

**THE TIBET FUND**  
**FINANCIAL STATEMENTS**  
**AND AUDITOR'S REPORTS**  
**DECEMBER 31, 2010**

**THE TIBET FUND**

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**Independent Auditor's Report on Financial Statements  
and Schedule of Expenditures of Federal Awards**

**Board of Trustees  
The Tibet Fund**

We have audited the accompanying statement of financial position of The Tibet Fund as of December 21, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Tibet Fund's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Tibet Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2011 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 considered in assessing the results of our audit.

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 has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Handwritten signature in cursive script that reads "Loeb & Troper LLP".

July 29, 2011

## THE TIBET FUND

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(With Summarized Financial Information for December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,690,416	\$ 5,889,235
Investments (Note 3)	2,776,205	3,025,723
Government agencies receivables	59,384	31,264
Accrued interest and other receivables	1,225	8,927
Prepaid expenses and other assets	36,173	41,536
Fixed assets - net (Note 4)	<u>528,243</u>	<u>533,257</u>
Total assets	<u>\$ 8,091,646</u>	<u>\$ 9,529,942</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 28,500	\$ 27,800
Accrued payroll and payroll taxes		1,662
Refundable advances (Note 2)	307,860	151,933
Due to Dalai Lama Trust (Note 7)	<u>2,176,290</u>	<u>1,277,688</u>
Total liabilities	<u>2,512,650</u>	<u>1,459,083</u>
Net assets (Exhibit B)		
Unrestricted	2,215,918	4,386,041
Temporarily restricted (Note 5)	<u>3,363,078</u>	<u>3,684,818</u>
Total net assets	<u>5,578,996</u>	<u>8,070,859</u>
Total liabilities and net assets	<u>\$ 8,091,646</u>	<u>\$ 9,529,942</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT B

THE TIBET FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010  
 (With Summarized Financial Information  
 for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Total
	2010	2009	
Revenues, gains and other support			
Public support and revenues			
Federal grants	\$ 3,409,753	\$ 3,409,753	\$ 3,165,150
Special events	211,424	211,424	
Less direct expenses of special events	(27,862)	(27,862)	
Contributions	284,111	\$ 1,083,567	2,069,377
Contribution of royalties		1,367,678	357,949
Total public support and revenues	3,877,426	4,960,993	5,592,476
Other revenues			
Interest and dividends	139,518	139,518	180,556
Realized and unrealized gain on investments	437,980	437,980	544,807
Rental income	34,617	34,617	24,867
Miscellaneous income	5,936	5,936	46,239
Total other revenues	618,051	618,051	796,469
Net assets released from restrictions (Note 5)	1,405,307	(1,405,307)	
Total revenues, gains and other support	5,900,784	(321,740)	5,579,044
			6,388,945

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THE TIBET FUND

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010  
(With Summarized Financial Information  
for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
Expenses (Exhibit C)				
Program services				
Humanitarian assistance	\$ 2,873,881	\$ 2,873,881	\$ 2,873,881	\$ 2,313,581
Education and scholarship	1,675,813	1,675,813	1,675,813	1,252,009
Cultural and religious preservation	2,797,195	2,797,195	2,797,195	1,949,848
Community development	141,606	141,606	141,606	126,243
TAP	95,617	95,617	95,617	320,357
Health care	114,516	114,516	114,516	87,184
Total program services	7,698,628	7,698,628	7,698,628	6,049,222
Supporting services				
Management and general	230,015	230,015	230,015	237,825
Fund raising	142,264	142,264	142,264	117,000
Total supporting services	372,279	372,279	372,279	354,825
Total expenses	8,070,907	8,070,907	8,070,907	6,404,047
Change in net assets (Exhibit D)	(2,170,123)	\$ (321,740)	(2,491,863)	(15,102)
Net assets - beginning of year	4,386,041	3,684,818	8,070,859	8,085,961
Net assets - end of year (Exhibit A)	\$ 2,215,918	\$ 3,363,078	\$ 5,578,996	\$ 8,070,859

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE TIBET FUND

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010  
(With Summarized Financial Information  
for the Year Ended December 31, 2009)

	Program Services				Supporting Services			Total	2010	2009			
	Humanitarian Assistance	Education and Scholarship	Cultural and Religious Preservation	Economic and Community Development	TAP	Health Care	Total				Management and General	Fund Raising	Special Events
Salaries	\$ 54,577	\$ 60,927	\$ 19,940	\$ 19,940	\$ 23,751	\$ 8,129	\$ 187,264	\$ 83,853	\$ 66,732	\$	\$ 150,585	\$ 337,849	\$ 312,752
Fringe benefits and payroll taxes	11,201	7,771	5,465	5,465	3,862	1,523	35,287	20,624	23,258		43,882	79,169	76,893
Total salaries and related expenses	65,778	68,698	25,405	25,405	27,613	9,652	222,551	104,477	89,990		194,467	417,018	389,645
Grants and contributions	2,781,599	715,939	2,730,966	110,527	37,697	100,940	6,477,668					6,477,668	4,685,289
Student support		878,455	13,150		14,869		906,474					906,474	965,910
Professional fees	12,000	5,464	23,577	3,125	1,375	1,375	46,916	10,995	27,893		38,888	85,804	109,284
Supplies	567	944	378	189	378	189	2,645	567	567		1,134	3,779	5,589
Telephone	782	1,304	521	261	521	261	3,650	782	782		1,564	5,214	4,878
Postage and shipping	1,075	1,792	716	358	717	358	5,016	1,075	1,075		2,150	7,166	7,826
Occupancy	673	673	673	673	673	673	4,038	3,001	3,001		6,002	10,040	53,240
Insurance	1,375	1,375	1,341	834	1,341	834	7,100	1,521	1,521		3,042	10,142	15,411
Printing	702	1,169	468	234	467	234	3,274	702	702		1,404	4,678	9,503
Travel and lodging	9,330				9,966		19,296	5,073	2,138		7,211	26,507	58,548
Meals and entertainment								979	712		1,691	1,691	2,411
Training and conference								102	102		204	204	
Investment expense								75,236			75,236		73,899
Equipment maintenance and repair								5,949			5,949		1,751
Catering and facilities								17,946		\$ 27,862	27,862		27,862
Depreciation								1,610			17,946		17,946
Miscellaneous									13,781		15,391		15,391
Total expenses	2,873,881	1,675,813	2,797,195	141,606	95,617	114,516	7,698,628	230,015	142,264	27,862	400,141	8,098,769	6,404,047
Less expenses deducted directly from revenues on the statement of activities											(27,862)		(27,862)
Total expenses (Exhibit B)	\$ 2,873,881	\$ 1,675,813	\$ 2,797,195	\$ 141,606	\$ 95,617	\$ 114,516	\$ 7,698,628	\$ 230,015	\$ 142,264	\$ -	\$ 372,279	\$ 8,070,907	\$ 6,404,047

