

V. SANKAR AIYAR & CO.
CHARTERED ACCOUNTANTS

Satyam Cinema Complex, Ranjit Nagar Community Centre, New Delhi – 110008
Flat | 202, 203 Tel. (011) 25702074, 25702691, 25704639 Fax: (91-11) 25705010
No. | 301 Tel. (011) 25705233, Telefax: (011) 25705232 Grams: ANJIE (ND)
E-mail: newdelhi@vsa.co.in

INDEPENDENT AUDITOR'S REPORT

To the Members of KATHA

Report on the Financial Statements

We have audited the accompanying financial statements of KATHA (a registered Society) which comprise the Balance Sheet as at March 31, 2014, and the Income & Expenditure account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the generally accepted accounting principles of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and 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 Company'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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, said financial statements together with significant accounting policies and notes thereon, present fairly in all material respects in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of the affairs of the Society as at March 31, 2014 and,
- ii. in the case of the Income and Expenditure Account, of the surplus of the Society for the year ended on that date.

We also report that:

- a) 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.
- b) In our opinion, proper books of accounts are maintained by the Society so far as appears from our examination of the books.
- c) The Balance Sheet and the Income & Expenditure account dealt with by this report are in agreement with the books of account.

**For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. No. 109208W**

Place : New Delhi

Dated:

27 09 2014


**V. Rethinam
Partner
Membership No. 010412**



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Balance Sheet

As on 31 March 2014
(All amounts in Rupees)

	Schedule Number	As at 31 March 2014	As at 31 March 2013
SOURCES OF FUNDS			
Restricted funds:-			
Resources for Educating A Child Fund (REACH Fund)	1	8,214,443	6,671,791
Fixed assets fund		1,151,208	1,297,738
Awards reserve		3,003,444	3,003,444
Green fund		260,147	260,147
Corpus fund		3,170,000	3,170,000
Unrestricted funds:-			
Executive Director Reserve	2	10,528,426	9,256,051
General fund		(1,055,775)	(1,412,409)
Research and development reserve		9,090,323	8,867,723
		<u>34,362,216</u>	<u>31,114,485</u>
APPLICATION OF FUNDS			
Fixed assets			
Net block	3	4,658,681	4,378,090
Project Funds Spent- Awaiting reimbursement (Schedule - A)		10,672,561	9,037,619
Current assets, loans and advances			
Inventory	4	7,318,156	7,551,411
Debtors	5	4,411,233	4,912,752
Cash and bank balances	6	28,623,136	21,788,958
Loans and advances	7	3,644,948	2,368,641
		<u>43,997,473</u>	<u>36,621,762</u>
Less : Current liabilities and provisions			
Current liabilities	8	8,037,143	14,447,370
Provisions	9	1,723,466	1,706,886
Unutilised Project Funds Carry Forward (Schedule - A)		15,205,890	2,768,730
		<u>24,966,499</u>	<u>18,922,986</u>
Net current assets		<u>19,030,974</u>	<u>17,698,776</u>
		<u>34,362,216</u>	<u>31,114,485</u>

Significant accounting policies and notes to the accounts

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The schedules referred to above form an integral part of the financial statements.

As per our report of even date attached

For **V. Sankar Aiyar & Co.**
Chartered Accountants
Firm Registration No.:109208W


V. Rethinam
Partner
Membership No.: 010412

Place: New Delhi
Date: 27 09-2014



For and on behalf of Katha


Mrs. Geetha Dharma Rajan
Executive Director

Place: New Delhi
Date:



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Income and Expenditure Account
For the year ended 31 March 2014
(All amounts in Rupees)

	Schedule Number	Year ended 31 March 2014	Year ended 31 March 2013
Income			
Grants received	10	47,245,810	29,786,017
Sale of publications (Net of Sales returns)		7,645,482	7,842,827
Other income	11	1,812,540	1,944,356
		<u>56,703,832</u>	<u>39,573,200</u>
Expenditure			
(Increase)/decrease in stock		233,255	3,449,272
Programme expenses	12	21,611,211	23,109,639
Personnel expenses	13	23,135,616	15,754,267
Administrative and other expenses	14	8,928,423	5,354,293
Depreciation		1,535,264	1,947,062
Finance and bank charges	15	317,002	103,859
		<u>55,760,771</u>	<u>49,718,392</u>
Less: Transferred to fixed assets fund		(146,530)	(166,169)
		<u>55,614,241</u>	<u>49,552,223</u>
(Deficit)/Surplus for the year		1,089,591	(9,979,023)
: Transferred from/to Reach Fund		(510,357)	4,674,103
: Transferred from Research And Development Reserve		(222,600)	2,038,684
: Transferred from/to General Fund		(356,634)	3,266,236
		<u>-</u>	<u>-</u>

Significant accounting policies and notes to the accounts 16

The schedules referred to above form an integral part of the financial statements.

