	7	7	70	1,332	9,251			10,583	10,653	20,888
Travel and lodging		6,437						6,437	4,497	2,531			7,028	13,465	19,019
Meals and entertainment		43	43	43				129	2,313	609			2,922	3,051	525
Training and conference									90				90	90	
Investment expense									37,307				37,307	37,307	44,056
Equipment and information															,
technology		20	20	20	20	20	20	120	1,059	7,902			8,961	9,081	6,206
Catering and facilities		20	20	20	20	20	20	120	1,000	,,>02 \$	26,334		26,334	26,334	23,702
Depreciation									19,401	Ψ	20,33 .		19,401	19,401	19,260
Miscellaneous									17,101	17,402			17,402	17,402	28,111
Misceriancous	_									17,402		_ —	17,402	17,402	20,111
Total expenses		2,541,780	1,061,444	172,666	428,557	61,442	132,119	4,398,008	213,943	183,218	26,334		423,495	4,821,503	6,532,903
Less expenses deducted directly															
from revenues on the statement															
of activities	_										(26,334)		(26,334)	(26,334)	(23,702)
Total expenses reported															
by function on the															
statement of activities															
(Exhibit B)	\$	2,541,780 \$	1,061,444	\$ 172,666	\$ 428,557 \$	61,442 \$	132,119 \$	4,398,008 \$	213,943 \$	183,218 \$	-	\$	397,161 \$	4,795,169 \$	6,509,201
	=											_			

See independent auditor's report.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	=	2012	_	2011
Cash flows from operating activities				
Change in net assets (Exhibit B)	\$	369,753	\$	(837,820)
Adjustments to reconcile change in net assets to net		,		
cash provided by operating activities				
Net unrealized and realized gain on investments		(154,713)		(3,271)
Depreciation		19,401		19,260
Donated securities				(23,053)
Decrease (increase) in assets				
Government agencies' receivables				59,384
Accrued interest and other receivables				1,225
Prepaid expenses and other assets		(161,610)		(27,745)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses		(13,242)		7,018
Refundable advances		(69,711)		58,377
Due to Dalai Lama Trust	_	(1,712,622)	_	(463,668)
Net cash used by operating activities	_	(1,722,744)	_	(1,210,293)
Cash flows from investing activities				
Purchase of investments		(1,157,544)		
Proceeds from maturity and sales of investments		1,028,687		120,591
Fixed asset acquisitions	-	(4,107)	_	(4,473)
Net cash provided (used) by investing activities	_	(132,964)	_	116,118
Net change in cash and cash equivalents		(1,855,708)		(1,094,175)
Cash and cash equivalents - beginning of year	_	3,596,241	_	4,690,416
Cash and cash equivalents - end of year	\$_	1,740,533	\$_	3,596,241

See independent auditor's report.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION

The Tibet Fund (the "Fund"), a nonprofit tax-exempt organization, provides a reliable and effective way for donors in North America and internationally to aid the approximately 120,000 Tibetan refugees living in India, Nepal, and Bhutan and thousands of disadvantaged Tibetans in Tibet. Since its formation in 1981, the Fund has supported a myriad of institutions and programs, with an emphasis on education, health, economic and community development, and religious and cultural training as a means to sustain the Tibetan way of life, language, traditions, and identity. The Fund receives the majority of its revenues from the U.S. Government, foundations and individual donors. The following primary programs and supporting services are included in the accompanying financial statements:

Humanitarian Assistance

The Fund supports rehabilitation and resettlement programs and services for newly arrived refugees fleeing from Tibet each year. This assistance includes temporary shelter, medical care, food and clothing, and placement in schools, traditional learning centers and elder homes. To ensure long-term sustainability of the refugee community, the Fund supports schools for refugee children, health care, and vocational and professional skills training. The Fund seeks sponsorships for destitute children and the elderly and provides emergency relief from natural disasters affecting Tibetans in exile and in Tibet.

