

FRIENDS OF TILONIA, INC.
FINANCIAL STATEMENTS
Year Ended July 31, 2013

PATRICIA ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

The Board of Director
Friends of Tilonia, Inc.

I have audited the accompanying financial statements of Friends of Tilonia, Inc. (a nonprofit organization) which comprise the statement of assets, liabilities and net assets - cash basis as of July 31, 2013 and the related statement of support, revenues, expenses, and other changes in net assets - cash basis, and statement of functional expenses - cash basis 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 the modified cash basis of accounting, as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Board of Directors
Friends of Tilonia, Inc.
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Friends of Tilonia, Inc. as of July 31, 2013, and its support, revenue, expenses and other changes in net assets - cash basis for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Patricia Armstrong, CPA

May 24, 2014

FRIENDS OF TILONIA, INC.
Statement of Assets, Liabilities and Net Assets - Cash Basis
July 31, 2013

ASSETS

Cash and cash equivalents	\$ 9,907
Prepaid expenses	<u>3,219</u>
Total Assets	<u>\$ 13,126</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Credit cards payable	\$ 22,103
Sales tax payable	171
Notes payable - current portion	14,566
Due to officer	976
Notes payable	<u>24,287</u>
Total Liabilities	62,103

NET ASSETS

Unrestricted - deficit	\$ (56,763)
Temporarily restricted net assets	<u>7,786</u>
Total net assets	<u>(48,977)</u>
Total Liabilities and Net Assets	<u>\$ 13,126</u>

See accompanying notes to financial statements.

FRIENDS OF TILONIA, INC.
Statement of Support, Revenues, Expenses and Other Changes
in Net Assets - Cash Basis
For the Year Ended July 31, 2013

CHANGE IN UNRESTRICTED NET ASSETS

REVENUE and SUPPORT

Product sales	\$ 51,632
Cost of goods sold	<u>(34,780)</u>
Net income	16,852
Grants and contributions	<u>350,326</u>
 Total Unrestricted Revenue and Support	 <u>367,178</u>

EXPENSES

Program Expenses	359,159
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SUPPORTING ACTIVITIES

Management and general	15,947
Fund-raising	<u>5,774</u>

Total Expenses	<u>380,880</u>
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Decrease in unrestricted net assets	(13,702)
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CHANGE IN TEMPORARILY RESTRICTED NET ASSETS

Grants and contributions	<u>7,786</u>
Change in net assets	(5,916)
Net Deficit - beginning	<u>(43,061)</u>
Net Deficit - ending	<u>\$ (48,977)</u>

See accompanying notes to financial statements.

FRIENDS OF TILONIA, INC.
Statement of Functional Expenses - Cash Basis
For the Year Ended July 31, 2013

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund - Raising</u>	<u>Totals</u>
Online operations and sales	\$ 22,151	\$ -	\$ -	\$ 22,151
Sales and affiliate development	8,793	4,400	3,144	16,337
Insurance	-	733	-	733
Interest expense	5,031	-	-	5,031
Membership and conference fees	650	3,792	-	4,442
Merchant fees	804	543	-	1,347
Miscellaneous expense	-	110	-	110
Office expenses	1,733	1,734	-	3,467
Professional fees	-	4,635	-	4,635
Travel and entertainment	2,630	-	2,630	5,260
Grant expense	317,367	-	-	317,367
Cost of goods sold	<u>34,780</u>	<u>-</u>	<u>-</u>	<u>34,780</u>
 Total Expenses	 393,939	 15,947	 5,774	 415,660
 Less: Expenses netted with revenues	 <u>(34,780)</u>	 <u>-</u>	 <u>-</u>	 <u>(34,780)</u>
 Total functional expenses	 <u>\$ 359,159</u>	 <u>\$ 15,947</u>	 <u>\$ 5,774</u>	 <u>\$ 380,880</u>

See accompanying notes to financial statements.

FRIENDS OF TILONIA, INC.
Notes to Financial Statements
July 31, 2013

Note 1 - ORGANIZATION

Friends of Tilonia, Inc.(The Organization) is a not-for-profit corporation whose mission is to support the development of income-generating projects initiated by non-profit or non-governmental organizations working with communities, which are below national standards for housing, health, education, employment or other quality of life measures.

Friends of Tilonia is supported primarily by grants and contributions.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Friends of Tilonia, Inc. have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles; accordingly, revenue is recognized when received and expenses are recognized when paid.

BASIS OF PRESENTATION

Friends of Tilonia reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Friends of Tilonia, Inc's net assets consist of unrestricted net assets, which are not restricted by donors or by law and temporarily restricted net assets, whose use has been restricted by donor imposed time and/or purpose restrictions..

INCOME TAX STATUS

Friends of Tilonia, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code. In addition, Friends of Tilonia is exempt from Federal income taxes and has been classified as an organization that is not a private foundation under Section 509(a)(2).

CONTRIBUTIONS

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

CASH AND CASH EQUIVALENTS

Friends of Tilonia, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CAPITALIZATION POLICY

Friends of Tilonia, Inc. capitalizes all expenditures for equipment in excess of \$2,000.

