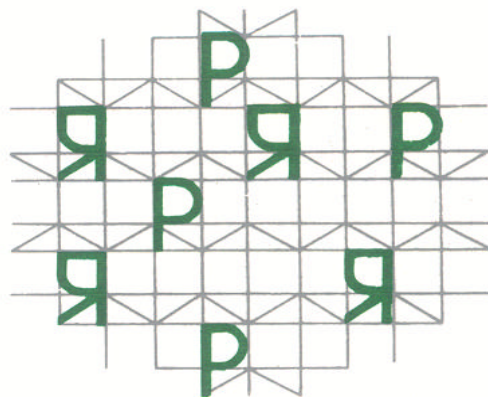


PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

3, Community Shopping Centre, Niti Bagh, New Delhi – 110 049.

Tel / Fax (91) 011 – 2651 8619, 2651 4682, 2652 8534, 4164 0611

Email: headoffice@pradan.net web: www.pradan.net



FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

Auditors

V. NAGARAJAN & CO.,

Chartered Accountants

A -1, 2nd floor, Palam Vyapaar Kendra ,

Palam Vihar, Gurgaon – 122 017, Haryana.

Ph: +91-124-4078742, 2368742, Email : nagarajan@accountant.com



V. NAGARAJAN & CO.,

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF

PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

We have audited the attached Balance Sheet of **PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)** along with the accounts of various Income Generation Program based funds, a Society registered under the Registration of Societies Act and having its registered office at 3, Community Shopping Centre, Niti Bagh, New Delhi 110 049 as at March 31, 2010 and the Income and Expenditure account for the year ended on that date annexed thereto.

Respective responsibilities of Management and Auditors

These financial statements are the responsibility of the management of the Society. Our responsibility is to express an opinion on these financial statements based on our audit

Basis of Opinion:

We have conducted our audit in accordance with auditing standards generally accepted in India. 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 the management, as well as evaluating the overall presentation of financial statement. We believe that our audit provides reasonable basis for our opinion. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

We have no relationship with or any interests in the society other than our capacity as auditors.

Opinion:

1. In our opinion, proper books of accounts as required by the law have been kept by the Society so far as appears from our examination of the books maintained at the Head Office and all the branches of the Society visited by us
2. The Balance Sheet and the Income and Expenditure account dealt with by this report are in agreement with the books of accounts;
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Income and Expenditure Account and other accounts relating to various funds, read together with the notes on accounts attached thereto, give a true and fair view:
 - i. In the case of the Balance Sheet, of the state of affairs of the Society as at March 31, 2010 and
 - ii. In the case of Income and Expenditure account, of the Excess of Income over Expenditure of the Society for the year ended on that date.

for **V. NAGARAJAN & CO.,**
Chartered Accountants

(V. NAGARAJAN)
Partner

M. No. 19959: Firm Regn.No. 04879 N

Place: New Delhi,
Dated: June 19, 2010



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

BALANCE SHEET AS AT MARCH 31,	2010	2009
	<i>Sch.</i>	
SOURCES OF FUNDS		
CORPUS FUNDS	1	91,381,395
OTHER FUNDS	2	85,985,762
Capital Assets Fund	60,943,023	53,027,239
Restricted Project Funds	214,799,215	57,195,261
Un-restricted Funds	36,295,957	33,651,514
REVOLVING FUNDS	3	6,367,647
Total		409,787,237
APPLICATION OF FUNDS		
FIXED ASSETS	4	
Owned Assets	49,055,219	45,659,908
Community Assets held by PRADAN	11,887,804	7,367,331
INVESTMENTS	5	89,934,799
CURRENT ASSETS AND ADVANCES (A)		
Cash & Bank	6 258,821,972	127,412,679
Advances	7 23,330,772	13,785,260
Other Current Assets	8 6,601,412	4,625,121
	288,754,156	145,823,061
CURRENT LIABILITIES AND PROVISIONS (B)		
Current Liabilities	9 29,607,020	37,456,002
Provisions	10 237,721	189,519
	29,844,741	37,645,521
NET CURRENT ASSETS (A-B)		258,909,415
Total		409,787,237

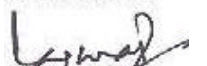
- Fund Based Receipts and Payments Accounts **20**
- Natural Head based Income and Expenditure Account **21**
- Accounting Policies and Notes on Accounts **22**

As per our Report of even date

for V. NAGARAJAN & Co.,

Chartered Accountants

New Delhi,
Date: June 19, 2010


(V. NAGARAJAN)
Partner

M. No. 19959; Firm Regn.No. 04879 N


Chairperson


Executive Director


Members of Governing Board



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR
ENDED MARCH 31,**

2010

2009

INCOME

Contributions/Grants Received	11	509,064,262	296,588,388
Income on Investments	12	14,456,529	8,620,028
Other Receipts	13	2,274,094	1,961,452
Total		525,794,885	307,169,869

