

International Campaign for Tibet

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2008 AND 2007

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Watkins, Meegan, Drury
& Company, L.L.C.

*Certified Public Accountants
Business and Financial Advisors*

Independent Auditors' Report

To the Board of Directors
International Campaign for Tibet
Washington, D.C.

We have audited the accompanying statement of financial position of International Campaign for Tibet as of December 31, 2008, and the related statement of activities and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of International Campaign for Tibet as of December 31, 2007, were audited by other auditors whose opinion dated July 17, 2008, expressed an unqualified opinion on those financial statements. As discussed in Note 12 to the financial statements, the Company restated its financial statements for prior years to correct an error in depreciation. The other auditors reported on the financial statements before the correction of the error.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 International Campaign for Tibet at December 31, 2008, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2008 supplementary information on pages 11 and 12 is presented for purposes of additional analysis 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 financial statements and is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 2007 supplementary information was subjected to auditing procedures by other auditors as described in their report dated July 17, 2008.

We also audited the adjustment to restate the 2007 financial statements and related supplementary information to correct the error in depreciation as described in Note 12. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to International Campaign for Tibet's 2007 financial statements other than with respect to the restatement and, accordingly, we do not express an opinion or any other form of assurance on the 2007 financial statements taken as a whole.

Watkins, Meegan, Drury & Company, L.L.C.

Vienna, Virginia
May 14, 2009

8000 Towers Crescent Dr.
Suite 950
Vienna, VA 22182-6208
TEL 703.761.4848
FAX 703.761.4815
www.WatkinsMeegan.com

Bethesda, MD
301.654.7555

Annapolis, MD
410.571.7766

INTERNATIONAL CAMPAIGN FOR TIBET

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2008</u>	<u>2007, As Restated (Note 12)</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 745,478	\$ 1,191,846
Accounts Receivable	23,878	70,282
Contributions Receivable	11,676	61,676
Grant Receivable	26,500	8,833
Note Receivable	-	50,937
Prepaid Expenses	98,940	25,640
Total Current Assets	906,472	1,409,214
PROPERTY AND EQUIPMENT, Net	3,057,532	3,132,606
OTHER ASSETS		
Investments	348,009	176,825
Deposit	360	360
	348,369	177,185
TOTAL ASSETS	<u>\$ 4,312,373</u>	<u>\$ 4,719,005</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 168,598	\$ 401,926
Grants Payable	24,500	50,260
Amounts Held for Others	50,966	50,966
Note Payable, Current	300,000	-
Total Current Liabilities	544,064	503,152
NOTE PAYABLE	-	500,000
Total Liabilities	544,064	1,003,152
NET ASSETS		
Unrestricted Net Assets	3,604,931	3,564,201
Temporarily Restricted Net Assets	163,378	151,652
Total Net Assets	3,768,309	3,715,853
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,312,373</u>	<u>\$ 4,719,005</u>

INTERNATIONAL CAMPAIGN FOR TIBET

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2008	2007, As Restated (Note 12)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 52,456	\$ 84,720
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	108,346	105,232
Forgiveness of Note Receivable	50,937	-
Net Loss on Investments	27,182	2,694
Donated Investments	(43,152)	(162,385)
Change in:		
Accounts Receivable	46,404	(3,344)
Contributions Receivable	50,000	128,942
Grant Receivable	(17,667)	(833)
Note Receivable	-	(50,937)
Prepaid Expenses	(73,300)	247,267
Accounts Payable and Accrued Expenses	(233,328)	(19,904)
Grants Payable	(25,760)	27,760
	(57,882)	359,212
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	306,786	421,283
Purchase of Investments	(462,000)	(214,000)
Purchase of Property and Equipment	(33,272)	(36,682)
	(188,486)	170,601
CASH USED IN FINANCING ACTIVITIES		
Payments on Note Payable	(200,000)	(100,000)
	(200,000)	(100,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(446,368)	429,813
CASH AND CASH EQUIVALENTS, Beginning of Year	1,191,846	762,033
CASH AND CASH EQUIVALENTS, End of Year	\$ 745,478	\$ 1,191,846
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ 22,976	\$ 47,052

INTERNATIONAL CAMPAIGN FOR TIBET

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

International Campaign for Tibet (ICT) is based in Washington, D.C., and is a 501(c)(3) tax-exempt, nonprofit organization. ICT works to promote human rights and democratic freedoms for the people of Tibet. ICT's major sources of revenue are from contributions, grants, and events.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses when the obligation is incurred.

