

**Rural Institute for Community Education**

**Mathagondapalli Model School**

**Treasurer's Report for 2012-13**

**Dear Members,**

I am pleased to present the 27<sup>th</sup> Treasurer's Report for the financial year 2012-13 along with the Auditor's Report and the Audited Statement of Accounts for the financial year ending 31 March 2013. The Books of Accounts were audited by the statutory auditors, M/s. Vacuum and Associates, Chartered Accountants Coimbatore and the internal auditing were done by Mr. Shivakumar, Chartered Accountant, Dindigul.

**Accounting Principles**

Rural Institute for Community Education's (RICE) financial statements that follow herein are presented in accordance with the general accounting principles and guidelines for Not for Profit Organisations which fulfils the legal and statutory requirements. The financial statements are transparent and the break up points is scheduled for references.

**Legal entity**

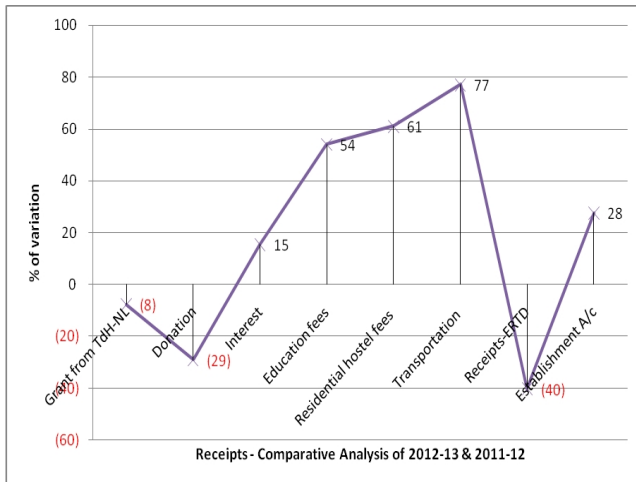
RICE is registered under the Tamil Nadu Societies Registration Act. We also got registered under Sec.12A and Sec.80G of Income Tax Act. The organization is also registered with the Ministry of Home Affairs, New Delhi to receive funds from foreign sources. The mission of the organization is to work in partnership with children and their communities create lasting and meaningful change by supporting long-term development and promotion of children's rights through quality education and health care. We believe that education as a strategy and result oriented learning would enhance the capacity enhancement of an individual. We continue our work to ensure that less fortunate children in the rural and urban communities are cared for and given educational opportunities which will enable them to break out of the cycle of poverty and all types of exploitation.

**Basis of preparation of Financial Statements**

The receipt and payments, income and expenditures and Balance sheet are prepared as per the accounting standards provided for Not for Profit Organizations. These statements have been prepared in accordance with the significance of accounting concepts and policies. It shows the true and fair view of the institution and consolidate figure of its financial transactions.

No estimates are used other than the conversion of the value of rupee while receiving foreign funds, written down value (WDV) method of depreciation and treatment of deposits and advances.

