

THE TIBET FUND
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
DECEMBER 31, 2013

THE TIBET FUND

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Independent Auditor's Report

**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, 2013, 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 error.

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. 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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited The Tibet Fund's December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

July 15, 2014

THE TIBET FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013
 (With Summarized Financial Information
 for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 3,642,345	\$ 1,740,533
Investments (Note 3)	1,819,128	2,965,508
Government agency receivables	469,663	
Prepaid expenses and other assets	111,686	225,528
Fixed assets - net (Note 4)	<u>479,334</u>	<u>498,162</u>
Total assets	<u>\$ 6,522,156</u>	<u>\$ 5,429,731</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 90,873	\$ 22,276
Refundable advances (Note 2)	<u>578,532</u>	<u>296,526</u>
Total liabilities	<u>669,405</u>	<u>318,802</u>
Net assets (Exhibit B)		
Unrestricted	4,759,027	4,177,728
Temporarily restricted (Note 5)	<u>1,093,724</u>	<u>933,201</u>
Total net assets	<u>5,852,751</u>	<u>5,110,929</u>
Total liabilities and net assets	<u>\$ 6,522,156</u>	<u>\$ 5,429,731</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE TIBET FUND

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013
 (With Summarized Financial Information
 for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Total
			2013
			2012
Revenues, gains and other support			
Public support and revenues			
U.S. federal grants	\$ 3,699,087		\$ 3,699,087
Special events	311,398		311,398
Less direct expenses of special events	(40,154)		(40,154)
Contributions	371,704	\$ 1,040,581	1,412,285
	<u>4,342,035</u>	<u>1,040,581</u>	<u>5,382,616</u>
Total public support and revenues			4,871,877
Other revenues			
Interest and dividends	101,643		101,643
Realized and unrealized gain on investments - net	320,721		320,721
Rental income (Note 2)	38,886		38,886
Miscellaneous income	6,093		6,093
	<u>467,343</u>		<u>467,343</u>
Total other revenues			293,045
Net assets released from restrictions (Note 5)	880,058	(880,058)	
Total revenues, gains and other support	<u>5,689,436</u>	<u>160,523</u>	<u>5,849,959</u>
			<u>5,164,922</u>

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THE TIBET FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)

	Temporarily Restricted		Total	
	Unrestricted	2013	2012	
Expenses (Exhibit C)				
Program services				
Humanitarian assistance	\$ 3,180,064	\$ 3,180,064	\$ 2,541,780	
Education and scholarship	1,028,319	1,028,319	1,061,444	
Cultural and religious preservation	271,372	271,372	172,666	
Economic and community development	73,266	73,266	428,557	
TAP	29,016	29,016	61,442	
Health care	148,361	148,361	132,119	
Total program services	4,730,398	4,730,398	4,398,008	
Supporting services				
Management and general	215,289	215,289	213,943	
Fund raising	162,450	162,450	183,218	
Total supporting services	377,739	377,739	397,161	
Total expenses	5,108,137	5,108,137	4,795,169	
Change in net assets (Exhibit D)				
Net assets - beginning of year	581,299	\$ 160,523	369,753	
Net assets - end of year (Exhibit A)	4,177,728	933,201	4,741,176	
	\$ 4,759,027	\$ 1,093,724	\$ 5,110,929	
		\$ 5,852,751	\$ 5,110,929	

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013
(With Summarized Financial Information
for the Year Ended December 31, 2012)

