

THE TIBET FUND
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
DECEMBER 31, 2014

THE TIBET FUND

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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, 2014, 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, 2014, 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, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

July 15, 2015

THE TIBET FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014
(With Summarized Financial Information
for December 31, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 2,181,866	\$ 3,642,345
Investments (Note 3)	2,115,749	1,819,128
Government agency receivables	358,004	469,663
Prepaid expenses and other assets	80,289	111,686
Loan receivable (Note 7)	1,500,000	
Fixed assets - net (Note 4)	<u>474,518</u>	<u>479,334</u>
Total assets	<u>\$ 6,710,426</u>	<u>\$ 6,522,156</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 45,971	\$ 90,873
Refundable advances (Note 2)	<u>469,871</u>	<u>578,532</u>
Total liabilities	<u>515,842</u>	<u>669,405</u>
Net assets (Exhibit B)		
Unrestricted	5,191,761	4,759,027
Temporarily restricted (Note 5)	<u>1,002,823</u>	<u>1,093,724</u>
Total net assets	<u>6,194,584</u>	<u>5,852,751</u>
Total liabilities and net assets	<u>\$ 6,710,426</u>	<u>\$ 6,522,156</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, 2014**
(With Summarized Financial Information
for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
Revenues, gains and other support				
Public support and revenues				
U.S. Federal grants	\$ 4,600,032		\$ 4,600,032	\$ 3,699,087
Special events	435,632		435,632	311,398
Less direct expenses of special events	(46,032)		(46,032)	(40,154)
Contributions	321,294	\$ 724,733	1,046,027	1,412,285
	<u>5,310,926</u>	<u>724,733</u>	<u>6,035,659</u>	<u>5,382,616</u>
Total public support and revenues				
Other revenues and gains				
Interest and dividends	73,437		73,437	101,643
Realized and unrealized gain on investments - net	108,639		108,639	320,721
Rental income (Note 2)	14,370		14,370	38,886
Miscellaneous income	24		24	6,093
	<u>196,470</u>		<u>196,470</u>	<u>467,343</u>
Total other revenues and gains				
Net assets released from restrictions (Note 5)	<u>815,634</u>	<u>(815,634)</u>		
Total revenues, gains and other support	<u>6,323,030</u>	<u>(90,901)</u>	<u>6,232,129</u>	<u>5,849,959</u>

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THE TIBET FUND**EXHIBIT B****-2-****STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2014
(With Summarized Financial Information
for the Year Ended December 31, 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
Expenses (Exhibit C)				
Program services				
Humanitarian assistance	\$ 3,910,173		\$ 3,910,173	\$ 3,180,064
Education and scholarship	1,058,400		1,058,400	1,028,319
Cultural and religious preservation	161,940		161,940	271,372
Economic and community development	123,953		123,953	73,266
TAP	34,976		34,976	29,016
Health care	306,252		306,252	148,361
Total program services	<u>5,595,694</u>		<u>5,595,694</u>	<u>4,730,398</u>
Supporting services				
Management and general	167,383		167,383	215,289
Fund raising	127,219		127,219	162,450
Total supporting services	<u>294,602</u>		<u>294,602</u>	<u>377,739</u>
Total expenses	<u>5,890,296</u>		<u>5,890,296</u>	<u>5,108,137</u>
Change in net assets (Exhibit D)	432,734	\$ (90,901)	341,833	741,822
Net assets - beginning of year	<u>4,759,027</u>	<u>1,093,724</u>	<u>5,852,751</u>	<u>5,110,929</u>
Net assets - end of year (Exhibit A)	<u>\$ 5,191,761</u>	<u>\$ 1,002,823</u>	<u>\$ 6,194,584</u>	<u>\$ 5,852,751</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
(With Summarized Financial Information
for the Year Ended December 31, 2013)

	Program Services						Supporting Services				Total	
	Humanitarian Assistance	Education and Scholarship	Cultural and Religious Preservation	Economic and Community Development	TAP	Health Care	Management and General	Fund Raising	Special Events	Total	2014	2013
Salaries	\$ 65,564	\$ 144,389	\$ 18,826	\$ 28,531	\$ 19,022	\$ 18,826	\$ 295,158	\$ 45,971	\$ 85,445	\$ 131,416	\$ 426,574	\$ 445,592
Fringe benefits and payroll taxes	12,970	28,958	5,462	6,520	4,049	5,462	63,421	13,278	23,531	36,809	100,230	88,539
Total salaries and related expenses	78,534	173,347	24,288	35,051	23,071	24,288	358,579	59,249	108,976	168,225	526,804	534,131
Grants and contributions	3,808,353	193,648	127,992	72,616	9,000	272,304	4,483,913				4,483,913	3,878,257
Student support		675,479					675,479				675,479	456,384
Professional fees	5,000	5,000	5,000	5,000	2,083	5,000	27,083	37,991	4,000	41,991	69,074	53,205
Office expenses	4,058	76	50	178	30	50	4,442	415		415	4,857	11,505
Telephone	933	380	50	449	30	50	1,892	2,982		2,982	4,874	5,695
Postage and shipping	55	230	55	419	30	55	844	3,925	2,511	6,436	7,280	5,857
Occupancy	7,000	4,000	4,000	4,000	632	4,000	23,632	4,000		4,000	27,632	18,051
Insurance	105	105	105	105	50	105	575	7,719		7,719	8,294	10,499
Printing	100	100	100	100	50	100	550	1,531	4,409	5,940	6,490	13,563
Travel and lodging	5,735	5,735		5,735			17,205	446	7,089	7,535	24,740	28,048
Meals and entertainment	300	300	300	300		300	1,500	217	234	451	1,951	4,472
Investment expense								28,417		28,417	28,417	40,495
Equipment and information technology								309		309	309	16,216
Catering and facilities									\$ 46,032	46,032	46,032	40,154
Depreciation								20,012		20,012	20,012	19,566
Miscellaneous								170		170	170	12,193
Total expenses	3,910,173	1,058,400	161,940	123,953	34,976	306,252	5,595,694	167,383	127,219	46,032	340,634	5,936,328
Less expenses deducted directly from revenues on the statement of activities										(46,032)	(46,032)	(40,154)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 3,910,173	\$ 1,058,400	\$ 161,940	\$ 123,953	\$ 34,976	\$ 306,252	\$ 5,595,694	\$ 167,383	\$ 127,219	\$ -	\$ 294,602	\$ 5,108,137