Cash and Cash Equivalents

ICT considers all short-term, highly liquid investments with maturities of three months or less at the date of their acquisition to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at their net realizable value. ICT records receivables net of allowance for doubtful accounts, when necessary. The allowance is determined based on review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be worthless. Management considers all receivables to be fully collectible.

Contributions Receivable

Contributions receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Management considers all promises to give to be fully collectible; therefore no allowance for doubtful accounts has been established.

Grant Receivable

Grant receivable consists of an amount due from a not-for-profit organization resulting from allowable expenditures incurred which have not been recovered from the not-for-profit organization as of the end of the fiscal year.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method with estimated useful lives for furniture and equipment ranging from three to ten years and an estimated useful life of forty years for the building. The capitalization threshold is \$500. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount and fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

INTERNATIONAL CAMPAIGN FOR TIBET

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of certificates of deposit and equity securities. Investments are presented in the financial statements at quoted fair values (a Level 1 input) with changes in the fair value reflected in revenue annually. Interest, dividends, and realized gains and losses are recorded as revenue when earned.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donated assets are recognized as contribution revenue at their fair market value on the date of donation.

Net Assets

In the accompanying financial statements, net assets and revenue have been classified based on the existence or absence of donor-imposed restrictions. The classes of net assets are as follows:

Unrestricted – Represents net assets available for the general operations of ICT.

Temporarily Restricted – Represents net assets that are subject to donor-imposed purpose or time restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain supporting general and administrative costs have been allocated according to the amount the programs and supporting services benefited.

The following program and supporting services are included in the accompanying financial statements:

Human Rights – Includes campaigns for release of Tibetan political prisoners, for the promotion of human rights in Tibet, and for religious freedom.

Support for Dialogue – Programs which support ICT's mandate, such as work in support of the Sino-Tibetan dialogue process or the Dalai Lama's official Washington visits, the Light of Truth Award events, and the rehabilitation of freed political prisoners.

Education and Awareness – A wide range of activities and initiatives that build greater public awareness about issues in Tibet, including the Rowell Fund for Tibet.

International Operations – Support for ICT's international offices, staff, and consultants in Amsterdam, Berlin, India, and Nepal.

INTERNATIONAL CAMPAIGN FOR TIBET

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Campaigns – Campaigns and programs relating to the protection of the Tibetan plateau ecosystem, including opposing unchecked Chinese migration and wanton natural resource extraction, and to take action against the usurpation of the Tibetan identity by the Chinese in the 2008 Beijing Olympics.

Government Relations – Work relating to programs that involve national, state, and regional governments, the U.S. Congress and Administration, European nations, and the European Union and the United Nations.

Media and Reporting – Principal communication activities include the newsletter (*Tibet Press Watch*), the website (www.savetibet.org), information updates (*Reports from Inside Tibet*), and outreach to media.

Chinese Outreach – Creating an understanding of Tibetan issues through increased communication with various segments of the Chinese community.

Refugees – Advocacy and oversight to protect the rights of Tibetan refugees passing through or remaining in Nepal and in India, and assistance to the Central Tibetan Administration and State Department in the launching of a Tibetan refugee resettlement program in the United States.

Income Taxes

ICT is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

ICT has elected to defer the provisions of FIN 48, *Accounting for Income Taxes*, under the provisions of FSP FIN 48-3. ICT uses a FAS 5, *Loss Contingencies*, approach for evaluating uncertain tax positions. ICT continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

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, the 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. Accordingly, actual results could differ from those estimates.

INTERNATIONAL CAMPAIGN FOR TIBET

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2008</u>	<u>2007, As Restated (Note 12)</u>
Land	\$ 620,568	\$ 620,568
Building	2,573,400	2,573,400
Furniture and Equipment	331,451	298,179
	<u>3,525,419</u>	<u>3,492,147</u>
Less Accumulated Depreciation	<u>(467,887)</u>	<u>(359,541)</u>
	<u>\$ 3,057,532</u>	<u>\$ 3,132,606</u>

NOTE 3 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Equity Securities	\$ 64,271	\$ 79,859
Certificates of Deposit	283,738	96,966
	<u>\$ 348,009</u>	<u>\$ 176,825</u>

Investment income (loss) consists of the following for the year ended December 31:

	<u>2008</u>	<u>2007</u>
Interest and Dividends	\$ 14,522	\$ 14,281
Realized Gain (Loss)	(608)	4,883
Unrealized Loss	<u>(26,574)</u>	<u>(7,578)</u>
	<u>\$ (12,660)</u>	<u>\$ 11,586</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets amounted to \$163,378 and \$151,652 at December 31, 2008 and 2007, respectively, and were available for grants to Tibetan photographers, filmmakers, and writers.

