

RURAL INSTITUTE FOR COMMUNITY EDUCATION

Treasurer's Report and audited statement of Accounts for the period ending 31 March 2011

Dear Members

The audited statement of accounts for the year ending 31 March 2011 and the 25th Annual report of the Treasurer are in your hands. I am delighted to present this report when we are celebrating the silver jubilee year at the service of community development, with special focus on improving the quality of education for all across the communities. Before I go into the details of the statement of accounts, I would like to place my gratitude to all our supporters, well-wishers, donors and our primary donor M/s. Terre Des Hommes, Netherlands for their trust in us and their continuous support.

In terms of resources, the organisation has been supported by donors and well wishers and parents of our students. We appreciate and highly value the constant support demonstrated by Terre des Hommes-Netherlands by funding our work. It is largely because of such support that as an organisation we have been able to build the agenda of support which has made us relevant to a larger number of partners and state

departments spread across the five southern states. The outreach work of our organisation needs further strengthening so that the challenges of development can be shared by larger number of development stakeholders-both government and private.

The year 2010-11 has seen Rural Institute for Community Education focusing strongly on issues of NGO Governance as one of the essential areas of work for improving the overall credibility of the Voluntary Sector. Given the positioning of the organization as a leading capacity building institution, our own governance should set the standards for other NGOs to learn from. I take this opportunity to thank our internal auditor Mr. Shivakumar for his support in bringing the systems and procedures of the organisation to a level that is to be show cased as a model for many to adapt. His comments on the internal audit will be a separate agenda for today's discussion by us.

The Vision statement of the Organisation informs and guides the

mandate for the initiatives undertaken as part of our work. The relevance and applicability of the Vision and Missions Statements appear more and more applicable as we see a diversity of institutions engaging in the challenge of inclusive development, need capacity development.

Basis of preparation of Financial Statements

The balance sheet and income and expenditure accounts are prepared under the historical cost convention and on the basis of cash accounting. In the absence of any authoritative establishment accounting principles for the specialised aspects related to charitable Societies which do not carry out any commercial activity; these statements have been prepared in accordance with the significant accounting policies as described below.

Use of Estimates

The preparation of the Financial Statements is made in conformity with the significant accounting policies. All amounts are stated in Indian rupees including those received in foreign currencies.

Fixed Assets

Fixed assets are stated at cost of

acquisition or construction and less accumulated depreciation. The cost of fixed assets includes the purchase cost of fixed assets and any other directly attributable costs of bringing the assets to the working condition for intended use. Assets received as donated in kind are measured and recognised at fair value price on the date of being ready for its intended use.

Advances paid towards the acquisition of assets and the cost of assets that are not ready for intended use are stated as at the balance sheet date are disclosed under advances.

Depreciation

Depreciation on fixed assets has been provided on a written down value (WDV) method as against the estimated useful life as follows:

Class of assets	Estimated useful life
Land	Not depreciated
Play fields	Not depreciated
Live stock	Not depreciated
Buildings	15 years
Furniture	10 years
Play equipment	10 years
General equipment	10 years

Vehicles 5 years

Land, play fields and live stock are not depreciated

Revenue recognition

Donation received in cash or in kind, which is received for other than depreciable fixed assets, is recognised as income when the donation is received, except where the terms and conditions require the donations to be utilised with stipulated timeframe. Such donations are recognised as income ratably over the period of usage. Donations received in kind are measured at fair value on the date of receipt.

Income Tax

The organization (RICE) is registered under Section 12A of the Income tax Act, 1961 ('the Act'). Under the provisions of the Act, the income of RICE is exempt from tax, subject to the compliance of terms and conditions specified in the Act.

Foreign exchange transactions

Foreign exchange transactions are recorded at a rate of exchange prevailing at the date of the respective transaction. Exchange differences arising on foreign exchange transactions

settled during the year are recognized in the income and expenditure account of the financial year.

Governance Philosophy

RICE governance refers to a set of laws, regulations and good practices that enable to perform efficiently and ethically and create value for all stakeholders.

We, at RICE, are committed to the adoption of best governance practices and its adherence in the true spirit, at all times. It is our firm belief that as we move closer towards our set aspirations of becoming Model School. Our governance practices are self-driven, reflecting the culture of organisation that is deeply ingrained in our value system and reflected in our strategic growth process.