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (2,491,863)	\$ (15,102)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net unrealized and realized gain on investments	(437,980)	(544,807)
Depreciation	17,946	17,946
Donated securities	(49,049)	
Decrease (increase) in assets		
Government agencies receivables	(28,120)	12,146
Accrued interest and other receivables	7,702	13,793
Prepaid expenses and other assets	5,363	4,817
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	700	(1,147)
Accrued payroll and payroll taxes	(1,662)	(20,000)
Refundable advances	155,927	555
Due to Dalai Lama Trust	898,602	1,277,688
	<u>(1,922,434)</u>	<u>745,889</u>
Cash flows from investing activities		
Purchase of investments	(1,529,120)	(1,614,876)
Proceeds from maturity and sales of investments	2,265,667	3,941,983
Fixed asset acquisitions	(12,932)	
	<u>723,615</u>	<u>2,327,107</u>
Net change in cash and cash equivalents	(1,198,819)	3,072,996
Cash and cash equivalents - beginning of year	<u>5,889,235</u>	<u>2,816,239</u>
Cash and cash equivalents - end of year	<u>\$ 4,690,416</u>	<u>\$ 5,889,235</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, 2010

#### NOTE 1 - NATURE OF ORGANIZATION

The Tibet Fund (the "Fund"), a nonprofit tax-exempt organization, provides a reliable way for donors in North America and internationally to aid the 120,000 Tibetan refugees living in India, Nepal, and Bhutan and thousands of marginalized 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 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 Masters' degrees and one-year certificates at colleges and universities in the United States. The Fund also administers grants from the Department of State for English language training in Tibet and for students and professionals to come from Tibet for study and cultural exchange in the United States. The Fund supports schools and higher education scholarships in Tibet to enable impoverished Tibetans to secure their economic futures.

##### **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.

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THE TIBET FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

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.

**Tibet Assistance Program (TAP)**

In Tibet, under its Tibet Assistance Program, the Fund (formerly known as the Khawachen Assistance Program) supports programs 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.

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.

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## THE TIBET FUND

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

**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.

*Government agencies receivables and allowance for doubtful accounts* - The Fund records receivables based on contracts or service provided. Management has determined that no allowance for uncollectible accounts for government grants and other receivables is necessary as of December 31, 2010. 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 after December 31, 2010. 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 that are restricted by donors for specific purposes.

*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, 2010

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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. Restricted federal grants received and expended in the same fiscal year are reflected as unrestricted revenues. All grants receivable as of December 31, 2010 are current.

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

**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.

**Summarized prior-year 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, 2009, from which the summarized information was derived.

**Fair Value Measurements and Disclosures**

*Fair Value Measurements and Disclosures* 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, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fair Value Measurements and Disclosures (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.

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, 2010.

*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, 2010.

*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, 2007 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - In accordance with generally accepted accounting principles (ASC Topic 855), subsequent events have been evaluated through July 29, 2011, 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, 2010**

**NOTE 3 - INVESTMENTS**

	<u>Level 1 Fair Value</u>
Equities	
Basic materials	\$ 55,259
Consumer foods	11,245
Financial	166,119
Healthcare	40,966
Industrial goods	263,085
Services	65,303
Technology	424,750
Utilities	115,250
Bonds	
Healthcare	60,596
Financial	47,882
Technology	210,440
Consumer goods	93,216
Government bonds	571,069
Municipal bonds	<u>51,025</u>
	<u>\$ 2,776,205</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>18,569</u>	5-7 years
	885,778	
Accumulated depreciation	<u>(357,535)</u>	
	<u>\$ 528,243</u>	

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**THE TIBET FUND**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Health care program	\$ 224,902
Cultural and religious preservation	3,069,902
Community development program	<u>68,274</u>
	<u>\$ 3,363,078</u>

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

TAP program	\$ 64,968
Education and scholarship program	564,401
Health care program	100,940
Cultural and religious preservation	564,471
Community development program	<u>110,527</u>
	<u>\$ 1,405,307</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.

**NOTE 7 - DUE TO DALAI LAMA TRUST**

During the year, there was a transfer of funds accumulated by contribution of royalties that were restricted for cultural and religious preservation to the Dalai Lama Trust. Accordingly, \$2,176,290 was reflected as a liability as of December 31, 2010. The Dalai Lama Trust is a 501(c)(3) charitable organization.