As per our report of even date attached

For V. Sankar Aiyar & Co.
Chartered Accountants
Firm Registration No.: 109208W


V. Rethinam
Partner
Membership No.: 010412

Place: New Delhi

Date: 27/09/2014



For and on behalf of Katha




Mrs. Geeta Dharmarajan
Executive Director

Place: New Delhi

Date:

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Schedules forming part of the accounts
(All amounts in Rupees)

	As at 31 March 2014	As at 31 March 2013
Schedule - 1		
Restricted fund		
Resources for Educating A Child Fund (REACH Fund)		
Opening balance	6,671,791	10,220,709
Add: Transfer from Income and Expenditure Account		
Add: Other REACH fund donations	-	350
Add: Katha community contribution	1,032,295	1,124,835
Add: Transfer to Income and Expenditure Account	510,357	(4,674,103)
Less: Utilised for education facility expenses	-	-
	<u>8,214,443</u>	<u>6,671,791</u>
Fixed assets fund:		
Opening balance	1,297,738	1,463,907
Add:- Assets received as grant	-	
Less: Transfer from Income and Expenditure Account representing depreciation on fixed assets	146,530	166,169
	<u>1,151,208</u>	<u>1,297,738</u>
Awards reserve		
As per last balance sheet	<u>3,003,444</u>	<u>3,003,444</u>
Green fund		
As per last balance sheet	<u>260,147</u>	<u>260,147</u>
Corpus fund		
As per last balance sheet	<u>3,170,000</u>	<u>3,170,000</u>
Schedule - 2		
Unrestricted funds		
Executive Director Reserve		
Opening balance	9,256,051	8,403,200
Add: Executive Director 's contribution to projects	1,272,375	852,851
	<u>10,528,426</u>	<u>9,256,051</u>
General Fund:		
Opening balance	(1,412,409)	1,389,052
Add: Transfer from Income and Expenditure Account	356,634	
Add: Provision made in the earlier year and no longer required	-	464,775
Add: Transfer to Income and Expenditure Account	-	(3,266,236)
Add: Transfer from grants for asset	-	-
	(1,055,775)	(1,412,409)
Less: Adjustment of grants not received	-	-
	<u>(1,055,775)</u>	<u>(1,412,409)</u>
Research And Development Reserve		
Opening balance	8,867,723	10,906,407
Add: Transfer from/to Income and Expenditure Account	222,600	(2,038,684)
	<u>9,090,323</u>	<u>8,867,723</u>



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Schedules forming part of the accounts
(All amounts in Rupees)

Schedule - 3
Fixed assets

Particulars	WDV as at 1 April 2013	Additions 1st April 13 to 30 Sept 13	Additions 1st Oct 13 to 31st Mar 14	Additions	Sales/ Adjustments	As at 31 March 2014	Depreciation for the year	Written down value as on 31 March 2014
Tangible assets								
Leasehold improvements	201,797	-	-	-	-	201,797	201,797	-
Building	217,509	-	-	-	-	217,509	21,751	195,758
Furniture and fixtures	110,261	-	292,022	292,022	-	402,283	25,627	376,656
Computers	734,949	101,900	1,054,480	1,156,380	-	1,891,329	818,453	1,072,876
Office equipment	1,604,127	-	367,453	367,453	-	1,971,580	268,178	1,703,402
Intangible assets								
Trade Mark	4,430	-	-	-	-	4,430	1,108	3,322
Software	207,279	-	-	-	-	207,279	51,820	155,459
Current year (A)	3,080,352	101,900	1,713,955	1,815,855	-	4,896,207	1,388,734	3,507,473
Previous year (C)	2,837,014	1,718,441	305,790	2,024,231	-	4,861,245	1,780,893	3,080,352