SALES TAX

Fiends of Tilonia collects sales tax from non-exempt customers in the State of New York and remits the entire amount to the State. The Organization created a liability for the taxes collected.

See independent auditor's report.

FRIENDS OF TILONIA, INC.
Notes to Financial Statements
July 31, 2013

SHIPPING AND HANDLING

Shipping and handling costs are included in cost of goods sold.

ADVERTISING COSTS

Friends of Tilonia uses advertising to promote its products. Advertising costs totaling \$7,177 were expensed as incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are charged to program services and supporting activities on the basis of time and expense studies. Management and general expenses include those expenses that provide for the overall support and direction of Friends of Tilonia.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and the reported revenues and expenses. Actual results could differ from these estimates.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

Friends of Tilonia, Inc.'s accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. Periods ending July 31, 2010 and subsequent remain subject to examination by applicable taxing authorities.

Note 3 - PROGRAM SERVICES

Friends of Tilonia helps to improve the quality of life of the rural poor by meeting basic needs for water, energy and economic opportunity through its partnerships with NGOs, artisan cooperatives and rural enterprises in rural India and support for their programs.

Artisan Enterprise Development - With the goal of creating broader economic opportunities in rural communities, Friends of Tilonia helps to build the business capacity and entrepreneurial skills of artisan enterprises, particularly ones that create livelihoods for women and educational opportunities for girls in rural areas

Rainwater Harvesting to Provide Clean Drinking Water - Friends of Tilonia provides grant support for construction of rainwater harvesting systems at rural schools to provide clean drinking water for rural school children in desert regions of India.

Solar Energy to Provide Light to Rural Communities - Friends of Tilonia provides grant support for training of illiterate and semi-literate women from rural areas in Asia, Africa and Latin America to become Barefoot Solar Engineers.

Education for Rural Children in India - Friends of Tilonia provides grant support for operations and staffing of Night Schools for rural working children.

Scholarships for Girls' Education - Friends of Tilonia provides grant support for Bhadrarjun Artisan Trust which operates the FabIndia School, an elementary and secondary school in Rajasthan, India.

See independent auditor's report.

FRIENDS OF TILONIA, INC.
Notes to Financial Statements
July 31, 2013

Note 4 - Friends of Tilonia has outstanding unsecured notes payable to various supporters and a board member. The notes have a stated annual rate of 6%, and are payable in installments plus interest. The outstanding balance of notes payable is personally guaranteed by the Executive Director.

Principal payments due on notes payable are as follows:

2014	\$ 14,566
2015	13,799
2016	<u>10,488</u>
	<u>\$ 38,853</u>

Note 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for grants to:

Bhadrajun Artisans Trust	\$ 4,120
Barefoot College	<u>3,666</u>
	<u>\$ 7,786</u>

Note 6 - RELATED PARTY TRANSACTIONS

Friends of Tilonia has an unsecured three year note payable to a board member. The outstanding principal due to the board member as of July 31, 2013 was \$16,356 and the interest paid to the board member was \$1,265.

Note 7 - COMMITMENTS

Friends of Tilonia's agreement with the Social Work Research Center (Barefoot College) in Rajasthan, India, expires July 31, 2014. The collaboration was formed to promote, develop and exhibit products produced by Barefoot College's artisan affiliates. Friends of Tilonia receives an administrative fee of 6% of grants and contributions received on behalf of Barefoot College.

Friends of Tilonia entered into a three year fiscal sponsorship agreement with the Bhadrajun Artisans Trust in New Delhi, India, on July 1, 2011. Friends of Tilonia receives an administrative fee of 6% of all individual contributions processed on the trust's behalf less related expenses..

Note 8 - SUBSEQUENT EVENTS

Management has evaluated all events occurring between July 31, 2013 and May 24, 2014, which is the date these financial statements were available to be issued. Management has determined there are no subsequent events that require recording or disclosure.

See independent auditor's report.

PATRICIA ARMSTRONG

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May 24, 2014

To the Board of Director
Friends of Tilonia, Inc.

I have audited the financial statements of Friends of Tilonia, Inc. for the year ended July 31, 2013, and have issued my report thereon dated May 24, 2014. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of the audit. I have communicated such information in my letter to you dated April 24, 2014. Professional standards also require that I communicate the following information related to the audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Friends of Tilonia, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

I evaluated the key factors and assumptions used to develop various accounting estimates in order to determine their reasonableness in relations to the financial statements taken as a whole, and noted no exceptions. The financial statement disclosures are neutral, consistent and clear.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

May 24, 2014
To the Board of Directors
Friends of Tilonia, Inc.
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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated May 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of Friends of Tilonia, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Patricia Armstrong, CPA

PATRICIA ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANT

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May 24, 2014

To the Board of Directors of
Friends of Tilonia, Inc.

In planning and performing the audit of the financial statements of Friends of Tilonia, Inc. as of and for the year ended July 31, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered Friends of Tilonia, Inc.'s internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

This communication is intended solely for the information and use of the Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Patricia Armstrong, CPA

New York, NY