



**V. SANKAR AIYAR & CO.**  
CHARTERED ACCOUNTANTS  
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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE KATHA

#### **Report on Financial Statements**

We have audited the accompanying financial statements of **KATHA (the Society)** which comprise the Balance Sheet as at 31<sup>st</sup> March 2016 and the Income and 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 that give a true and fair view of the financial position and financial performance of the Society in accordance with the Generally Accepted Accounting Practices in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the organization and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and 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 of 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 financial control relevant to the Society's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Society has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by the Society's Governing Board, 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, the financial statements, read with other notes given thereto, give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Society as at 31<sup>st</sup> March 2016; and
- b) in the case of the Income and Expenditure Accounts, of the surplus/ (deficit) for the year ended on that date;

## Other Matters

- 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 account have been kept by the Society so far as appears from our examination of the books of accounts.
- c) The Balance Sheet, and the Income and Expenditure Account dealt with by this report are in agreement with the books of account

**For V. Sankar Aiyar & Co.**  
Chartered Accountants  
(Firm Regn. No.: 109208W)

*31-*  
**V. Rethinam**  
Partner (M. No: 010412)

Place: *New Delhi*  
Dated: *14-10-2016*



# KATHA

## Balance Sheet

As on 31 March 2016

(All amounts in Rupees)

	Schedule Number	As at 31 March 2016	As at 31 March 2015
<b>SOURCES OF FUNDS</b>			
<b>CAPITAL FUND</b>			
Corpus fund	1	8,336,581	-
		3,170,000	3,170,000
<b>Restricted funds:-</b>			
Resources for Educating A Child Fund ( REACH Fund)	2	6,184,576	10,058,381
Fixed assets fund		-	1,021,867
Awards reserve		-	3,003,444
Green fund		-	260,147
Founder's Reserve		11,897,553	11,045,926
<b>Unrestricted funds:-</b>			
General fund	3	(3,065,237)	(1,209,379)
Research and development reserve		-	8,994,448
		<u>26,523,473</u>	<u>36,344,834</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Net block	4	8,336,581	7,228,961
Project Funds Spent- Awaiting reimbursement (Annexure - A)		2,718,114	10,152,611
<b>Current assets, loans and advances</b>			
Inventory	5	4,764,306	5,292,222
Debtors	6	6,087,405	5,981,988
Cash and bank balances	7	32,640,077	28,179,173
Loans and advances	8	5,208,278	6,518,689
		<u>48,700,066</u>	<u>45,972,072</u>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	9	21,488,452	12,468,196
Provisions	10	1,844,054	1,865,678
Unutilised Project Funds Carry Forward (Annexure - A)		9,898,782	12,674,936
		<u>33,231,288</u>	<u>27,008,810</u>
Net current assets		15,468,778	18,963,262
		<u>26,523,473</u>	<u>36,344,834</u>

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Significant accounting policies and notes to the accounts

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

For and on behalf of Katha

Mrs. Parvinder Kaur  
Executive Director



Place: New Delhi

Date: 14-10-2016





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**Income and Expenditure Account**  
For the year ended 31 March 2016  
(All amounts in Rupees)

	Schedule Number	Year ended 31 March 2016	Year ended 31 March 2015
<b>Income</b>			
Grants received	11	49,412,272	56,212,523
Sale of publications (Net of Sales returns)		5,435,056	8,131,598
Other income	12	2,664,644	3,395,331
		<u>57,511,972</u>	<u>67,739,452</u>
<b>Expenditure</b>			
(Increase)/decrease in stock		(637,725)	235,284
Programme expenses	13	35,751,126	33,481,044
Personnel expenses	14	23,051,723	24,000,442
Administrative and other expenses	15	10,741,693	8,530,770
Depreciation	4	2,774,904	2,047,559
Less: Adjusted against capital fund		<u>2,774,904</u>	-
Finance and bank charges	16	31,270	42,986
		<u>68,938,087</u>	<u>68,338,085</u>
Less: Transfer to fixed assets fund		-	(129,341)
		<u>68,938,087</u>	<u>68,208,744</u>
(Deficit)/Surplus for the year		<b>(11,426,115)</b>	<b>(469,292)</b>
: Transfer from/to Reach Fund		5,351,910	219,813
: Transfer to Green Fund		-	-
: Transfer from/to Research And Development Reserve		-	95,875
: Transfer from/to General Fund		<u>6,074,205</u>	<u>153,604</u>
		<u>-</u>	<u>-</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