Fixed assets against grants

Particulars	WDV as at 1 April 2013	Additions 1st April 13 to 30 Sept 13	Additions 1st Oct 13 to 31st Mar 14	Additions	Sales/ Adjustments	As at 31 March 2014	Depreciation for the year	Written down value as on 31 March 2014
Tangible assets								
Building	898,722	-	-	-	-	898,722	89,872	808,850
Furniture and fixtures	64,796	-	-	-	-	64,796	6,480	58,316
Computers	100	-	-	-	-	100	60	40
Office equipment	334,120	-	-	-	-	334,120	50,118	284,002
Current year (B)	1,297,738	-	-	-	-	1,297,738	146,530	1,151,208
Previous year (D)	1,463,906	-	-	-	-	1,463,906	166,169	1,297,738

Total Current Year(A)+(B)	4,378,090	101,900	1,713,955	1,815,855	-	6,193,945	1,535,264	4,658,681
Total previous year (C) + (D)	4,300,920	1,718,441	305,790	2,024,231	-	6,325,151	1,947,062	4,378,090



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Schedules forming part of the accounts
(All amounts in Rupees)

	As at 31 March 2014	As at 31 March 2013
Schedule - 4		
Inventory		
Closing stock of books	7,634,414	7,867,669
Less: Provision for slow moving stock	316,258	316,258
	<u>7,318,156</u>	<u>7,551,411</u>
Schedule - 5		
Sundry Debtors (Unsecured)		
Marketing debtors	5,801,151	5,466,398
Less :- Provision for doubtful debts	1,389,918	553,646
	<u>4,411,233</u>	<u>4,912,752</u>
Schedule - 6		
Cash and bank balances		
Cash in hand		
Balance with scheduled banks in:		
- saving banks account	10,416,977	6,322,282
- fixed deposits	18,206,159	15,466,676
	<u>28,623,136</u>	<u>21,788,958</u>
(Pledged against guarantees issued by Bank)		
	2,531,486	2,650,000
Schedule - 7		
Loans and advances		
<i>(Unsecured, considered good unless otherwise stated)</i>		
Advances recoverable in cash or in kind or for value to be received	233,406	186,138
Security deposits	592,545	513,346
Income Tax Paid under protest	230,000	-
Interest accrued but not due	1,584,782	820,623
TDS receivable	1,004,215	848,534
	<u>3,644,948</u>	<u>2,368,641</u>
Schedule - 8		
Current liabilities		
Sundry creditors	2,190,857	5,661,334
Advance from customers	78,814	-
Bank Overdraft (Secured against Fixed Deposits)	23,397	3,957,587
Other liabilities	5,744,075	4,828,449
	<u>8,037,143</u>	<u>14,447,370</u>
Schedule - 9		
Provisions		
Provision for gratuity	1,526,100	1,459,278
Provision for leave encashment	197,366	247,608
	<u>1,723,466</u>	<u>1,706,886</u>



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Schedules forming part of the accounts
(All amounts in Rupees)

	As at 31 March 2014	As at 31 March 2013
Schedule - 10		
Grants received		
Specific Purpose Funds (Refer Annexure-A)	42,327,076	28,017,277
General Donations	4,918,734	1,768,740
	<u>47,245,810</u>	<u>29,786,017</u>
Schedule - 11		
Other income		
Interest on fixed deposits	1,521,548	1,532,085
Interest on saving bank accounts	264,609	270,677
Miscellaneous income	26,383	141,594
	<u>1,812,540</u>	<u>1,944,356</u>
Schedule - 12		
Programme expenditure		
Education material development	5,457,203	6,023,662
Consultant fee and expenses	3,628,957	1,614,343
Purchases of books and handicrafts	3,500	(716,118)
Kathashala school expenses (Refer note 3(c))	8,028,621	15,862,911
Project implementation expenses	6,163,771	3,674,326
Sales and distribution cost	351,211	229,035
	<u>23,633,263</u>	<u>26,688,159</u>
Less: Kathashala school expenses	2,022,052	3,578,520
Total Net	<u>21,611,211</u>	<u>23,109,639</u>
Schedule - 13		
Personnel expenses		
Salaries and wages	27,035,368	23,628,431
Employee benefits	554,118	1,392,214
Staff welfare	176,323	193,555
	<u>27,765,809</u>	<u>25,214,200</u>
Less: Kathashala school expenses	4,630,193	9,459,933
Total	<u>23,135,616</u>	<u>15,754,267</u>
Schedule - 14		
Administrative and other expenses		
Business promotion	422,514	464,818
Communication	485,581	547,535
Electricity expenses	520,219	552,778
Excess Spent on Project Written Off	26,590	-
Insurance Expenses	40,682	30,578
Legal and professional	191,012	61,268
Printing and stationary	1,056,894	610,367
Fees, Rates and taxes	26,653	-
Rent	2,046,676	2,172,726
Repair and maintenance	379,047	188,873
Security charges	876,656	733,908
Traveling and conveyance	2,477,044	1,512,891
Prize Money	-	260,000
Provision for bad and doubtful debts	1,141,800	366,432
Provision for slow moving stock	-	(261,554)
Licence Fees	397,505	518,736
Transportation Expenses	-	6,760
Production Costs	-	10,148
Bad debts written off : 445,484	-	-
Less: Adjustment against provisions 305,528	139,956	324,200
Miscellaneous expenses	28,777	27,000
	<u>10,257,606</u>	<u>8,127,464</u>
Less: Kathashala school expenses	1,329,183	2,773,171
Total	<u>8,928,423</u>	<u>5,354,293</u>
Schedule - 15		
Finance and bank charges		
Bank charges	266,756	132,230
Other interest	97,439	22,916
	<u>364,195</u>	<u>155,146</u>
Less: Kathashala school expenses	47,193	51,287
Total	<u>317,002</u>	<u>103,859</u>



