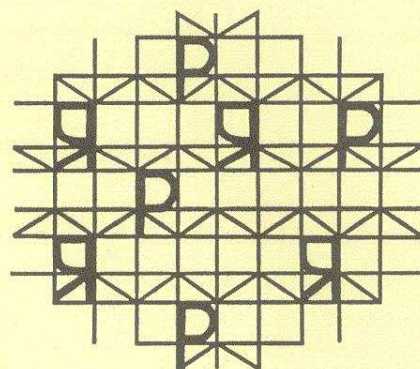




PROFESSIONAL ASSISTANCE
FOR DEVELOPMENT ACTION



FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

3 Community Shopping Centre Niti Bagh, New Delhi-110 049
Tel/Fax (91) 011- 26518619 ☎ 26514682, 26528534, 41640611
email: headoffice@pradan.net web: www.pradan.net

Auditors

V. NAGARAJAN & CO.,

Chartered Accountants

A-1, 2 & 4, 2nd Floor, Palam Vyapar Kendra

Palam Vihar, Gurgaon - 122 017, Haryana.

Ph: +91-124-2368742

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, 2008 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.

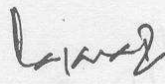
We have no relationship with or any interests in the society other than our capacity as auditors.

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, 2008 and
 - ii. In the case of Income and Expenditure account, of the Excess of Expenditure over Income of the Society for the year ended on that date.

Place: New Delhi,
Dated: June 7, 2008

for V. NAGARAJAN & CO.,
Chartered Accountants


(V. NAGARAJAN)
Partner



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

BALANCE SHEET AS AT MARCH 31, 2008 2007

Sch.

SOURCES OF FUNDS

CORPUS	1	85,768,241	65,565,343
CAPITAL AND GENERAL FUNDS	2	137,860,520	158,076,479
SPECIFIED FUNDS	3	1,843,896	7,699,024
Total		225,472,657	231,340,846

APPLICATION OF FUNDS

Owened Assets	4		
In possession		38,321,348	28,656,080
Less: Depreciation		13,161,529	13,458,352
Community Assets held by PRADAN			
In possession		3,974,044	7,941,115
Work in Progress		1,543,239	13,592,082
INVESTMENTS	5	78,401,795	71,279,544
MICRO ENTERPRISES DEVELOPMENT FUNDS	6	2,355	206,018
CURRENT ASSETS AND ADVANCES (A)			
Current Assets	7	125,420,912	120,292,713
Advances	8	19,734,186	23,664,779
		145,155,098	143,957,492
CURRENT LIABILITIES AND PROVISIONS (B)			
Current Liabilities	9	12,955,441	7,270,351
Provisions	10	15,808,251	13,562,782
		28,763,692	20,833,133
NET CURRENT ASSETS (A-B)		116,391,405	123,124,359
Total		225,472,657	231,340,846

Fund Based Receipts and Payments Accounts	17
Natural Head based Income and Expenditure Account	18
Accounting Policies and Notes on Accounts	19

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

New Delhi,
Date: June 7, 2008

(V. NAGARAJAN)
Partner



Ravi Gupta
Chairperson

Executive Director

Members of Governing Board

Audited Financial Statements for the year ended March 31, 2008

PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31

		2008	2007
	Sch.		
INCOME			
Contributions/Grants Received	11	247,846,768	275,403,075
Income on Investments	12	20,836,466	14,836,267
Other Receipts	13	3,709,942	2,394,975
Total		272,393,177	292,634,317
EXPENDITURE			
Rural Livelihood Promotion Programmes	14	214,914,384	174,580,239
Livelihood Programme Support		32,729,305	25,023,172
Human Resource Development		18,397,546	9,522,620
Research & Documentation		8,813,032	4,937,477
Administration	15	10,955,490	8,654,098
Total		285,809,756	222,717,606
Non-Cash Charges			
Diminution in Value of Investments		5,495,213	1,797,615
Loss on Sale of Investment		-	673,485
Unserviceable Assets & Unrecoverable Advances Written Off	16	461,374	2,023,771
Total		291,766,344	227,212,476
Excess of Income over Expenditure		(19,373,168)	65,421,841
		272,393,177	292,634,317
APPROPRIATION			
Balance Brought Down		(19,373,168)	65,421,841
Transfer to/(from)			
Income Appropriated to Corpus		898,291	573,407
Assets Utilization Reserve - Acquisitions (Net)		(6,053,823)	1,090,842
Restricted Funds		(24,718,345)	57,613,194
Unrestricted Funds		10,500,710	6,144,397
Fund Based Receipts and Payments Accounts	17		
Natural Head wise-Income and Expenditure Account	18		
Accounting Policies and Notes on Accounts	19		