For and on behalf of Katha

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

*Parvinder*  
Mrs. Parvinder Kaur  
Executive Director



Place: New Delhi  
Date: 14-10-2016



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

	As at 31 March 2016	As at 31 March 2015
<b>Schedule - 1</b>		
<b>CAPITAL FUND</b>		
Fixed Assets for previous years	7,228,961	-
Add: Fixed Assets out of grant during the year	3,838,308	-
Add: Fixed Assets out of General Fund	44,216	-
Less: Depreciation for the year adjusted	2,774,904	-
	<u>8,336,581</u>	<u>-</u>
<b>Schedule - 2</b>		
<b>Restricted fund</b>		
<b>Resources for Educating A Child Fund ( REACH Fund)</b>		
Opening balance	10,058,381	8,214,443
Add/Less: Transfer from/to Income and Expenditure Account	(5,351,910)	(219,813)
Add: Katha community contribution	1,478,105	1,245,355
Add:Yorkshire Indian Society Scholarship for Girls	-	818,396
	<u>6,184,576</u>	<u>10,058,381</u>
<b>Founder's Reserve</b>		
Opening balance	11,045,926	10,528,426
Add: Founder 's contribution to projects	851,627	517,500
	<u>11,897,553</u>	<u>11,045,926</u>
<b>Fixed assets fund</b>		
Opening balance	1,021,867	1,151,208
Less: Transfer from Income and Expenditure Account representing depreciation on fixed assets	-	129,341
	<u>1,021,867</u>	<u>1,021,867</u>
Less: transfer to General Fund	1,021,867	
	-	
<b>Awards reserve</b>		
As per last balance sheet	3,003,444	3,003,444
Less: transfer to General Fund	3,003,444	
	-	
<b>Green fund</b>		
As per last balance sheet	260,147	260,147
Less: Transfer to General Fund	260,147	
	-	
<b>Corpus fund</b>		
As per last balance sheet	3,170,000	3,170,000
	<u>3,170,000</u>	<u>3,170,000</u>
<b>Schedule - 3</b>		
<b>General Fund</b>		
Opening balance	(1,209,379)	(1,055,775)
Add: Transfer from Income and Expenditure Account	(6,074,205)	(153,604)
Add: transfer from Fixed Assets Fund	1,021,867	
Add: transfer from Award Reserve	3,003,444	
Add: transfer from Green Fund	260,147	
Add: transfer from Research and development reserve	8,994,448	
Less: Fixed Assets acquired out General fund	(44,216)	
Less: transfer to Capital Fund	(7,228,961)	
Less: Excess expenses in projects w/off (Refer Sch A)	(1,788,382)	
	<u>(3,065,237)</u>	<u>(1,209,379)</u>
<b>Research and Development Reserve</b>		
Opening balance	8,994,448	9,090,323
Add: Transfer from/to Income and Expenditure Account	-	(95,875)
	<u>8,994,448</u>	<u>8,994,448</u>
Less: Transfer to General Fund	8,994,448	
	-	