EXPENDITURE

Rural Livelihood Promotion Programmes	14	254,302,807	220,097,792
Livelihood Programme Support	15	45,088,168	39,025,003
Human Resource Development	16	21,080,416	18,329,085
Research & Documentation	17	16,405,443	17,208,486
Administration	18	14,696,992	12,695,251
Loss on Redemption of Investment	5	4,851,356	-
Total		356,425,182	307,355,618

Non-Cash Charges

Unserviceable Assets & Unrecoverable Advances Written Off	19	809,891	876,064
Total		357,235,073	308,231,682

Excess of Income over Expenditure

168,559,812	(1,061,814)
525,794,885	307,169,869

APPROPRIATION

Balance Available for Appropriation	168,559,812	(1,061,814)
Transfer to/(from)		
Income Appropriated to Corpus	395,633	217,521
Assets Utilization Reserve - Acquisitions (Net)	7,915,784	22,350,137
Restricted Funds	157,603,954	(12,082,872)
Unrestricted Funds	2,644,441	(11,546,599)

Fund Based Receipts and Payments Accounts	20
Natural Head wise-Income and Expenditure Account	21
Accounting Policies and Notes on Accounts	22

As per our Report of even date
for **V. NAGARAJAN & Co.**,
Chartered Accountants

Ravi Chopra

Chairperson

[Signature]

Executive Director

New Delhi,

Date: June 19, 2010

[Signature]
(V. NAGARAJAN)

Partner

[Signature]

Members of Governing Board



1. No. 19959: Firm Regn.No. 04879 N



SCHEDULE 22: Significant Accounting Policies and Notes on Accounts
(Followed in framing the financial statements for the year ended March 31, 2010)

1. **OVERVIEW OF THE SOCIETY'S OPERATIONS:** In conformity with its aims and objects, the Society takes up rural development projects to promote income-generating activities for the benefit of the rural poor in agriculture, watershed, poultry, tasar silk, lac and other economic sectors,
 - Motivates and provides capacity building inputs to the poor in support of these income-generating activities through its various project teams or peoples' own groups, service units and centres (formed as separate entities and eventually to be owned by the communities) with the ultimate aim of transferring the management and ownership of these service units to the rural poor,
 - Undertakes projects for setting up, renovation and maintenance of irrigation systems, and the development of natural resources by way of land development, watershed development, afforestation and wasteland development,
 - Promotes women's mutual credit and savings groups, associations of such groups and federations of such associations to enhance the savings and borrowing power of poor rural women so that they can mobilise funds for income generation activities,
 - Promotes Peoples' Organisations through its projects to manage their own economic activities, such as mutually aided cooperative societies, mutual benefit trust, Rural Producers' Associations, Producer Companies, etc.
 - Works with the poor through locally active groups, formally recognised under any law or not, towards the accomplishment of its mission.

2. **SIGNIFICANT ACCOUNTING POLICIES**
 - 2.1. **BASIS OF ACCOUNTING:** The financial statements have been prepared to comply in all material respects in respects with the accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'). The financial statements have been prepared under the historical cost convention and on accrual basis except stated otherwise. The accounting policies have been consistently applied by the Society and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.
 - 2.2. **REVENUE / EXPENDITURE RECOGNITION:** All grants are recognized on cash basis and expenditure and liabilities are recognized on accrual basis. In the case of a programme undertaken with the support of some government and other agencies, though the funds received are in the nature of Program Execution Charges under a contract, the same is reported as grant in view of the restriction on the expenditure and its nature as reimbursement of expenses.
 - 2.3. **FORMAT OF ACCOUNTS:** The Income and Expenditure has been classified based on the cost of activities carried out by the organization, while Natural Head wise Income and Expenditure account is provided in Schedule 21, forming part of Society's accounts. The activity-based costs are identified and each expense is so classified and recorded in the books based on a documented process including detailed classification of cost centres and sub-cost centres, by the Management.
 - 2.4. **CLASSIFICATION OF EXPENSES:** Of the various activities carried on by the Society, expenses incurred directly in working with and rendering services to the poor rural communities have been treated as **Rural Livelihood Promotion Programmes** - these include grants in creating livelihood assets and infrastructure, formal or informal training and exposure of beneficiaries, expenses of community based service providers, salaries and related costs of Society's staff working directly with the communities; whereas **Livelihood Programme Support** - relates to expenses incurred in management of field projects and integration of field operations; and are so stated in the accounts.
 - 2.5. **TREATMENT OF ASSETS:** Fixed assets held by the Society are classified in following broad categories namely;
 - a. Assets owned by the society and used for rendering services and,
 - b. Assets created for the benefit of the beneficiaries to be ultimately transferred to them. All such assets are recognized at cost and charged to respective funds as expenses in consonance with applicable Income Tax Act. Though these assets are held in the books of the Society, no depreciation has been charged.