Payment to GB Members

Except the travel allowance, no remuneration, sitting fees or any other form of compensations has been paid to any board members since the inception of RICE. All contribute their time on a voluntary basis.

Auditors and Auditors' Report:

RICE has internal and statutory auditors who reports to the Management on a periodic basis. These reports are in turn reviewed by the Senior Staff Committee

through the financial unit of the Treasurer's Office.

FISCAL STATUS OF RECEIPTS OF RICE IN 2010-11

2010-11 HIGHLIGHTS:

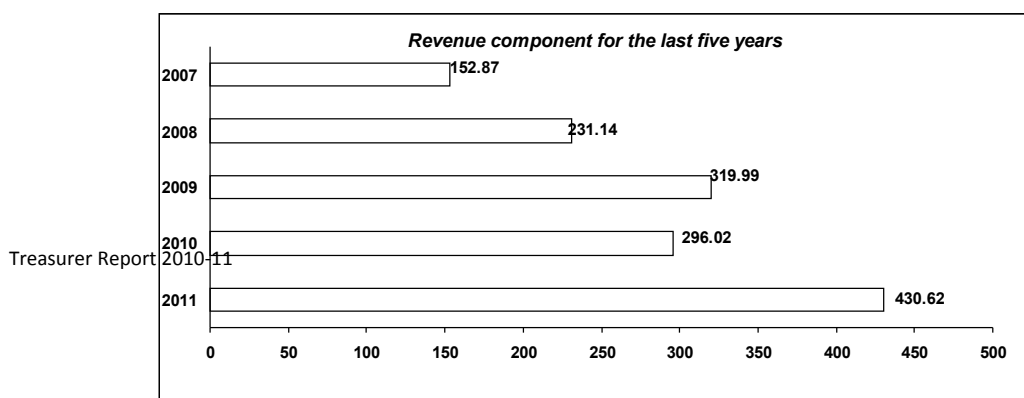
- The total revenues of Rs. 430.62 lakhs received and spent Rs.369.30 lakhs for a net consolidated expenditure including capital expenditure Rs. 80.17 lakhs at the end of the year.
- As a self reliance effort, we have received incremental Donation of Rs. 98.80 lakhs at year end (previous year Rs.44.13 lakhs)
- A significant part of the revenues of Rs.52.77 lakhs increased due to payment seats as the children have been enrolled in the School
- Total operating expenses increased by 40.51 lakhs, or 16.29 percent, Compare to last year 2009-10
- The employee benefits liability increased by 20.63 lakhs compare to last year

ANALYSIS

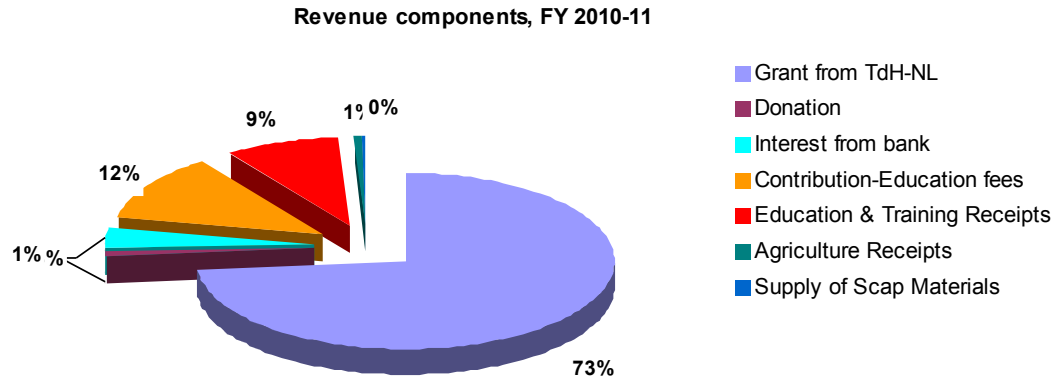
The total receipts for the year 2010-11 are Rs.430.62 lakhs (Previous year Rs.296.02 lakhs) out of which 73.35% has been received as specific grant from TdH-NL. And the balance 26.65% has been generated from locally. During the reporting period the local revenues increased by 101 percent, as against the

last year, which is above the forecast of RICE. A significant part of the revenue Rs. 52.77 lakhs increase is due to payment seats as the children have been enrolled in the School.