Schedule of Grants received during the year 2013-14

S. No.	PROJECT HEAD	BALANCES AS ON 01-04-2013	CURRENT RECEIPTS	EXCESS SPENT ON PROJECT WRITTEN OFF	MET OUT OF OWN SOURCES		TOTAL	UTILIZED	Amount In Rs.	
					(un allocated)				BALANCE AS ON 31-03-2014	BALANCE AS ON 31-03-2014
									(Cr.)	(Dr.)
Specific Purpose Grants-										
General (A)										
1	DLF Ltd.	(4,700)	-	4,700	-	-	-	-	-	-
2	Hewlett Packard India Sales Private Limited	(100,000)	100,000	-	-	-	-	-	-	-
3	Ministry of Human Resource Development (Govt. of India)	(1,465,587)	295,115	-	-	(1,170,472)	-	-	-	(1,170,472)
4	Millenium Alliance	-	12,630,000	-	-	12,630,000	5,199,871	7,430,129	-	-
5	Bharat Heavy Electricals Ltd.	(933,143)	911,253	21,890	-	-	-	-	-	-
6	Gender Resource Center (GRC)	(617,910)	-	-	-	(617,910)	-	-	-	(617,910)
7	South Delhi Municipal Corporation(ILR)	(1,335,533)	2,847,458	-	3,581	1,515,506	6,232,759	-	-	(4,717,253)
8	North Delhi Municipal Corporation(ILR)	(1,760,195)	3,423,645	-	-	1,663,450	3,025,601	-	-	(1,362,151)
9	East Delhi Municipal Corporation(ILR)	(2,354,597)	4,492,620	-	-	2,138,023	4,093,460	-	-	(1,955,437)
10	Tech Mahindra Foundation (TMF)	-	3,321,175	-	274	3,321,449	2,918,627	402,822	-	-
11	BOA United Ways	(300,000)	300,000	-	-	-	-	-	-	-
12	ESSEL Social Welfare Foundation	-	1,500,000	-	857	1,500,857	1,500,857	-	-	-
13	Ingersoll Rand (Payroll Giving Campaign)	(161,262)	161,262	-	-	-	-	-	-	-
14	Deloitte	(4,692)	4,692	-	-	-	-	-	-	-
15	Max India (Dream Run Fund)	175,000	-	-	-	175,000	175,000	-	-	-
16	Tech Mahindra Foundation (Dream Run Fund)	254,118	-	-	-	254,118	254,118	-	-	-
15	Central Board of Secondary Education	-	500,000	-	1,253	501,253	501,253	-	-	-
17	Navajbhai Ratan Tata Trust	-	400,000	-	-	400,000	575,512	124,488	(300,000)	-
18	National Institute of Open Schooling	-	700,000	-	-	700,000	700,000	-	-	-
19	British Council, Division of British High Commission	-	2,125,000	-	-	2,125,000	-	2,125,000	-	-
20	TATA Communications Ltd.	-	282,313	-	-	282,313	564,625	(282,312)	-	-
21	Sohan Lal Charitable Trust	-	500,000	-	-	500,000	500,000	-	-	-
Total (A)		(8,608,501)	34,494,533	26,590	5,965	25,918,587	26,241,683	10,082,439	(10,409,535)	