Education and Scholarship

Since 1988, the Fund has administered yearly grants from the United States Department of State, Bureau of Educational and Cultural Affairs for the Tibetan Scholarship Program, which enables Tibetan refugee students and scholars to earn Master's degrees and one-year certificates at colleges and universities in the United States. The Fund also supports a professional scholarship fund for Tibetans enrolled in post-graduate degree programs in India and Nepal, and supports higher education scholarships in Tibet to enable impoverished Tibetans to secure their economic futures. Starting in 2012, the Fund administered a two-year grant from the United States Agency of International Development, USAID/India for the Tibet Education Project (TEP) to strengthen the Tibetan education system in innovative, replicable ways that equip young Tibetans to succeed in modern professions, become strong and visionary leaders, and thrive in the global economy while sustaining their unique identify and culture.

Cultural and Religious Preservation

The Fund works to sustain the distinct religious and cultural traditions of the Tibetan people by supporting Tibetan arts and cultural organizations, library, media, film and publishing projects, and programs that promote Tibetans' religious, cultural and human rights aims. In addition, the Fund facilitates sponsorships for students in traditional learning centers located in the refugee settlements in India and Nepal.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION (continued)

Economic and Community Development

The long-term survival of Tibetan identity and way of life depends upon a vibrant and cohesive refugee settlement system. The Fund supports a wide range of programs that strengthen community and human resources, including economic and cooperative development; employment generation; and vocational and professional training; housing; infrastructure and communal buildings; organic agriculture; and renewable energy projects.

<u>Tibet Assistance Program (TAP)</u>

In Tibet, under its Tibet Assistance Program, the Fund supports grass-roots organizations that treat and prevent blindness, house and educate orphans, provide relief from natural disasters and promote long-term economic and community development.

Health Care

The Fund supports health care and sanitation programs for newly arrived refugees and tens of thousands of long-term residents in the Tibetan settlements and scattered communities in India, Nepal, and Bhutan. These programs include TB and HepB control and treatment, leprosy and disabled services, maternal and child health, water and sanitation infrastructure, rainwater harvesting, essential drugs, medical equipment, professional skills training for health workers and public health training on topics such as HIV/AIDS and substance abuse, and the development of a Health Information System.

The Tibet Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents - Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Investments - Investments are recorded at fair value. The Fund invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Fund's financial statements.

Fixed assets - Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Fund capitalizes items with a cost in excess of \$500 with an estimated useful life of greater than one year.

Net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those net assets whose use has been limited by donors to a specific time period or purpose.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government grants - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Revenues from government contracts are subject to audit and negotiations between the Fund and the government agencies. Management is of the opinion that final settlement of current-year contracts will not have a material effect on the financial statements. Unexpended receipts at the end of the year are reflected as refundable advances.

Rental income - Rental income is recognized based on monthly charges. No formal lease exists.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions - Grants and contributions are recorded when approved by management and the Board of Trustees.

Functional reporting - The costs of providing the Fund's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior-year summarized information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2012 as compared to 2011.

Exchange Traded Funds (ETF), bonds and equity securities - Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Fund believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See Note 3 for the table that sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2012.

Uncertainty in income taxes - The Fund has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2009 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through July 12, 2013, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 3 - INVESTMENTS

	Level 1 Fair Value	
ETF		
Basic materials	\$ 49,110	
Financial	46,632	
Industrial goods	37,114	
Utilities	37,856	
Equities		
Basic materials	389,772	
Conglomerates	54,960	
Consumer foods	115,578	
Financial	136,786	
Healthcare	115,848	
Industrial goods	132,978	
Services	95,367	
Technology	369,473	
Utilities	63,651	
Bonds		
Corporate	662,493	
Foreign	65,822	
U.S. federal agency	541,068	
Municipal	51,000	
	\$ <u>2,965,508</u>	