The charts below highlight the comparative analyses of incomes for the last five years:



Receipts for the School's operations are derived from seven primary sources:



Donation received:

As a self reliance effort, we are in the process of contacting individuals, corporate and others for support. We have a separate person now looking at increasing our donor base as wider as possible. Even at times, the effort does not match with monetary receipts; it has a very good PR value for the school. We stand for improving and demonstrating the quality dimension of the education for which the school was started.

During the year we have received incremental Donation of Rs 4.12 lakhs from local donors in the year 2010-11 as compared to Rs 0.30 lakhs in 2009-10.

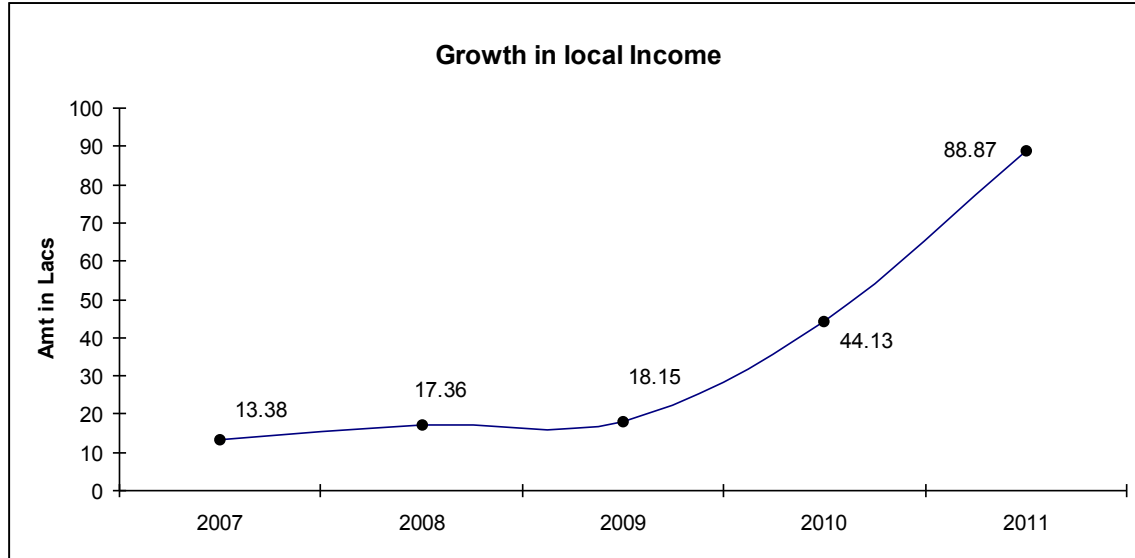
Donation received in cash

Name of the donor	Purpose	Amount
Mr.Khan, Parent Hosur	Purchase of OPE fun section, Pre-primary	1 00 000
Dr.Nimala, TNNS, Goa	Purchase of books & Sports materials	25 000
M/s.Sunil Electricals, Hosur	Purchase of sports materials	10 000
M/s.Rotary Club of Hosur Sipcot	Catering students uniform	8 000

Ms.Leela, Veena and Padmini	Children Sports career	4 000
Ms.Harsha Latha, Bangalore	Decorative materials	500
M/s.Vazhandhukattuvom, Vellore	Children education materials	500
Staff from Projects	Children education materials	750
Staff from RICE	Children education materials	67 374
	Total	Rs.2 16,124

Donation received in Kind

Name of the donor	Materials	Qty	App. Value
Prof.Mani, Mumbai	Old story books and other educational books	968 Nos	1 23 965
Mr.Priya, Centre for Education and Development, Blore	Old story books	604	55,537
M/s.New Life, Trichy	Children sleeping Mat	60	4,500
Mr.Pandian Krishnagiri	Wireless amplifier-Portable	1 no	3 000
Mr.Khan, Parent Hosur	Biscuts packets	1176 pkts	5 880
M/s.WORD, Nammakkal	Wooden Rope cat	1 no	1 500
M/s.SHWET, Thanjavur	White Jaggry & battle guard	19 kg & 31kg	885
M/s.Dayanilaya, Mirjan	Papad	5 kg	580
Mr.Gopalakrishnan, Parent	Cardamom & Pepper	150 gms	110
	Total		Rs.1 95 957