Schedule - 4 :- Fixed Assets

Particulars	WDV as at 1 April 2015	Additions 1st April 15 to 30 Sept 15	Additions 1st Oct 15 to 31st Mar 16	Additions	Sales/ Adjustments	As at 31 March 2016	Depreciation for the year	Written down value as on 31 March 2016
<b>Tangible assets</b>								
Building	176,182	-	-	-	-	176,182	17,618	158,564
Furniture and fixtures	1,714,072	205,402	1,511,649	1,717,051	-	3,431,123	267,530	3,163,593
Computers	2,005,864	758,865	640,963	1,399,828	-	3,405,692	1,851,126	1,554,566
Office equipment	1,916,801	128,850	160,934	289,784	-	2,206,585	318,917	1,887,668
<b>Intangible assets</b>								
Trade Mark	2,491	-	-	-	-	2,491	623	1,868
Software	391,684	379,372	96,489	475,861	-	867,545	204,825	662,720
<b>Current year (A)</b>	<b>6,207,094</b>	<b>1,472,489</b>	<b>2,410,035</b>	<b>3,882,524</b>	-	<b>10,089,618</b>	<b>2,660,639</b>	<b>7,428,979</b>
<b>Previous year (C)</b>	<b>3,507,473</b>	<b>1,443,483</b>	<b>3,207,756</b>	<b>4,651,239</b>	<b>33,400</b>	<b>8,125,312</b>	<b>1,918,218</b>	<b>6,207,094</b>

Fixed assets against grants

Particulars	WDV as at 1 April 2015	Additions 1st April 15 to 30 Sept 15	Additions 1st Oct 15 to 31st Mar 16	Additions	Sales/ Adjustments	As at 31 March 2016	Depreciation for the year	Written down value as on 31 March 2016
<b>Tangible assets</b>								
Building	727,965	-	-	-	-	727,965	72,797	655,168
Furniture and fixtures	52,484	-	-	-	-	52,484	5,248	47,236
Computers	16	-	-	-	-	16	10	6
Office equipment	241,402	-	-	-	-	241,402	36,210	205,192
<b>Current year (B)</b>	<b>1,021,867</b>	-	-	-	-	<b>1,021,867</b>	<b>114,265</b>	<b>907,602</b>
<b>Previous year (D)</b>	<b>1,151,208</b>	-	-	-	-	<b>1,151,208</b>	<b>129,341</b>	<b>1,021,867</b>
<b>Total Current Year(A)+(B)</b>	<b>7,228,961</b>	<b>1,472,489</b>	<b>2,410,035</b>	<b>3,882,524</b>	-	<b>11,111,485</b>	<b>2,774,904</b>	<b>8,336,581</b>
<b>Total previous year (C)+(D)</b>	<b>4,658,681</b>	<b>1,443,483</b>	<b>3,207,756</b>	<b>4,651,239</b>	<b>33,400</b>	<b>9,276,520</b>	<b>2,047,559</b>	<b>7,228,961</b>





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

	As at 31 March 2016	As at 31 March 2015
<b>Schedule - 5</b>		
<b>Inventory</b>		
Closing stock of books	8,036,855	7,399,130
Less: Provision for slow moving stock	<u>3,272,549</u>	<u>2,106,908</u>
	<u><b>4,764,306</b></u>	<u><b>5,292,222</b></u>
<b>Schedule - 6</b>		
<b>Sundry Debtors (Unsecured)</b>		
Marketing debtors	7,477,323	7,371,906
Less :- Provision for doubtful debts	<u>1,389,918</u>	<u>1,389,918</u>
	<u><b>6,087,405</b></u>	<u><b>5,981,988</b></u>
<b>Schedule - 7</b>		
<b>Cash and bank balances</b>		
Cash in hand	-	-
Balance with scheduled banks in:		
- saving banks account	6,784,128	6,795,573
- fixed deposits	<u>25,855,949</u>	<u>21,383,600</u>
	<u><b>32,640,077</b></u>	<u><b>28,179,173</b></u>
(Pledged against guarantees issued by Bank )	<u>7,253,441</u>	<u>2,976,924</u>
<b>Schedule - 8</b>		
<b>Loans and advances</b>		
<i>(Unsecured, considered good unless otherwise stated)</i>		
Advances recoverable in cash or in kind or for value to be received	299,281	468,787
Security deposits	596,064	592,545
Income Tax Paid under protest	1,577,069	1,577,069
Interest accrued but not due	770,947	2,379,843
TDS receivable	<u>1,964,917</u>	<u>1,500,445</u>
	<u><b>5,208,278</b></u>	<u><b>6,518,689</b></u>
<b>Schedule - 9</b>		
<b>Current liabilities</b>		
Sundry creditors	15,802,512	9,817,367
Advance from Partner	5,250,000	2,250,000
Advance from customers	119,732	83,188
Bank Overdraft (Secured against Fixed Deposits)	-	20
Other liabilities	<u>316,208</u>	<u>317,621</u>
	<u><b>21,488,452</b></u>	<u><b>12,468,196</b></u>
<b>Schedule - 10</b>		
<b>Provisions</b>		
Provision for gratuity	1,550,119	1,582,000
Provision for leave encashment	<u>293,935</u>	<u>283,678</u>
	<u><b>1,844,054</b></u>	<u><b>1,865,678</b></u>