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

New Delhi,
Date: June 7, 2008

(V. NAGARAJAN)
Partner



Ravi Anand
Chairperson



Executive Director

Members of Governing Board

Audite

PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

SCHEDULE 19: Significant Accounting Policies and Notes on Accounts

(Followed in framing the financial statements for the year ended March 31, 2008)

PART A: ACCOUNTING POLICIES

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, poultry, tasar silk and other economic sectors.
- Motivates and Provides capacity building inputs to the poor in support of these income-generating activities through 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. CLASSIFICATION OF EXPENSES:

Of the above activities carried on by the Society, concerning the income generation activities, all expenses incurred in the services rendered to the rural poor have been treated as Rural Development Programmes, and Livelihood Programme Support and are so stated in the accounts.

3. SEGREGATED ACCOUNTS FOR INCOME GENERATION PROGRAMS:

Wherever any of the above mentioned services generate income and the Society plays the role of intermediary to organise such services, the Society has instituted separate Micro-Enterprise / Finance Development Funds. These Funds are treated as separate entities with a view to transfer the same to the community at an appropriate time upon their maturity. Though the Funds form part of the Society's operations, these are in the nature of cooperatives of the producers who are also the beneficiaries. Only the Fund provided is shown as liability in the books of the Society, while the surplus or deficit and other fund receipts are retained in the books of respective Funds.

4. TREATMENT OF ASSETS:

In the process of rendering the above services to the poor, the Society has been providing certain assets to them for production or for demonstration purposes. Though these assets are held in the books of the Society, no depreciation has been charged.

5. 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

Significant Accounting policies and Notes on Accounts



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Ravi Anshu

groups, which will revolve the same for the benefit of other members of the same group or other groups.

6. **VALUATION OF INVESTMENTS:**

All investments are held at cost and are valued at market price or cost, whichever is lower. Any diminutions in the value of assets are fully provided for.

7. **BOOK KEEPING AND ACCOUNTING CONVENTIONS:**

The books are written on historical cost convention, going concern basis and all incomes are accounted for on cash basis except interest accrued. Expenditures are accounted for on mercantile basis of accounting.

8. **TREATMENT OF SPECIFIC 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 some times 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.

9. **EMPLOYEES WELFARES / PROVIDENT FUND / GRATUITY / LEAVE ENCASHMENT / MEDICAL BENEFITS / LEAVE TRAVEL 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 and Leave Encashment:** Liability on these benefits is calculated and provided based on calculation of a certified actuarial.

c) **Medical Benefits:** Society provides monthly liability based on fixed contribution for employees and society, credited to a separate fund provided for this purpose.

d) **Leave Travel Concession** is provided on cash basis as and when claim is made by the employees based on terms of employments and rules framed in this regard.

PART B: NOTES ON ACCOUNTS

10. **Income recognition:**

a) All grants are recognised on cash basis and expenditure and liabilities are recognised on accrual basis.

Significant Accounting policies and Notes on Accounts



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- b) In the case of programmes 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 is in the nature of reimbursement of cost.

11. Format of Accounts:

The Income and Expenditure has been classified based on the cost of activities carried out by the organisation, while Natural Head wise Income and Expenditure account is provided in Schedules 18, forming part of the accounts. The activity-based costs are identified, based through a documented process, by the Management.

12. Fixed Assets and Depreciation: Rs 30,677,102

Fixed assets are stated at Cost, after reducing opening accumulated depreciation. Acquisitions of assets though they are 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. Depreciation Rs 2,610,742 has not been provided for the year and the net worth of Fixed Assets is Rs 23,937,488.

Community assets held by the society represents assets created out of donor fund for the benefit and ultimate use by the community and are transferred to community in due course.