Other Income:

Other income of the organisation comprises funds generated by conducting educational support programmes for other schools and

includes sundry receipts which amounts to Rs. 98.80 lakhs in 2010-11 as compared to Rs. 59.50 lakhs in 2009-10

Key Facts:

PAYMENTS SEATS

Payment Seats	For Academic	For hostel
Applications issued	231	19
Enrollment	111	19
Drop out	7	5
Present payment seat status	104	14
Tuition fees (including receivables)	32,73,710	4,97,560

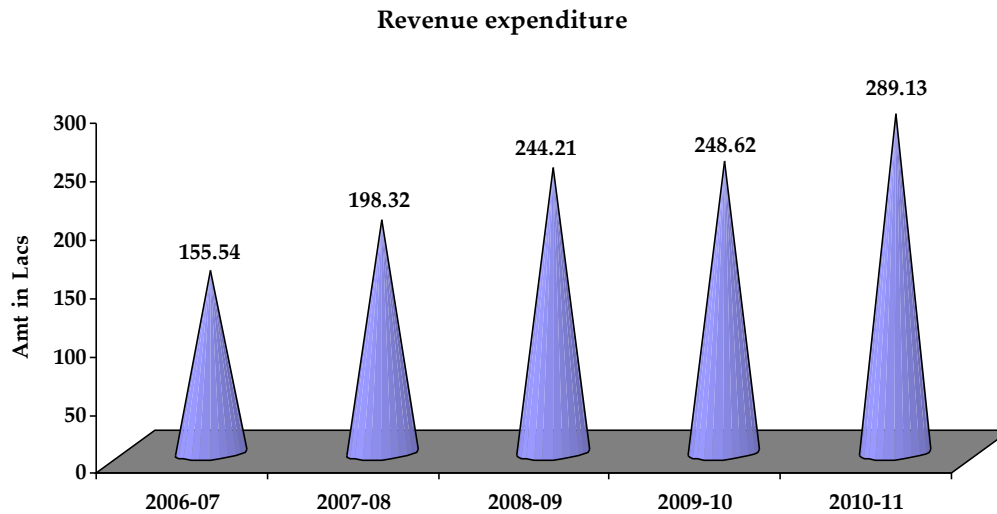
Average per Student	31,478	35,540
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* Fees includes drop out children

REVENUE EXPENDITURE:

Total operating expenses increased by 40.51 lakhs, or 16.29 percent,

Compare to last year 2009-10

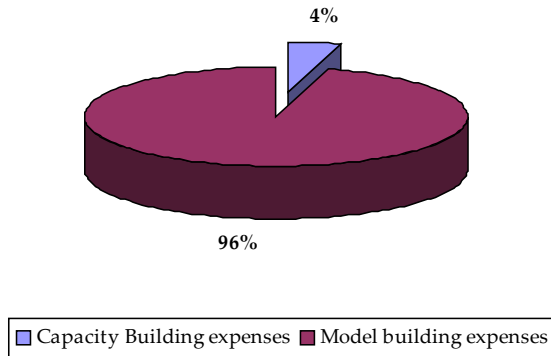


The total expenditure for the year 2010-11 is Rs 289.13 lakh as compared to Rs 246.24 lakh in 2009-10. The increase is due to the following reasons:

STATEMENT OF ACTIVITY

Particulars	As at 31-03-2011	As at 31-03-2010	Increase/decrease expenditure
Capacity building expenses	12,56,281	14,68,791	(-) 2,12,510
School including Hostel	2,76,57,029	2,33,93,481	42,63,548
Total	2,89,13,310	2,48,62,272	40,51,038

Expenses components FY 2010-11

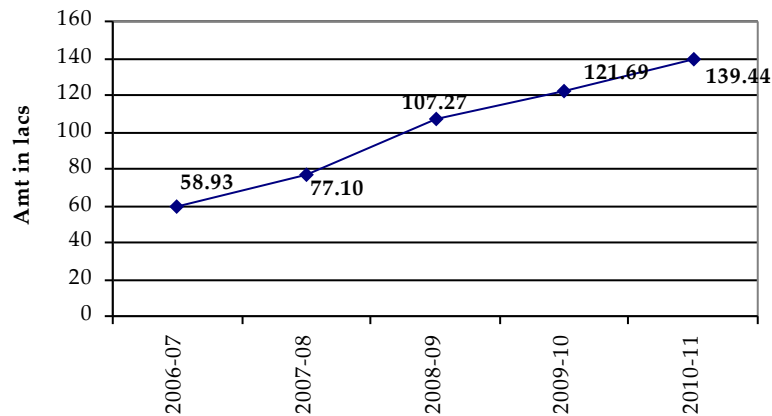


The following are the top 10 expenses incurred during the financial year which accounts for 83.82% of the total expenses