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

	As at 31 March 2016	As at 31 March 2015
<b>Schedule - 11</b>		
<b>Grants received</b>		
Specific Purpose Funds (Refer Annexure-A)	48,072,983	54,297,566
General Donations	1,339,289	1,914,957
	<u>49,412,272</u>	<u>56,212,523</u>
<b>Schedule - 12</b>		
<b>Other income</b>		
Interest on fixed deposits	2,172,617	2,295,326
Interest on saving bank accounts	255,683	497,520
Miscellaneous and Other Receipts	236,344	602,485
	<u>2,664,644</u>	<u>3,395,331</u>
<b>Schedule - 13</b>		
<b>Programme expenditure</b>		
Education material development	6,558,540	5,068,325
Consultant fee and expenses	8,909,437	5,401,384
Purchases of books and handicrafts		18,409
Kathashala school expenses {Refer note 3(c)}	16,765,791	21,774,335
Project implementation expenses	8,384,418	6,410,597
Sales and distribution cost	272,817	302,985
	<u>40,891,003</u>	<u>38,976,035</u>
Less: Kathashala school expenses	5,139,877	5,494,991
<b>Total</b>	<u>35,751,126</u>	<u>33,481,044</u>
<b>Schedule - 14</b>		
<b>Personnel expenses</b>		
Salaries and wages	28,517,401	33,976,544
Employee benefits	269,807	408,214
Employees Provident Fund	2,086,170	2,219,410
Employees State Insurance	186,758	232,032
Staff welfare	513,780	259,676
	<u>31,573,916</u>	<u>37,095,876</u>
Less: Kathashala school expenses	8,522,193	13,095,434
<b>Total</b>	<u>23,051,723</u>	<u>24,000,442</u>
<b>Schedule - 15</b>		
<b>Administrative and other expenses</b>		
Business promotion	-	(26,472)
Bad debts	304,821	-
Communication	826,679	751,817
Electricity and Water expenses	955,328	756,626
Short & Excess	(1,475)	-
Insurance Expenses	195,141	41,266
Legal and professional	300,000	345,250
Printing and stationary	1,122,755	1,070,902
Fees, Rates and taxes	-	5,731
Rent	2,687,064	2,269,815
Repair and maintenance	685,440	463,631





Security charges	1,235,644	909,325
Travelling and conveyance	3,525,055	3,020,205
Provision for slow moving stock	1,165,641	1,790,650
Licence Fees	602,592	63,953
Recruitment expenses	15,390	33,124
Miscellaneous expenses	220,210	198,680
	<u>13,840,285</u>	<u>11,694,503</u>
Less: Kathashala school expenses	3,098,592	3,163,733
<b>Total</b>	<u><b>10,741,693</b></u>	<u><b>8,530,770</b></u>

**Schedule - 16**

**Finance and bank charges**

Bank charges	32,501	41,363
Other interest	3,898	21,800
	<u>36,399</u>	<u>63,163</u>
Less: Kathashala school expenses	5,129	20,177
<b>Total</b>	<u><b>31,270</b></u>	<u><b>42,986</b></u>



## Schedule - A

Audit year: 2015-16

Schedule of Grants received during the year 2015-16

Amount In Rs.