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 341,833	\$ 741,822
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net unrealized and realized gain on investments	(108,639)	(320,721)
Depreciation	20,012	19,566
Decrease (increase) in assets		
Government agency receivables	111,659	(469,663)
Prepaid expenses and other assets	31,397	113,842
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(44,902)	68,597
Refundable advances	(108,661)	282,006
	<u>242,699</u>	<u>435,449</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(2,643,396)	(911,710)
Proceeds from maturity and sales of investments	2,455,414	2,378,811
Loan receivable	(1,500,000)	
Fixed asset acquisitions	(15,196)	(738)
	<u>(1,703,178)</u>	<u>1,466,363</u>
Net cash provided (used) by investing activities		
Net change in cash and cash equivalents	(1,460,479)	1,901,812
Cash and cash equivalents - beginning of year	<u>3,642,345</u>	<u>1,740,533</u>
Cash and cash equivalents - end of year	<u>\$ 2,181,866</u>	<u>\$ 3,642,345</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, 2014

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 grants 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, 2014****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, 2014****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, 2014. 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, 2014****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, 2013, 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, 2014****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, 2014 as compared to that used at December 31, 2013.

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, 2014.

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, 2011 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through July 15, 2015, 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, 2014

NOTE 3 - INVESTMENTS

	<u>Level 1 Fair Value</u>	
Cash	\$ 56,406	
Equities		
Basic materials	126,282	
Consumer foods	28,350	
Financial	164,580	
Healthcare	123,196	
Industrial goods	229,562	
Services	257,401	
Technology	383,503	
Bonds		
Corporate	531,924	
U.S. Federal agency	<u>214,545</u>	
	<u>\$ 2,115,749</u>	

NOTE 4 - FIXED ASSETS

		<u>Estimated Useful Lives</u>
Land	\$ 165,000	
Building and improvements	703,686	30-40 years
Equipment, furniture and fixtures	28,584	5-7 years
Construction in progress	<u>13,022</u>	
	910,292	
Accumulated depreciation	<u>(435,774)</u>	
	<u>\$ 474,518</u>	

The Fund started renovation of their building towards the end of 2014. The renovation is estimated to cost approximately \$200,000 and is expected to be completed in November of 2015.

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THE TIBET FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Economic and community development program	\$ 187,882
Cultural and religious preservation	187,652
Education and scholarship program	106,975
Health care program	484,815
TAP program	<u>35,499</u>
	<u>\$ 1,002,823</u>

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

Economic and community development program	\$ 72,616
Cultural and religious preservation	127,992
Education and scholarship program	333,722
Health care program	272,304
TAP program	<u>9,000</u>
	<u>\$ 815,634</u>

NOTE 6 - OPERATING LEASES

The Fund leases office space in Washington D.C. from The Tibetan Community Development Fund, Inc. under a cancellable operating lease. Lease expense is recorded based on the signed lease agreement. The lease terminates in 2043. The commitment under this lease is as follows:

2015	\$ 15,000
2016	15,000
2017	15,000
2018	15,000
2019	15,000
Thereafter	<u>350,000</u>
Total	<u>\$ 425,000</u>

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THE TIBET FUND**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 7 - LOAN AND RELATED INTEREST RECEIVABLE**

On March 31, 2014 the Fund entered into a \$1,500,000 Loan Agreement with The Tibetan Community Development Fund (i.e., The Office of Tibet) to purchase a building that will then be partially subleased by the Fund (Note 6). The loan is partially collateralized by a lease agreement between the Fund and The Office of Tibet in an aggregate amount of \$425,000. The loan matures on March 31, 2043 at which point the balloon payment of \$1,500,000 will be due. The interest rate is 1% and the interest income for the year ended December 31, 2014 was \$11,250. The amount outstanding as of December 31, 2014 is \$1,500,000.

NOTE 8 - 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.