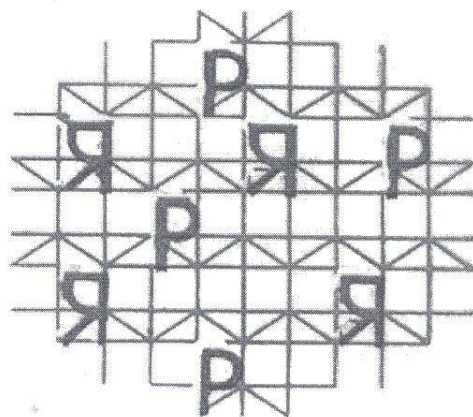


PROFESSIONAL ASSISTANCE FOR DEVELOPMENT
ACTION (PRADAN)



FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

3 Community Shopping Centre Niti Bagh, New Delhi-110049
Tel/Fax (91) 011- 26518619 ☎ 26514682, 26528534, 41640611
email: pradhanho@ndb.vsnl.net.in, pradan_del@touchtelindia.net

Auditors

V.NAGARAJAN & CO.,

Chartered Accountants

D-2058 Gurgaon Palam Vihar, Haryana-122017,

Ph: 0124 4078742-43, Fax 0124 2368743 :

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, 2009 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. ***During the year due to a change in the policy of recognizing diminution or appreciation on long term investments held to maturity, as per Accounting Policy no. 2.7 of Schedule 22 and as per Note no. 3.3, the society did not recognize the reduction in the value; the corresponding value was being provided in the books until last year. To this extent the net income over expenditure has been over stated by Rs 25,883,325.***
4. 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, subject to our observation in para 3 above, :
 - i. In the case of the Balance Sheet, of the state of affairs of the Society as at March 31, 2009 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: May 30, 2009

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


(V. NAGARAJAN)
Partner



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

BALANCE SHEET AS AT MARCH 31,		2009	2008	
	Sch.			
SOURCES OF FUNDS				
CORPUS FUNDS	1	85,985,762		85,768,241
OTHER FUNDS	2			
Capital Assets Fund		53,027,239	30,677,102	
Restricted Project Funds		57,195,261	69,278,134	
Un-restricted Funds		26,358,685	37,905,285	137,860,521
REVOLVING FUNDS	3	4,621,954		1,843,896
Total		227,188,901		225,472,658
APPLICATION OF FUNDS				
FIXED ASSETS	4			
Owned Assets		45,659,908	25,159,819	
Community Assets held by PRADAN		7,367,331	5,517,283	30,677,102
INVESTMENTS	5	65,984,123		78,401,795
CURRENT ASSETS AND ADVANCES (A)				
Cash & Bank	6	127,412,679	123,289,004	
Advances	7	13,785,260	17,520,471	
Other Current Assets	8	4,625,122	4,347,979	
		145,823,061	145,157,454	
CURRENT LIABILITIES AND PROVISIONS (B)				
Current Liabilities	9	37,456,003	28,169,654	
Provisions	10	189,519	594,039	
		37,645,522	28,763,693	
NET CURRENT ASSETS (A-B)		108,177,539		116,393,761
Total		227,188,901		225,472,658

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: May 30, 2009

(**V. NAGARAJAN**)

Partner



Ravi Chopra
 Chairperson

[Signature]
 Executive Director

[Signature]

[Signature]
 Members of Governing Board



PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

Rs

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31,

2009

2008

INCOME

Contributions/Grants Received	11	296,588,388	247,846,768
Income on Investments	12	8,620,028	20,836,466
Other Receipts	13	1,961,452	3,709,942
Total		307,169,868	272,393,177

EXPENDITURE

Rural Livelihood Promotion Programmes	14	220,097,793	214,914,384
Livelihood Programme Support	15	39,025,004	32,729,305
Human Resource Development	16	18,329,086	18,397,546
Research & Documentation	17	17,208,487	8,813,032
Administration	18	12,695,251	10,955,490
Total		307,355,621	285,809,756

Non-Cash Charges

Diminution in Value of Investments		-	5,495,213
Unserviceable Assets & Unrecoverable Advances Written Off	19	876,064	461,374
Total		308,231,686	291,766,344