Fixed assets are stated at Cost, after reducing opening accumulated depreciation. Acquisitions of assets though charged to the Funding Agency's grants are retained in the books by creating a fixed assets utilization reserve. Direct Costs are capitalized until the assets are ready for use.

- 2.6. **TREATMENT OF SUBSIDIES AND GRANTS TO BENEFICIARY GROUPS:** In the case of informal producers groups of the rural poor promoted by the Society and income generation activities flowing there from, the Society provides donations /capital grants in the form of subsidy to undertake micro business ventures to individuals through groups or business associations. However, these grants, though written off in the books of the Society, are given with implied understanding as a loan to be repaid to the apex bodies of such groups or associations of such groups, which will revolve the same for the benefit of themselves, other members of the same group or other groups.
- 2.7. **VALUATION OF INVESTMENTS:** All investments are held at cost and are valued at market price or cost, whichever is lower, except long term investments made out of Corpus and other specified Funds. Any diminution in value in respect of all investments other than long term investments (*which are held to maturity or pre maturity withdrawals*) are provided in the accounts, while appreciation accounted for when realized.
- 2.8. **TREATMENT OF RESTRICTED FUNDS, BUDGET BASED EXPENDITURE ACCORDED BY FUNDING AGENCIES AND FUNDS DIRECTLY FACILITATED TO THE BENEFICIARY GROUPS:**
- a The expenditure on projects taken up with the support of donor agencies is, as far as possible, incurred according to the plans and budgets agreed upon. However, deviations sometimes occur at the time of project execution depending upon various circumstances, such as location, awareness among the beneficiaries, local customs, availability of inputs, legal restrictions, etc. such variations, monitored regularly, are generally intimated to the donor in advance.
 - b In respect of specific funded activities under the directions of donors, such as revolving fund grants, working capital loans, loan funds to be passed on to the beneficiaries and administered by the Society, the same are separately accounted for, held in trust and administered in terms consonant with the objects of the Society. All other grants, including capital grants, are taken as revenue of the Society in the year of receipt to meet the local tax law requirements.
 - c In the course of implementing rural development projects the Society also leverages substantial resources from various rural development schemes of the government and banks and through beneficiaries' own contribution, which are directly channeled to the beneficiaries and are not reflected in the Society's books of accounts. This is in keeping with the Society's policy of progressively strengthening the capability of the weaker sections to deal effectively with development agencies and to manage development activities themselves.
- 2.9. **Employee Benefits:**
Society provides following benefits to its employees as per the term of employments with them namely;
- a **Provident fund benefit from Society:** Society has established a recognized provident fund and liability towards provident fund is paid or provided to the recognized provident fund on monthly basis.
 - b **Gratuity:** Society has entered into an arrangement with Life Insurance Corporation of India and liability on account of Gratuity these benefits is calculated and provided based on actuarial calculation provided by Life Insurance Corporation using "Projected Unit Rate" method. The plan provides for a lump sum payments to vested employees at retirement, death while on employment, or on termination of employment of an amount equivalent to 15days basic salary payable for each completed year of service and 20 days basic salary payable for each completed year of service for those employees who has completed 10 years of continuous service in the organisation. Vesting occurs upon completion of five years of services.
 - c **Leave Encashment:** Society has entered into an arrangement with Life Insurance Corporation of India and liability on account of Leave Encashment benefits is calculated and provided based on actuarial calculation provided by Life Insurance Corporation using "Projected Unit Rate" method. The plan provides for a lump sum payment to vested employees at retirement, death while on

employment, or on termination of employment of an amount equivalent to number of days of accumulated leaves subject to certain limits multiplies by per day basic salary. Vesting occurs upon completion of two years of services. The liability is provided based on number of days of unutilized leave as on balance sheet date.

- d **Medical Benefits:** Society provides monthly liability based on fixed contribution for employees and Society, credited to a separate fund provided for this purpose within Society's books.

3. NOTES ON ACCOUNTS:

3.1. Fixed Assets : Rs 60,953,894

- i Depreciation of Rs 5,900,296 has not been provided for the year and after adjusting for depreciation; the net worth of Fixed Assets, is Rs 34,803,757.
- ii Community assets of Rs 11,887,804 held by the Society represents assets created out of donor funds for the benefit and ultimate use by the community and will be transferred to community in due course. This is separately stated in the accounts.