	Program Services							Supporting Services				Total	
	Humanitarian Assistance	Education and Scholarship	Cultural and Religious Preservation	Economic and Community Development	TAP	Health Care	Total	Management and General	Fund Raising	Special Events	Total	2013	2012
Salaries	\$ 97,913	\$ 147,726	\$ 14,127	\$ 14,127	\$ 13,396	\$ 13,318	\$ 300,607	\$ 48,951	\$ 96,034		\$ 144,985	\$ 445,592	\$ 339,621
Fringe benefits and payroll taxes	17,749	27,586	3,604	3,604	2,803	3,064	58,410	13,450	16,679		30,129	88,539	82,508
Total salaries and related expenses	115,662	175,312	17,731	17,731	16,199	16,382	359,017	62,401	112,713		175,114	534,131	422,129
Grants and contributions	3,034,829	393,140	252,557	54,502	12,397	130,832	3,878,257					3,878,257	3,556,372
Student support		456,384					456,384					456,384	591,742
Professional fees	21,548	2,394					23,942	29,263			29,263	53,205	49,768
Office expenses	75	75	75	34	34	35	328	6,260	4,917		11,177	11,505	15,841
Telephone	55	55	55	40	40	40	285	5,125	285		5,410	5,695	6,684
Postage and shipping	36	37	37	37	30	30	207	4,017	1,633		5,650	5,857	10,101
Occupancy	165	165	165	165	103	140	903	17,148			17,148	18,051	22,960
Insurance	105	105	100	105	50	60	525	9,974			9,974	10,499	9,122
Printing	13	13	13	13	8	8	68	1,293	12,202		13,495	13,563	10,653
Travel and lodging	6,437						6,437	1,717	19,894		21,611	28,048	13,465
Meals and entertainment	135	135	135	135		52	592	3,178	702		3,880	4,472	3,051
Training and conference													90
Investment expense								40,495			40,495	40,495	37,307
Equipment and information technology	104	104	104	104	55	104	575	7,789	7,852		15,641	16,216	9,081
Catering and facilities										\$ 40,154	40,154	40,154	26,334
Depreciation								19,566			19,566	19,566	19,401
Miscellaneous	900	400	400	400	100	678	2,878	7,063	2,252		9,315	12,193	17,402
Total expenses	3,180,064	1,028,319	271,372	73,266	29,016	148,361	4,730,398	215,289	162,450	40,154	417,893	5,148,291	4,821,503
Less expenses deducted directly from revenues on the statement of activities										(40,154)	(40,154)	(40,154)	(26,334)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 3,180,064	\$ 1,028,319	\$ 271,372	\$ 73,266	\$ 29,016	\$ 148,361	\$ 4,730,398	\$ 215,289	\$ 162,450	\$ -	\$ 377,739	\$ 5,108,137	\$ 4,795,169

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE TIBET FUND

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 741,822	\$ 369,753
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net unrealized and realized gain on investments	(320,721)	(154,713)
Depreciation	19,566	19,401
Decrease (increase) in assets		
Government agency receivables	(469,663)	
Prepaid expenses and other assets	113,842	(161,610)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	68,597	(13,242)
Refundable advances	282,006	(69,711)
Due to Dalai Lama Trust		(1,712,622)
Net cash provided (used) by operating activities	<u>435,449</u>	<u>(1,722,744)</u>
Cash flows from investing activities		
Purchase of investments	(911,710)	(1,157,544)
Proceeds from maturity and sales of investments	2,378,811	1,028,687
Fixed asset acquisitions	(738)	(4,107)
Net cash provided (used) by investing activities	<u>1,466,363</u>	<u>(132,964)</u>
Net change in cash and cash equivalents	1,901,812	(1,855,708)
Cash and cash equivalents - beginning of year	<u>1,740,533</u>	<u>3,596,241</u>
Cash and cash equivalents - end of year	<u>\$ 3,642,345</u>	<u>\$ 1,740,533</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE TIBET FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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 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 U.S. federal grants, 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. As of 2012, the Fund began administering 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 identity and culture.

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THE TIBET FUND**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2013****NOTE 1 - NATURE OF ORGANIZATION (continued)****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.

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.

Tibet Assistance Program (TAP)

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.

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THE TIBET FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Government agency receivables and allowance for doubtful accounts - The Fund records receivables to the extent expenditures have been incurred in accordance with the grant contract. Management has determined that no allowance for uncollectible accounts for government grants and other receivables is necessary as of December 31, 2013. Such estimate is based on management's assessment of the aged basis of its receivables, as well as current economic conditions and historical information and collections. Interest is not charged on outstanding balances.

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.

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THE TIBET FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants and refundable advances - Revenues from government grants are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred. 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.

Grants and contributions expense - Grants and contributions expense is recorded when awarded.

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, 2012, 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.

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THE TIBET FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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. Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2013 as compared to that used at December 31, 2012.

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, 2013.

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, 2010 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through July 15, 2014, which is the date the financial statements were available to be issued.

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THE TIBET FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 - INVESTMENTS

	<u>Level 1 Fair Value</u>
Equities	
Basic materials	\$ 298,740
Consumer foods	188,728
Financial	123,288
Healthcare	143,402
Industrial goods	201,043
Services	109,553
Technology	87,645
Bonds	
Corporate	387,736
U.S. Federal agency	228,720
Municipal	<u>50,273</u>
	<u>\$ 1,819,128</u>

NOTE 4 - FIXED ASSETS

		<u>Estimated Useful Lives</u>
Land	\$ 165,000	
Building and improvements	702,209	40 years
Equipment, furniture and fixtures	<u>27,887</u>	5-7 years
	895,096	
Accumulated depreciation	<u>(415,762)</u>	
	<u>\$ 479,334</u>	

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THE TIBET FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Economic and community development program	\$ 193,592
Cultural and religious preservation	163,477
Education and scholarship program	98,291
Health care program	600,972
TAP program	<u>37,392</u>
	<u>\$ 1,093,724</u>

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

Economic and community development program	\$ 54,502
Cultural and religious preservation	252,557
Education and scholarship program	429,770
Health care program	130,832
TAP program	<u>12,397</u>
	<u>\$ 880,058</u>

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.