INTERNATIONAL CAMPAIGN FOR TIBET

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 5 – LONG-TERM DEBT

During 2004, ICT obtained a construction loan with a maximum loan amount of \$1,000,000. Monthly payments of accrued interest on the outstanding principal began on January 22, 2005, and continue through December 22, 2009, at which time the outstanding principal balance is due. Interest is calculated on a daily basis at a rate of one-quarter percent over and above the daily published prime rate. The interest rates at December 31, 2008 and 2007, were 4.3 percent and 7.5 percent, respectively. The construction loan is collateralized by ICT's building and land. Interest expense amounted to \$22,976 and \$47,052 for 2008 and 2007, respectively.

NOTE 6 – CONCENTRATION OF CREDIT RISK

ICT maintains a significant amount of cash and cash equivalents with commercial banks and a securities broker-dealer. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to specified limits. Balances in excess of FDIC and SIPC limits are uninsured. The total amount exceeding federally insured limits at December 31, 2008, was approximately \$247,000, which includes certificates of deposit classified as investments in the accompanying statements of financial position.

NOTE 7 – ALLOCATION OF JOINT COSTS

For the years ended December 31, 2008 and 2007, ICT incurred joint costs of \$1,271,752 and \$1,435,790, respectively, for informational materials and activities that included telemarketing and direct mail fundraising appeals which were allocated as follows:

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Human Rights	\$ 914,480	\$ 1,034,119
Fundraising	160,441	217,674
Education and Awareness	119,783	50,625
Campaigns	45,726	61,316
Government Relations	14,391	22,303
Chinese Outreach	8,644	4,553
Refugees	8,287	45,200
	<u>\$ 1,271,752</u>	<u>\$ 1,435,790</u>

NOTE 8 – EMPLOYEE RETIREMENT PLAN

In October 1999, ICT established a 403(b) salary reduction agreement for all full-time employees meeting minimum service requirements. Contributions to the plan are made through voluntary salary reductions with ICT contributing up to 5 percent of the employee's base salary. ICT's contributions to the plan for the years ended December 31, 2008 and 2007, were \$37,567 and \$42,332, respectively.

INTERNATIONAL CAMPAIGN FOR TIBET

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 9 – CONCENTRATION OF REVENUE

ICT's primary source of revenue is its direct mail and email educational fundraising program. For the years ended December 31, 2008 and 2007, respectively, this program was responsible for approximately 85 percent and 75 percent of ICT's contribution revenue and 75 percent and 64 percent of ICT's total revenue.

NOTE 10 – RELATED PARTY TRANSACTIONS

ICT has related entities with offices located in Amsterdam (ICT-Europe), Berlin (ICT – Deutschland), and Brussels (ICT – Europe). In 2008 and 2007, ICT contributed \$98,125 and \$90,137, respectively, directly to ICT – Europe's direct mail vendor. Additionally, ICT contributed \$80,000 in 2008 and 2007 to ICT – Deutschland for various professional service expenses. The 2008 contribution included forgiving a loan of \$50,937 made to ICT – Deutschland in 2007.

NOTE 11 – OPERATING LEASES

ICT leases a copy machine and voice messaging system under operating leases expiring in April 2012 and December 2011, respectively. Future minimum lease payments under these leases are as follows:

<u>Year Ending December 31,</u>	
2009	\$ 8,803
2010	8,803
2011	8,803
2012	<u>1,796</u>
	<u>\$ 28,205</u>

Rental expense amounted to \$8,803 and \$8,509 for 2008 and 2007, respectively.

NOTE 12 – PRIOR PERIOD RESTATEMENT

During 2008, ICT discovered an error in the calculation of depreciation on its building for the two prior years. Accordingly, the financial statements for the year ended December 31, 2007, were restated. The effects of the restatement on the change in unrestricted net assets and financial position as of and for the year ended December 31, 2007, are as follows:

	<u>As Previously Reported</u>	<u>Restated</u>
Depreciation Expense	<u>\$ 148,605</u>	<u>\$ 105,232</u>
Total Expenses	<u>\$ 5,710,153</u>	<u>\$ 5,666,780</u>
Change in Net Assets	<u>\$ 41,347</u>	<u>\$ 84,720</u>
Property and Equipment	<u>\$ 3,046,060</u>	<u>\$ 3,132,606</u>
Net Assets, Beginning of Year	<u>\$ 3,587,960</u>	<u>\$ 3,631,133</u>

INTERNATIONAL CAMPAIGN FOR TIBET

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008 AND 2007