3.2. Investments : Cost Rs 89,934,799 Market Value Rs 90,801,839

- i The market value of investments as on March 31, 2010 was Rs.90,801,839; whereas valued at cost the investments was Rs.89,934,799. The available provision for diminution in market value Rs 7,292,828 (*charged to Income and Expenditure account of the year ending March 31, 2008*) has been retained given diminution in some instruments and prevailing volatility in market.
- ii Investments totaling Rs 34,187,222 was redeemed and new investments of Rs 57,302,026 were made in the year. Profit of Rs.1,200,395 and loss of Rs.4,851,356 realized on redemption have been transferred to Income & Expenditure account.
- iii Dividend income of Rs 3,797,149 has been transferred to the income account.

- 3.3. **Addition to Corpus: Rs 5,395,633:** This represents corpus grant of Rs 5,000,000 received from Sir Dorabji Tata Trust, and interest income of Rs 395,633 appropriated on corpus investments as per the term of grant agreement with Sir Dorabji Tata Trust.

3.4. Employees Welfare Funds/ Provident Fund / Gratuity/ Leave Encashment / Medical Benefits

- i Provident fund benefit from the Society: A total of Rs 8,231,957 (*Previous Year Rs 6,992,962*) has been provided as Society's share of contribution to the recognized provident fund.
- ii Gratuity provision made in the books of accounts during the year is Rs 2,757,018 (*Previous year Rs 3,623,061*). *The balance of past service cost i.e. the gratuity liability for earlier years of Rs 9,340,356 has been paid by the society to the LIC of India during the year. The current service cost on the basis of actuarial valuation received from LIC of India Rs 1,957,269 (including policy renewal charges of Rs 165,634) has also been paid.*
- iii Leave Encashment provided during the year Rs 2,339,039 (*Previous Year Rs 1,063,069*). *The balance of past service cost i.e. the leave encashment liability for earlier years of Rs 4,662,194 have been paid by the society to the LIC of India during the year. The current service cost on the basis of actuarial valuation received from LIC of India Rs 7,56,437 (including policy renewal charges of Rs 6,342) has also been paid.*
- iv Medical Benefits:
 - a The Society's contribution to the Employee Contributory Welfare Fund during the year is Rs 3,271,200 corresponding contribution by employees to the fund amounts to Rs 1,654,675 (*Previous year Society Rs 2,838,250, Employees Rs 1,450,051*).
 - b Fund has reimbursed employees hospitalization expenses of Rs 579,890 and medical expenses including medicines and consultation fees of Rs 2,909,969
 - c As on March 31, 2010 total balance in the fund stands at Rs 3,897,136 (*Previous Year Rs 2,792,944*).

4. Loans to Self Help Groups

The Society has received a total of Rs 16,937,659 in trust from Dewan Foundation for providing to Self Help Groups for undertaking livelihood activities. New disbursements in the year amounts to Rs 2,453,502 and returns in the year is Rs 4,202,930. Amount held in the revolving fund as at March 31, 2010 stands at

PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs 4,753,963 (*Previous Year 3,004,535*). The liability to repay remains with the Groups and the Society is only responsible to collect the amount from the Groups.

5. **In Fixed Deposits: Rs 158,034,697**

- a Includes Rs 521,830 pledged with commercial banks as security against micro finance loans provided to Self Help Groups.
- b Includes Rs 100,000 provided for issuing bank guarantee for MPRLP project undertaken in Samnapur and Amarpur blocks of Dindori district
- c Includes Rs 150,798,135 held on account of donor assisted contracted projects.

6. **Expenses incurred on Governing Board:**

During the year, the Society has incurred an expenditure of Rs 169,435 (*Previous Year Rs 128,163*) on traveling, conveyance and boarding & lodging by the members of the Governing Board.

7. **Others:**

- a Auditors' remuneration includes Rs 1,050,000 excluding service tax (*Previous Year Rs 850,000*) as audit fee, while the balance is for other services rendered. Reimbursement of travel and conveyance Rs 254,960 (*Previous Year Rs 249,133*)
- b Contingent liabilities in respect of liabilities of peoples' organizations and trusts where the Society is involved in the promotion and support of the same. - Not ascertainable.
- c Previous year figures are regrouped and rearranged wherever necessary.

As per our Report of even date
for **V. NAGARAJAN & Co.,**

Chartered Accountants

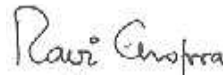
New Delhi,
Dated: 19th June 2010



(V. NAGARAJAN)

Partner

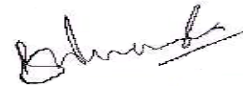
M. No. 19959: Firm Regn.No. 04879 N



Chairperson



Executive Director



Members of the Governing Board