Excess of Expenditure over Income

(1,061,818)	(19,373,168)
307,169,868	272,393,177

APPROPRIATION

Balance Available for Appropriation	(1,061,818)	(19,373,168)
Transfer to/(from)		
Income Appropriated to Corpus	217,521	898,291
Assets Utilization Reserve - Acquisitions (Net)	22,350,137	(6,053,823)
Restricted Funds	(12,082,872)	(24,718,345)
Unrestricted Funds	(11,546,604)	10,500,710

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

Executive Director

New Delhi,

Date: May 30, 2009

(V. NAGARAJAN)
Partner



Members of Governing Board

Members of Governing Board




PROFESSIONAL ASSISTANCE FOR DEVELOPMENT ACTION (PRADAN)

SCHEDULE 22: Significant Accounting Policies and Notes on Accounts

(Followed in framing the financial statements for the year ended March 31, 2009)

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, 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 is in the nature of reimbursement of cost.
 - 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 Schedules 21, forming part of the 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 Development Programmes** - these include grants in creating livelihood assets and infrastructure, formal, 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 investments expos and **Livelihood Programme Support** – related to 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 such 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

Significant Accounting policies and Notes on Accounts



Ravi Chopra



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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 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.

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 FACILIATED 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.

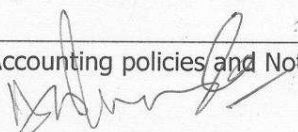
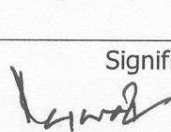
2.9. **EMPLOYEES WELFARE / PROVIDENT FUND / GRATUITY / LEAVE ENCASHMENT / MEDICAL BENEFITS / LEAVE TRAVEL BENEFITS.** Society provides following benefits to its employees as per the term of employments with them namely;

- 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:** Society has established a separate trust with Life Insurance Corporation of India and liability on these benefits is calculated and provided based on actuarial calculation provided by Life Insurance Corporation using "Projected Unit Rate" Method.
- 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** Fixed monthly allowance is provided to employees as part of monthly salary towards leave travel benefits and charged to Income & Expenditure. No accumulation of such benefit is allowed to the employees.

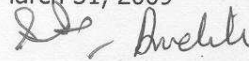
3. NOTES ON ACCOUNTS:

3.1. Change in Accounting Policies Relating to Employee Benefits

Significant Accounting policies and Notes on Accounts for the year ended March 31, 2009



Ravi Chandra



a Increase in Gratuity Benefits:

- i From the current financial year the Society has increased the gratuity benefit from earlier " 15 days salary for each completed year of services" to "20 days salary for each completed year of service in case of all employees who have completed 10 year of continuous services with the Society".
- ii Additional liabilities created on this count amounting Rs 4,107,456 have been calculated based on independent actuarial valuations.

b Gratuity Trust with Life Insurance Corporation of India:

- i Further, to change above, the Society has formed a separate gratuity benefit trust and transfer the total liability to such trust on account of all past and current services cost.
- ii Details of Accumulated Liabilities for past services cost and current service cost have been computed by Life Insurance Corporation of India. The current service cost and part of the past services cost have been paid to this Trust. Balance of gratuity liability as on March 31, 2009 pending to be paid to LIC is Rs 9,340,356.

c For Leave Encashment payable to Employees:

- i During the current financial year the Society has taken a leave encashment policy from Life Insurance Corporation of India and transfer the leave encashment liability to LIC.
- ii Details of Accumulated Liabilities for past services cost and current service cost have been calculated by Life Insurance Corporation of India. The current service cost and part of the past services cost have been paid to LIC. Balance of Leave Encashment liability as on March 31, 2009 pending to be paid to LIC is Rs 4,800,203.

3.2. Fixed Assets and Depreciation: Rs 53,027,240:

- i Depreciation of Rs 2,892,205 has been provided for the year and the net worth of Fixed Assets, is Rs 50,135,035
- ii Community assets held by the Society represents assets created out of donor funds for the benefit and ultimate use by the community and are transferred to community in due course.