S. No.	PROJECT HEAD	BALANCES AS ON 01-04-2013	CURRENT RECEIPTS	EXCESS SPENT ON PROJECT WRITTEN OFF	MET OUT OF OWN SOURCES		TOTAL	UTILIZED	BALANCE AS ON 31-03-2014	BALANCE AS ON 31-03-2014
					(un allocated)					
	B/F	(8,608,501)	34,494,533	26,590	5,965	-	25,918,587	26,241,683	10,082,439	(10,405,535)
	Foreign Contribution (B)									
1	Lohia Charitable Trust	-	2,347,497	-	-	-	2,347,497	2,400,000	-	(52,503)
2	Barrington Educational Initiative	1,313,128	1,213,855	-	10,697	-	2,537,680	1,323,825	1,213,855	-
3	British Asian Maitri Trust (Leadership)	128,087	2,308,534	-	-	-	2,436,621	2,373,398	128,087	(64,864)
4	British Asian Trust Patricia	-	446,050	-	-	-	446,050	-	446,050	-
5	British Telecom (leadership)	-	788,420	-	-	-	788,420	800,000	-	(11,580)
6	British Telecom	-	3,705,605	-	-	-	3,705,605	3,497,709	266,459	(58,563)
7	Halcrow Foundation	-	1,846,162	-	5	-	1,846,167	1,880,005	-	(33,838)
8	BRITISH Asian Trust (Dream Fund)	898,396	178,757	-	-	-	1,077,153	1,077,153	-	-
9	Vitol Foundation	-	2,704,292	-	30	-	2,704,322	2,750,000	-	(45,678)
10	Impact Foundation	-	3,069,000	-	-	-	3,069,000	-	3,069,000	-
	Total (B)	2,339,611	18,608,172	-	10,732	-	20,958,515	16,102,090	5,123,451	(267,026)
	Grand Total (A) + (B)	(6,268,890)	53,102,705	26,590	16,697	-	46,877,102	42,343,773	15,205,890	(10,672,561)



i)	Actual Grant Received during the year	53,102,705
ii)	Add:- Opening Balance	(6,268,890)
iii)	Add:- Excess spent written off	26,590
iv)	Total (i + ii)	46,860,405
v)	Less:- Closing Balance	4,533,329
vi)	Total (iv + v)	42,327,076



Katha

Schedules forming part of the financial statements

(All amounts in Rupees)

Schedule 16 – Significant accounting policies and notes to the accounts

1. Background

Katha was registered under the Societies Registration Act, 1860; vide registration certificate no.S-20336 dated 8th September 1989. The Society has been granted registration under section 12A of the Income Tax Act, 1961. The Society has been approved under section 80G (5) (VI) of the Income Tax Act, 1961. The Society is registered under the Foreign Contribution (Regulation) Act, 1976, (FCRA) (since replaced by FCRA 2010) for carrying out activities of social nature with registration no.231650637.

Started in 1988 to enhance the joys of reading and the love of books, Katha started the Katha Lab School in the poverty-ridden slums of Govindpuri in 1990, where most children worked to support their families. Katha's work supports the over arching Right to Education, Sarva Shiksha Abhiyan and National Curriculum Framework, 2005 goals that address quality, pedagogy, teacher education and capacity development for all children across social, economic divides to meet the Millennium Development Goals (MDGs).

2. Significant accounting policies

a) Basis of accounting

The financial statements have been prepared and presented on the accrual basis under the historical cost convention. The Accounting Standards issued by the Institute of Chartered Accountants of India are applicable to non-profit entities, only if any part of the activities of the entity is considered to be commercial, industrial or business in nature. The Society is not carrying on any activity in the nature of commercial, industrial or business. Therefore, the Accounting Standards are not mandatory and have been followed to the extent practicable or relevant. The accounting policies have been consistently applied by the Society.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

c) Revenue recognition

Grants

Grants are recognized as income when there is reasonable certainty that the Society will comply with the conditions attached to them and the grant will be received.

Grants relating to depreciable assets are credited to fixed assets fund which is recognized in the Income and Expenditure account by way of a depreciation charged over the useful lives of the assets.



Katha

Schedules forming part of the financial statements

(All amounts in Rupees)

Schedule 16 – Significant accounting policies and notes to the accounts

Interest income

Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

d) Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation.