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 4 - FIXED ASSETS

		Estimated Useful Lives
Land	\$ 165,000	
Building and improvements	702,209	40 years
Equipment, furniture and fixtures	27,149	5-7 years
	894,358	
Accumulated depreciation	(396,196)	
	\$ <u>498,162</u>	

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Economic and community development program	\$ 184,082
Cultural and religious preservation	47,039
Education and scholarship program	314,793
Health care program	373,085
TAP program	 14,202
	\$ 933,201

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following:

Economic and community development program	\$ 405,357
Cultural and religious preservation	148,884
Education and scholarship program	255,991
Health care program	124,002
TAP program	 39,647
	\$ 973,881

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 6 - CONCENTRATIONS

Financial instruments which potentially subject the Fund to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

For the year ended December 31, 2012, the Fund received approximately 96% of government grants from the United States Department of State.

NOTE 7 - DUE TO DALAI LAMA TRUST

There was a transfer of funds to the Dalai Lama Trust of accumulated contributions of royalties and other donations that were restricted for cultural and religious preservation. The Dalai Lama Trust is a 501(c)(3) charitable organization. As of December 31, 2012, there was no amount due to the Dalai Lama Trust.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. Department of State			
Overseas Refugee Assistance Program for			
Near East and South Asia	19.519	SPRMCO-11-CA-101 \$ SPRMCO-12-CA-1055	1,170,807 1,333,202
Total Overseas Refugee Assistance			
Program for Near East and South Asia			2,504,009
Academic Exchange Programs -			
Special Academic Exchange Programs	19.011	S-ECAAE-11-CA-015	(152)
	19.011	S-ECAAE-11-CA-005	271,736
	19.011	S-ECAAE-12-CA-012	303,210
	19.011	S-ECAAE-13-CA-009	83,666
Total Academic Exchange Programs -			
Special Academic Exchange Programs			658,460
Total U.S. Department of State			3,162,469
Agency for International Development			
USAID Foreign Assistance for Programs Overseas	98.001	AID-386-A-12-00007	139,142
Total Agency for International Development USAID Foreign Assistance for Programs			
Overseas			139,142
Total expenditures of federal awards		\$	3,301,611

See independent auditor's report.

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Tibet Fund under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of The Tibet Fund, it is not intended to and does not present the financial position, changes in net assets or cash flows of The Tibet Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - PAYMENTS TO SUBRECIPIENTS

There were no payments made to subrecipients that were U.S. charitable organizations for federal awards received during the year ended December 31, 2012. Of the federal expenditures presented in the Schedule, The Tibet Fund provided federal awards to a foreign subrecipient organization as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Overseas Refugee Assistance Program for Near East and South Asia	19.519	\$ <u>2,504,009</u>



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Trustees The Tibet Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Tibet Fund, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered The Tibet Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Tibet Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of The Tibet Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Tibet Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Look: Trope CLP

July 12, 2013





Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees The Tibet Fund

Compliance

We have audited The Tibet Fund's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of The Tibet Fund's major federal programs for the year ended December 31, 2012. The Tibet Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Tibet Fund's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Tibet Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Tibet Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, The Tibet Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of The Tibet Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Tibet Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Tibet Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Loub: Tropa CLP

July 12, 2013



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2012

Section I - Summary of Auditor's Results

Financial Statements Type of auditor's report issued: Unmodified Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified? Noncompliance material to financial statements noted? yes Federal Awards Internal control over major programs: Material weakness(es) identified? X no none reported Significant deficiency(ies) identified? yes Type of auditor's report issued on compliance for major programs: Unmodified Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes Identification of major program: **Name of Federal Program or Cluster CFDA Number** 19.519 Overseas Refugee Assistance Program for Near East and South Asia Academic Exchange Programs-Special 19.011 Academic Exchange Programs Dollar threshold used to distinguish between Type A and Type B programs: \$300,000 Auditee qualified as low-risk auditee? X yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.