Sl. No.	PROJECT HEAD	BALANCES AS	CURRENT	EXCESS SPENT ON PROJECT WRITTEN OFF	TOTAL	UTILIZED AGST. GRANT ( Revenue Expenditure)	UTILIZED AGST. GRANT ( Capital Expenditure)	UTILIZED OWN SOURCES	TOTAL	BALANCE AS ON	BALANCE AS ON
		ON 01-04-2015	RECEIPTS								31-03-2016
									-	(Cr.)	(Dr.)
	Specific Purpose Grants-								-		
	General (A)								-		
1	Ministry of Human Resource Development	(1,170,472)	-	1,170,472	-	-			-	-	-
2	Millenium Alliance	2,010,578	-		2,010,578	2,009,938	640		2,010,578	-	-
3	Gender Resource Center (GRC)	(617,910)	-	617,910	-	-			-	-	-
4	South Delhi Municipal Corporation(ILR)	(4,717,253)	3,895,208		(822,045)	-			-	-	(822,045)
5	East Delhi Municipal Corporation(ILR)	(1,955,437)	1,523,440	-	(431,997)	-			-	-	(431,997)
6	Tech Mahindra Foundation (TMF)	(5,068)	6,000,000	-	5,994,932	5,602,530	403,904		6,006,434	-	(11,502)
7	Central Board of Secondary Education	(230,005)		-	(230,005)				-	-	(230,005)
8	British Council, Division of British High Commission	2,125,000		-	2,125,000	-			-	2,125,000	-
9	TATA Communications Ltd.	4,431,908	11,706,994	-	16,138,902	14,115,459	1,608,789	-	15,724,248	414,654	-
10	Essar Group Foundation	(412,757)	3,257,291	-	2,844,534	3,082,484	202,867		3,285,351	-	(440,817)
	<b>Total (A)</b>	<b>(541,416)</b>	<b>26,382,933</b>	<b>1,788,382</b>	<b>27,629,899</b>	<b>24,810,411</b>	<b>2,216,200</b>	<b>-</b>	<b>27,026,611</b>	<b>2,539,654</b>	<b>(1,936,366)</b>
	<b>B/F</b>	<b>(541,416)</b>	<b>26,382,933</b>	<b>1,788,382</b>	<b>27,629,899</b>	<b>24,810,411</b>	<b>2,216,200</b>	<b>-</b>	<b>24,810,411</b>	<b>2,539,654</b>	<b>(1,936,366)</b>
	<b>Foreign Contribution (B)</b>								-		
1	Lohia Charitable Trust	-	2,399,972	-	2,399,972	2,143,418	256,554	33	2,400,005	-	-
2	Barrington Educational Initiative	1,036,328	-	-	1,036,328	1,035,688	640		1,036,328	-	-
3	British Asian Maitri Trust (Leadership)	-	1,188,000	-	1,188,000	1,188,000	-	5,043	1,193,043	-	-
4	British Asian Trust Patricia	-	481,986	-	481,986	-	-		-	481,986	-
5	British Telecom	(26,441)	4,384,887	-	4,358,446	3,979,949	459,439		4,439,388	-	(80,942)
6	Halcrow Foundation	(420,838)	2,520,000	-	2,099,162	2,543,851	1,280		2,545,131	-	(445,969)