Sl.No	TOP 10 Expenses	Amount
1	Staff Salary	1 39 44 195
2	Food expenses	37 02 986
3	Electricity, Water expenses	16 21 049
4	Building Maintenance	11 29 445
5	Watch & Ward	11 22 612
6	Vehicle Maintenance	11 12 623
7	Learning and Teaching materials	6 08 029
8	Play Field Maintenance	3 62 020
9	Maintain Computers (AMC)	3 27 474
10	Uniforms and Sports Clothes	3 04 924
	Total	2 42 35 357

Staff Positions (full-time equivalents)	2010-11	2009-10	2008-09	2007-08	2006-07
	84	86	90	71	64

Staff salary



Distribution of staff according to salary levels as on 31st March 2011

Slab of gross salary (per month)	Female staff	Male staff	Total staff
Less than 5,000	4	2	6
5,000 - 10,000	19	26	45
10,000 - 25,000	9	18	27
25,000 - 50,000	3	3	6
Total staff	35	49	84

Defined Contribution Plans

Total contribution made by RICE during the year in respect of Defined contribution plan is Rs. 172.77 lakhs (Previous year Rs.152.13 lakhs) as detailed below:.

Staff benefits:

Salaries & benefits

Salary and other cost to the organisation towards staff are the largest expense. For fiscal 2010-11, salaries and benefits expenses rose by 20.63 lakhs, or 13.56 percent, from a year earlier. Staff development is always a concern for RICE MMS since we are the capacity building organization. The staff will be paid according to the performance appraisal. The performance appraisal will be jointly done by the head of the unit and the staff. We understand that we walk a thin line between being on the one hand professional, and achieving it by paying adequate salaries and investing in staff development, and on the other hand, retaining our values

Provident fund

All eligible employees receive benefit from provident fund, which is a defined contribution plan. Both the employee and RICE make monthly contribution to the fund, which is equal to a specified percentage of the covered employee's basic salary. RICE has no further obligations under this plan beyond its monthly contributions. Monthly contributions are made by RICE are charged to income and expenditure account. Reconciliation of opening and closing balances of the present value of the provident fund benefit obligation:

	As at 31-March-2011	As at 31 March 2010
Obligations at period beginning	71 staff	73 staff
Service cost for year	Rs.27.22 lakhs	Rs.22.56 lakhs
Benefits settled up to 31-03-2011	29	15
Obligations at period end	81 staff	86 staff

Gratuity:

RICE provides gratuity, a defined benefit retirement plan, to its eligible employees. In accordance with the Payment of Gratuity Act, 1972, the gratuity plan provides a lump sum

payment calculated on the basis of (15 days/26 days X no. of year service) to the all eligible employees at retirement, death, incapacitation or termination of employment. The gratuity liability is cash based on an actuarial valuation at the balance sheet date, carried out by an independent actuary.

Gratuity Fund benefit Plans

Gratuity cost for the year:	As at 31-March-2011	As at 31 March 2010
Obligations at period beginning	73 staff	71 staff
Service cost for the year	Rs.3.69 lakhs	Rs.5.64 lakhs
Interest cost received from LIC	2.25 lakhs	1.47 lakhs
Benefits settled during the year	3 staff (1.94 lakhs)	1 staff (0.17 lakhs)
Net gratuity cost at period end	Rs.28.27 lakhs	Rs.24.52 lakhs

*100% of the above plan is maintained with Life Insurance Corporation of India

Leave Encashment:

Encashment of earned leave is allowed at the option of the employees, subject

to the recommendation of the sanctioning Authority competent to sanctioned earned leave and approved by the Management. Encashment will not be allowed where leave cannot be granted in the interest of the RICE and

the employee concerned has not completed his/her assigned tasks. The Management reserves the right to alter, amend or withdraw this scheme at its discretion without assigning any reasons whatsoever. Encashment made

by the RICE are charged to income and expenditure account.