13. Corpus Investments: Cost Rs. 85,694,623 Market Value Rs 78,401,795

- a) After providing a sum of Rs 7,292,828 (*previous year Rs. 1,797,615*) being diminution in the value, the estimated net worth of the portfolio of investments as per market/realizable prices as at March 31, 2008 was Rs 784.02 lakh (against the cost of Rs 856.95 lakh).
- b) Diminution in the value of investments amounting to Rs 7,292,828 has been calculated by comparing total cost of investment with market value of total investments as on March 31, 2008.

14. Addition to Corpus: Rs 20,202,898

This represents corpus grant Rs 7,500,000 and Rs 11,804,607 from Sir Dorabji Tata Trust and The Ford Foundation respectively, and interest income appropriated on corpus investments Rs 898,291 as per the term of grant agreement with Sir Dorabji Tata Trust.

15. Specified Fund held in Trust: Rs 18,43,896

This includes Rs 628,112 held in trust by the Society to be used as revolving fund for specific project activities, and the balance fund represents loans for purchase of two wheeler vehicles for field staff.

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

- a) Provident fund benefit from society: A total of Rs. 5,253,233 (*Previous Year Rs.*) has been provided as society share of contribution to recognized provident fund.
- b) Gratuity: Provided during the year Rs. 1,910,396 (*Previous year Rs. 943,503*).
- c) Leave Encashment: Provided during the year Rs. 1,485,697 (*Previous Year Rs.1,219,807*)
- d) Society has not earmarked funds that represent the liability on gratuity and leave encashment.
- e) Medical Benefits:
- i) Society's contribution to medical fund during the year Rs. 1,802,750 corresponding contribution by employees to the fund amounts to Rs. 673,750 (*Previous year Society Rs. 1,919,108, Employees Rs. 529,425*).
 - ii) As on March 31, 2008 total balance in medical funds stands at Rs. 1,712,675 (*Previous Year Rs. 11,45,551*).
 - iii) As on March 31, 2008 total estimated liability against the medical fund, based on employees' entitlement stands at Rs. 3,649,453.
- f) Leave Travel Concession:
- i) Paid during the year Rs. 228,308 (*Previous year Rs.306,914*).
 - ii) Estimated liability based on employees' entitlement is not ascertained.

Significant Accounting policies and Notes on Accounts



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17. **Loans to Self Help Groups:**

a) **On Behalf of ICICI Bank**

The Society disbursed a total of Rs 15,645,352 (*Previous year Rs 5,499,172, this year Rs 10,146,180*), as loans to Self Help Group's for undertaking livelihood activities out of funds received from ICICI Bank. The liability to repay the loans remains with the Groups and the Society is responsible to collect the amount from the Groups and repay to ICICI Bank as per the contract between ICICI Bank and the Self Help Group's. The Society has repaid a cumulative of Rs 13,325,692 (*till Previous year Rs. 10,146,180, paid this year Rs 3,179,512*) to ICICI Bank out of this loan.

b) **On Behalf of Dewan Foundation, UK**

The Society disbursed a total of Rs 11,160,250 out of a total of Rs. 11,160,250 received in trust from Dewan Foundation (*Previous year Rs 55,21,546, this year Rs 5,638,704*), to Self Help Group' s for undertaking livelihood activities. The liability to repay remains with the Groups and the Society is responsible to collect the amount from the Groups and repay to Dewan Foundation.

18. **Bank Balances – In Fixed deposits: Rs. 65,117,660**

a) Includes Rs.19,95,000 pledged with commercial banks as security against micro finance loans provided to Self Help Groups.

b) Includes Rs 100,000 deposited as bank guarantee for MPRLP project undertaken in Samanapur and Amarpur blocks of Dindori district.

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

a) During the year, the Society has incurred an expenditure of Rs.107,194 (*Previous Year Rs. 107,395*) on traveling, conveyance and boarding & lodging by the members of the Governing Board.

20. **Internal Audit systems:**

a) A structured Internal Audit system commensurate with size, nature and expanse of operations of the Society is in place and review of the same is conducted periodically.

21. **Others:**

a) Auditors' remuneration includes Rs. 585,000 excluding service tax (*Previous Year Rs. 561,200*) as audit fee, while the balance is for other services rendered. Reimbursement of travel and conveyance Rs. 287,767 (*Previous Year Rs. 246,969*)

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: June 7, 2008


(**V. NAGARAJAN**)
Partner


Chairperson


Executive Director




Members of the Governing Board