3.3. Investments: Cost Rs 73,276,951 Market Value Rs 40,100,797

Considering the huge volatility in the financial markets due to various international events and occurrences, diminution in the value of long term investments , amounting to Rs 33,176,154 is not fully recognized (out of which Rs 7,292,828 was already charged to Income and Expenditure account till March 31, 2008) in the financial statements as per the revised policy.

However the markets were on an uptrend again in May and the diminution as on 30.05.2009 had reduced to Rs 13,669,804. After adjusting for the diminution of Rs 7,292,828 already charged to Income and Expenditure account till March 31, 2008, the unrecognized net diminution as per the earlier policy was Rs.6,376,976 as on May 30,2009 .

3.4. Addition to Corpus: Rs 217,521: This represents interest income appropriated on corpus investments Rs 217,521 as per the term of grant agreement with Sir Dorabji Tata Trust.

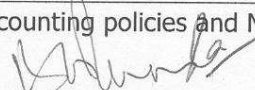
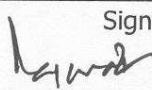
3.5. Employees Welfare Funds/ Provident Fund / Gratuity/ Leave Encashment / Medical Benefits/ Leave Travel Benefits

- i Provident fund benefit from the Society: A total of Rs 6,992,962 (*Previous Year Rs 5,253,233*) has been provided as Society share of contribution to recognized provident fund.
- ii Gratuity provided during the year Rs 3,623,061 (*Previous year Rs 1,910,396*).
- iii Leave Encashment provided during the year Rs 1,063,069 (*Previous Year Rs 1,485,697*)
- iv Medical Benefits:
 - a The Society's contribution to medical fund during the year Rs 2,838,250 corresponding contribution by employees to the fund amounts to Rs 1,450,051 (*Previous year Society Rs 1,802,750, Employees Rs 673,750*).
 - b As on March 31, 2009 total balance in medical funds stands at Rs 2,792,944 (*Previous Year Rs 1,712,675*).

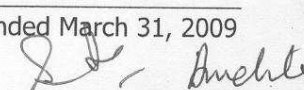
4. Loans to Self Help Groups:

a On Behalf of ICICI Bank:

The Society had facilitated cumulative disbursements of a total of Rs 15,645,352 as loans to Self Help Group's for undertaking livelihood activities out of funds received from ICICI Bank. The liability to repay the loans remained with the Groups and the Society was responsible to collect the amount from the Groups and repay to ICICI Bank. As per the agreement a First Loss Deficiency Guarantee (FLDG) of Rs 1,700,000 was provided to ICICI Bank by the Society against defaults. The ICICI Bank has revoked



Ravi Anupra



the fixed deposit of Rs 1,700,000 and interest of Rs 298,781 against defaulted loan outstanding of the groups. The Society recovered a sum of Rs 1,618,360 from the groups and paid to ICICI, while the balance amount of Rs 380,421 has been written off in PRADAN books.

b On Behalf of Dewan Foundation, UK

The Society disbursed a cumulative total of Rs 16,927,659 out of a cumulative total of Rs 16,927,659 received in trust from Dewan Foundation to Self Help Groups for undertaking livelihood activities. Amount held in the revolving fund representing amount received back from SHG groups as at March 31, 2009 stands at Rs 3,004,535 (*Previous Year Nil*). 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.

5. In Fixed Deposits: Rs 88,556,478

- a Includes Rs 275,000 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.

6. Expenses incurred on Governing Board:

During the year, the Society has incurred an expenditure of Rs 128,163 (*Previous Year Rs 107,194*) on traveling, conveyance and boarding & lodging by the members of the Governing Board.

7. Others:

- a Auditors' remuneration includes Rs 850,000 excluding service tax (*Previous Year Rs 680,000*) as audit fee, while the balance is for other services rendered. Reimbursement of travel and conveyance Rs 249,133 (*Previous Year Rs 287,767*)
- 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

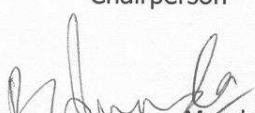
New Delhi,
Dated: May 30, 2009


(**V. NAGARAJAN**)
Partner




Chairperson


Executive Director


Members of the Governing Board