Leave Encashment benefit Plans

Leave Encashment for the year:	As at 31-March-2011	As at 31 March 2010
Obligations at period beginning	5 staff	5 staff
Total Service cost	Rs.78,172	Rs.62,168

Staff Health Insurance:

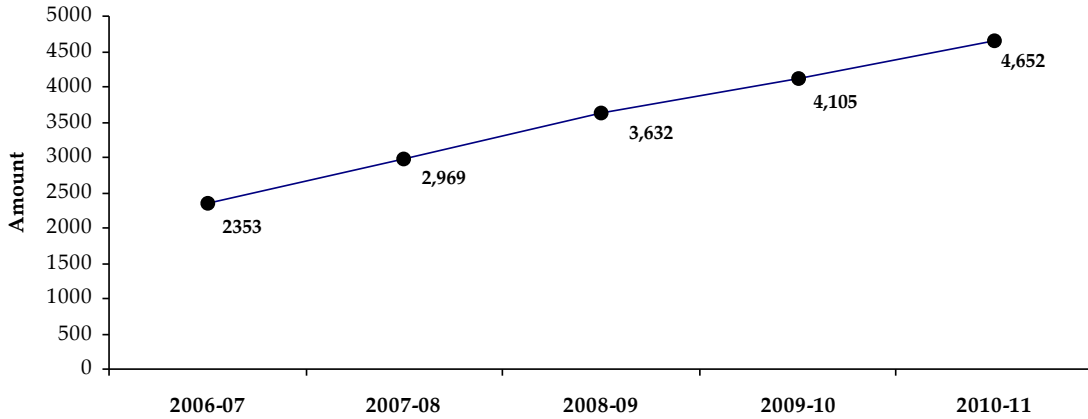
Health Insurance for the year:	As at 31-March-2011	As at 31 March 2010
Obligations at period beginning	84 staff	66 staff
Service cost	Rs.1.63 lakhs	Rs.1,62 lakhs
No. of benefits Claimed	2 staff	6 staff

Per capita expenses

We have spent a total amount of Rs.249.52 lakhs (previous year Rs.220 lakhs) for 530 children under the head

education, accommodation and food including staff salary which is 86% of our total expenses.

Student per capita/month

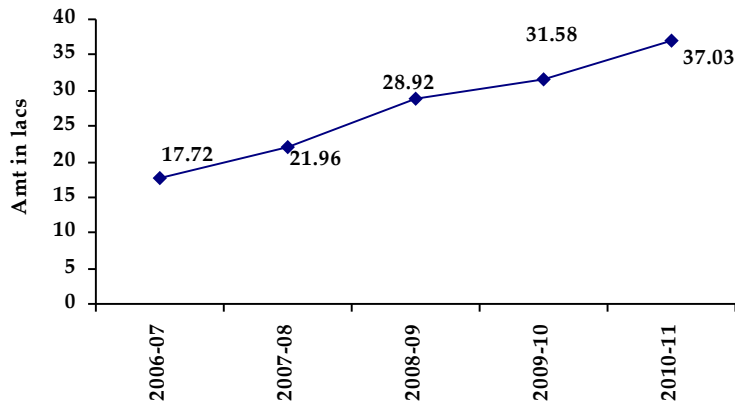


Centralised

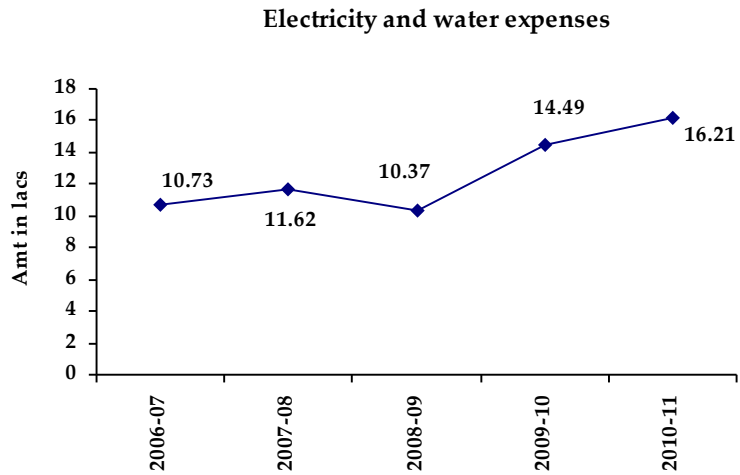
The cost of food commodities increased by 17.29% in 2010-11 as compared to 2009-10 with an increment of Rs. 5.45 lakhs. Out of the 17.29% increase in cost of food items that has been witnessed in vegetables, spices and condiments which were adversely impacted our costing. However, we are able to control the impact of inflation by adopting various control measures, in order to