Depreciation on fixed assets is charged on written down value method at the following rates and in accordance with the rates prescribed under the Income Tax Act, 1961:

Particulars	Rates of depreciation (per annum)
Building	10%
Furniture and fixtures	10 %
Computer equipment	60%
Office equipment	15%
Trade mark	25%
Software	25%

Leasehold Improvements are depreciated over the period of lease or the useful lives of assets, whichever is lower.

e) General funds

The surplus/ deficit from Income and Expenditure Account is transferred to general funds, which is unrestricted in nature and is available for furtherance of the objective of the Society in future periods.

f) Restricted funds

The Society receives funds which are restricted in nature from foreign and Indian sources. Revenue from restricted fund is recognised during the year in the Income and Expenditure Account to match the related expenditure. The balance amount is carried forward in the restricted fund for use in future periods.

g) Expenditure

The Society implements its programmes for children's education and its others objective by itself and no programmes are sublet to any other organization Accordingly, expenditure incurred by the Society during the year to be implement their projects are charged to the Statement of Income and Expenditure.



Katha
Schedules forming part of the financial statements
(All amounts in Rupees)

Schedule 16 – Significant accounting policies and notes to the accounts

h) Provisions and contingent liability

A provision is recognised in the financial statements where there exists a present obligation as a result of a past event, the amount of which is reliably estimable, and it is probable that an outflow of resources would be necessitated in order to settle the obligation. Contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, or is a present obligation that arises from past events but is not recognised because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimate of the amount of the obligation cannot be made.

i) Foreign exchange transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Foreign currency assets and liabilities are restated at the rate prevailing as at the date of Balance Sheet. The difference between the year-end rate and exchange rate as at the date of transaction, if any is recognized as expense or income in the Income and Expenditure Account.

j) Employee benefits

The Society makes regular contribution towards Government Provident Fund.

The Society has entered into an arrangement with Life Insurance Corporation (LIC) towards accruing liability for future payment of gratuity. Provision for leave encashment has been made on actual calculation.

k) Leases

Lease payments in respect of operating lease are recognized as an expense in the Income and Expenditure Account on a straight line basis over the period of lease.

3. Notes to Accounts

a) Leases

The Society has taken office premises and project premises under operating lease arrangements. The lease rent charged to Income and Expenditure Account is Rs.20,46,676 (Previous year Rs. 21,72,726).

b) The Society has been following written down value method of depreciation on its fixed assets. In the absence of detailed records of original cost of assets, the books of account indicate only the written down values and not the original cost. As a result, Schedule 3, "Fixed Assets" in these financial statements, does not indicate original cost and accumulated depreciation.

c) Kathashala school expenses amounting to Rs.80,28,621 comprise allocation of programme expenditure – Rs. 20,22,052, personnel expenditure – Rs. 46,30,193, administrative expenditure – Rs. 13,29,183 and finance charges – Rs. 47,193 as indicated in the respective schedules viz. 12-15.

d) The Executive Director, Ms. Geeta Dharmarajan, is working on honorary basis. She does not draw any fee for the curriculum development writing, editing and designing done by her for the various projects



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Schedules forming part of the financial statements

(All amounts in Rupees)

Schedule 16 – Significant accounting policies and notes to the accounts

of the Society. The general body had decided that amount for her creative services be transferred to Executive Director Reserve and this reserve is fully governed by the body itself which is to be utilized for education and development programme.

e) The amount unspent on projects of Rs. 1,52,05,890(Previous Year Rs.27,68,730) is carried forwarded as “Carried forward Projects Funds” under the head Current Liabilities.

f) **Gratuity**


A sum of Rs.3,67,975 (Previous year Rs 3,01,153) is recognized as an expense and included in “Personnel expenses” in the income and expenditure account.

g) **Contingent Liability- Income Tax**

In respect of Assessment Year 2010-11, the Assessing Officer has not allowed the benefit of Section 11 of Income Tax Act 1961 and has raised a demand of Rs.1,538,817. The Society has filed an appeal before the Commissioner of Income Tax (Appeals), which is pending. Further the Assessing Officer has passed an order u/s 154/143(3) of Income Tax Act 1961 against recording the unspent funds as income for the year and increased the demand to Rs. 31,54,137. The Society has filed an appeal before the Commissioner of Income Tax (Appeals) against this order as well.

h) Previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year classification.

For **V. Sankar Aiyar & Co.**
Chartered Accountants
Firm Registration No.: 109208W


V. Rethinam
Partner
Membership No. 010412

Place: New Delhi

Date : 27-09-2014



For and on behalf of Katha



Place: New Delhi

Date :