7	British Asian Trust (Dream Fund)	935,625		-	935,625					935,625	-
8	Vitol Foundation	-	2,750,000	-	2,750,000	2,749,200	800	14,916	2,764,116	-	-
9	Impact Foundation	-	2,850,000	-	2,850,000	2,848,400	1,600	3,018	2,853,018	-	-
10	Anamika	(126,671)	-	-	(126,671)	-	-	-	-	-	(126,671)
11	Australia High Commission	1,001,000	7,270	-	1,008,270	1,008,270	-	-	1,008,270	-	-
12	HDFC Bank	(469,759)	1,302,032	-	832,273	408,806	248,702	-	657,508	174,765	-
13	Give India	-	889,069	-	889,069	1,017,235	-	-	1,017,235	-	(128,166)
14	Tom Singh	914,400	1,350,000	-	2,264,400	963,038	-	-	963,038	1,301,362	-
15	British Asian Trust (Towards Currency Variance)	220,097	4,562,586	-	4,782,683	2,371,436	492,400	-	2,863,836	1,918,847	-
16	John Lewis ( British Asian Trust)	-	1,400,000	-	1,400,000	1,005,281	160,693	-	1,165,974	234,026	-
17	World Reader Grant	-	1,241,517	-	1,241,517	-	-	-	-	1,241,517	-
18	New Zealand High Commission	-	1,071,000	-	1,071,000	-	-	-	-	1,071,000	-
	<b>Total (B)</b>	<b>3,063,741</b>	<b>28,398,319</b>	<b>-</b>	<b>31,462,060</b>	<b>23,262,572</b>	<b>1,622,108</b>	<b>23,010</b>	<b>24,906,890</b>	<b>7,359,128</b>	<b>(781,748)</b>
	<b>Grand Total (A) + (B)</b>	<b>2,522,325</b>	<b>54,781,252</b>	<b>1,788,382</b>	<b>59,091,959</b>	<b>48,072,983</b>	<b>3,838,308</b>	<b>23,010</b>	<b>49,717,301</b>	<b>9,898,782</b>	<b>(2,718,114)</b>

Actual Grant Received during the year

Add:- Opening Balance

Add:- Excess spent written off

Total ( i + ii )

Less:-Return

Less:- Closing Balance

Total ( iv + v )

54,781,252

2,522,325

1,788,382

59,091,959

-

7,180,668

51,911,291





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

**Schedule 17 – 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 17 – Significant accounting policies and notes to the accounts**

**Distribution of Publications**

Distribution of publications (Rs. 54, 35,056/-) shown in the books of accounts excluding of Project distributions (Rs.17, 41,327/-) .

**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%

e) Inventory of books are valued at 50% on discounted M.R.P. for moving Inventory and 35% on M.R.P. for slow moving Inventory.

**f) 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.

**g) 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.





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

**Schedule 17 – Significant accounting policies and notes to the accounts**

**h) 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.

**i) 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.

**j) 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.

**k) 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.

**l) 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.26, 87,064 (Previous year Rs 22, 69,815).

**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





## Katha

### Schedules forming part of the financial statements

(All amounts in Rupees)

#### Schedule 17 – Significant accounting policies and notes to the accounts

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.1,67,65,791 comprise allocation of programme expenditure – Rs.51,39,877, personnel expenditure – Rs.85,22,193, administrative expenditure – Rs. 30,98,592 and finance charges – Rs.5,129 as indicated in the respective schedules viz. 12-15.
- d) The Founder and President, 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 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.98, 98,782 (Previous Year Rs. 1, 26, 74,926) is carried forwarded as “Carried forward Projects Funds” under the head Current Liabilities.

f) **Gratuity**

A sum of Rs.31881 Cr (Previous year Rs. 65,090 Dr.) 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 did not allow the benefit of Section 11 of the Income Tax Act 1961 and raised a demand of Rs.31, 54,137. The Commissioner of Income Tax (Appeals) has vide Order dated -30-05-2016 allowed the appeal of the Society.

h) **Capital Fund**

The Fund has been created during the year to match the WDV of fixed assets, which hitherto was held in General Fund.

i) **General Fund**

After due consideration, it has been thought fit to transfer balances of certain unrestricted reserves to the General Fund as specified therein.

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

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

  
V. Rethinam  
Partner  
Membership No. 010412

Place: New Delhi  
Date : 14-10-2016



For and on behalf of Katha

  
Parvinder Kaur  
Executive Director



Place: New Delhi  
Date :