looking and bulk procurement for selected food items. During the year, the Dormitory units have been strengthened with required number staff. The increase in staff cost, which is to the extent of 35.27% contributes to the majority of the increase in food & accommodation cost.

Food expenses



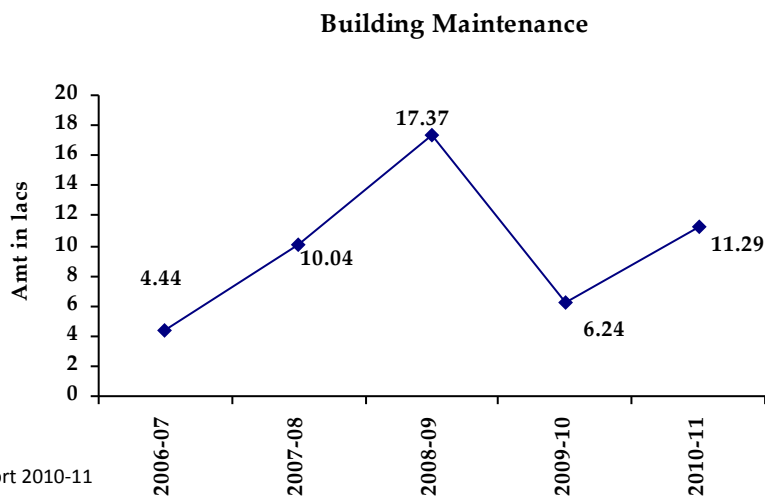
3. Electricity & Water



6. Space & occupancy

The MEC Campus of RICE includes 41 buildings encompassing more than 4.51 lakhs square feet of occupied space. Space and occupancy expenses include costs related to maintaining and operating the School buildings and

associated campus infrastructure. In addition, facilities improvement and renovation costs that do not qualify as capital expenses are generally categorized as space and occupancy, in which comparatively with the last year it has risen to 80.89%.

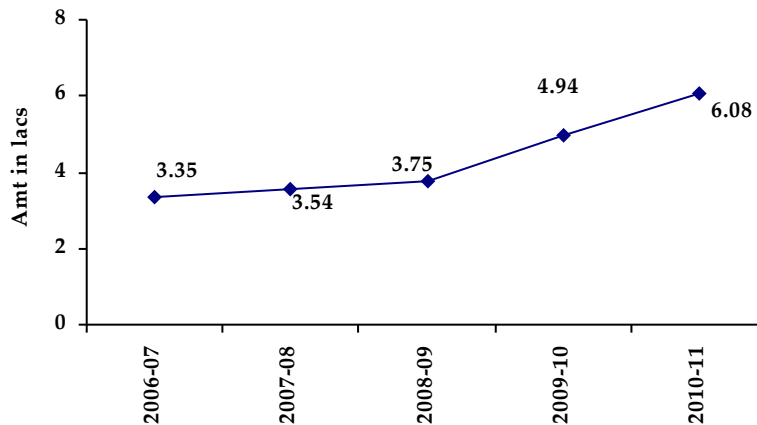


The high expense during the year 2008-09 is due to the roof weathering course work for 5 buildings and 2010-11,

increased the house keeping contract charges revised and topological survey done for the whole campus.

7. Teaching & Learning materials

Teaching & Learning materials



Legal obligations:

During the financial year all the legal obligations have been fulfilled. The deductions under the income tax, professional tax and provident fund from the employees and the management contribution were duly remitted in to the respective treasuries as per law and procedures.

Mathagon dapalli panchayat has sent us a notice to pay property tax of Rs.1.9 lakhs for current year. We have appealed to the panchayat to waive this tax which is pending with them.

LIABILITY

The grant amount received from

TdH-NL is earmarked and utilized for the purpose for which it was approved. What is left as balance at the end of project is shown as liability. Since this amount is designated for a particular

purpose, for which agreement has been signed between Terre des Hommes-Netherlands and RICE.

Capital Expenditure:

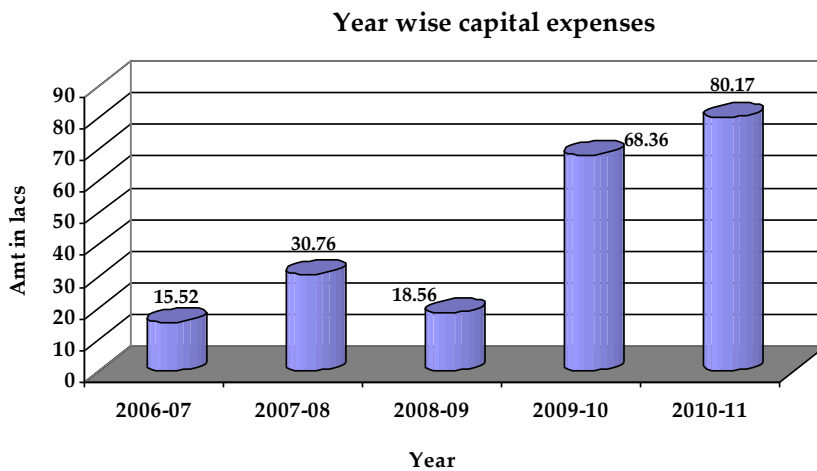
These fiscal 2011 capital expenses were funded by M/s.Terre des Homme, NL an amount of Rs.50.18 lakhs for renovation of Indoor stadium, purchase of cots for children, solar lights, water heater and replacement of water pipe lines projects. The value of fixed assets (FCRA & Local) as on 31-03.2011 is

Rs.3,276.33 lakhs. The value of assets added during this year is Rs.80.14 lakhs as per schedule 2. The major capital investment in the campus during the reporting period is:

1. Rs.22.57 lakhs for the pre-primary building and other renovations works.
2. Rs. 8.55 lakhs for compound wall
3. Rs.26.78 lakhs for purchase of indoor stadium roofing sheets
4. Rs.5.98 lakhs for pre-primary school furniture and
5. 10.60 lakhs spend for purchase of school bus

As a result of this the capital spending has decline.

Year wise



Capital expenditure

Deposits

The details of deposits can be seen in the schedule-3. The service deposits for electricity, LP gas, CBSE reserve fund, staff gratuity fund and telephone is covered under this schedule. During the year additional deposit of Rs.3.43 lakhs was paid to gratuity fund and Rs.0.29 lakhs paid to HT line electrical deposit.

Factors that Influence Sustainability

We are fortunate to have Terre des Hommes-Netherlands as our major donor who helped us to establish the project MEC. They have been kind enough to provide us with funding and non funding support to us from the inception. They are also making all possible efforts to build our own capacity to become sustained in terms of

finance, programme and leadership. We have already started the process of becoming self support slowly but steadily. However we need to put more effort and hard work to work out strategies every year to make this possible within a time frame.

Many factors influence the sustainability of an organisation, including the operating environment - national and local politics and policy, the activities of other organisations, the availability of skilled personnel, and more. Understanding the nature and impact of these influences on our organisation and programmes is critical because it better prepares us to anticipate and respond to changes in our external environment in order to build sufficient resources to consistently

meet our needs. However, it is also important to differentiate between those factors we can control and those we cannot. I recommend a practical and feasible approach and focus our efforts on those forces under our control. Both the members of the general body and the senior staff of MEC to be on this focus all the time to make this possible. Periodical review meetings on our performance on the sustainability factor are needed. The “starting point” should be to understand our own strengths that can be enhanced and weaknesses that can be improved upon.

Thank you all!

29 September, 2011

I thank the members of the general body, the auditors- both, statutory and internal auditors, The senior staff of MEC, the parents of our student community, the partners of Terre des Hommes-Netherlands, Corporate friends for their untiring support to me as a Treasurer and person in charge of the project. I wish that our dream of becoming self reliant in all the three above mentioned areas become possible soon and sustained so that we will be able to include every one and many more into our service net.

M. Meru

Hon.Treasurer