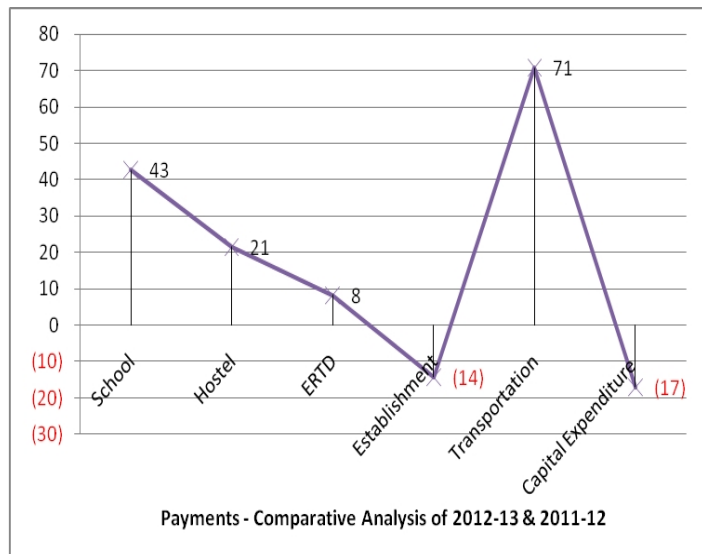
**FINANCIAL STATUS OF RECEIPT & PAYMENT ACCOUNT OF RICE MMS  
IN 2012-13**



With Receipt and Payment account, you can see that the receipts show that we moving towards self reliance and it is increased by 192.35% during the year. The funds from TdH-NL have been reduced by Rs.27.45 lakhs whereas the school mobilized to the tune of Rs.80.10 lakhs, as the cost of education from the parents, hostel and transportation. It reflects that the self sustainability of income is going on well, though it is narrow without any surplus funds for

development

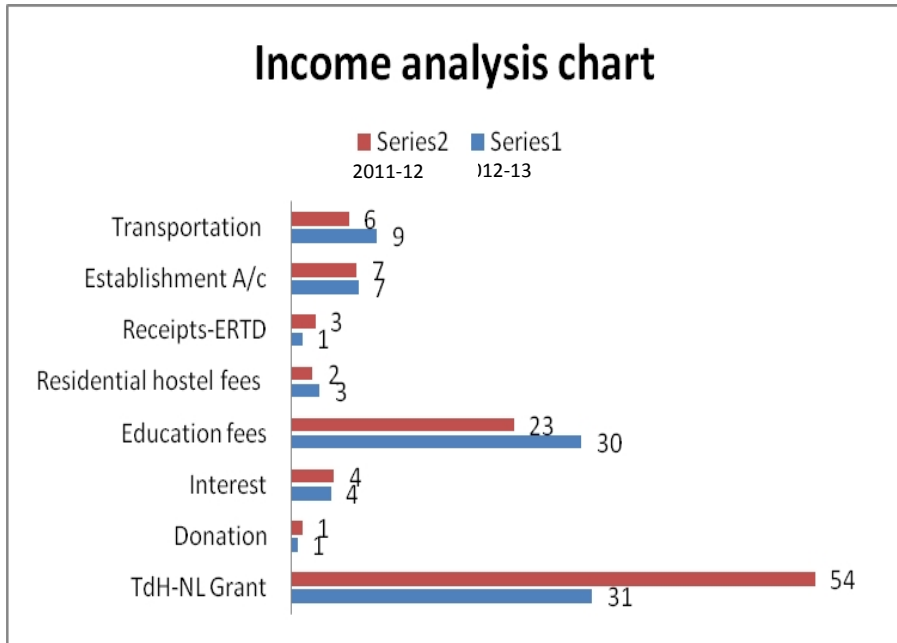
At this juncture, the payments also have increased according to the needs of expansion towards new admissions, appointments and infrastructure. The expenses of the school, hostel and transportation have increased by 43%, 21% & 71% respectively. The deficit in the net operating expenses of Rs.1.73 crores were met out from the support of TdH-NL grant (*Operational income Rs.2.93 – expenses Rs.4.66 crores*) and the corpus. The ever raising ‘cost of living’ is one of the major causes for this and the revision of salary to staff and teachers. Still we are moving towards sustainability to meet out all the operational expenses. It would be accelerated with extra effort during the assessment year 2013-14.



**The highlights of our financial results for the financial year April 1, 2012 to March 31, 2013 are as follows:**

**Receipts**

During the year 2011-12, the TdH NL grant proportion was 44%, whereas it is reduced to 34% of total receipts during the year 2012-13. The deficit was mobilized locally and 4% of the parents. The improved usages of facilities have earned to the sum of Rs.37.75 lakhs, whereas it was Rs.29.65 lakhs during last year 2011-12 through local fund.



We are looking at more opportunities to raise money through inviting more people to use our facilities on a contribution towards our deficit.

### FINANCIAL STATUS OF INCOME & EXPENDITURE ACCOUNT OF RICE MMS IN 2012-13

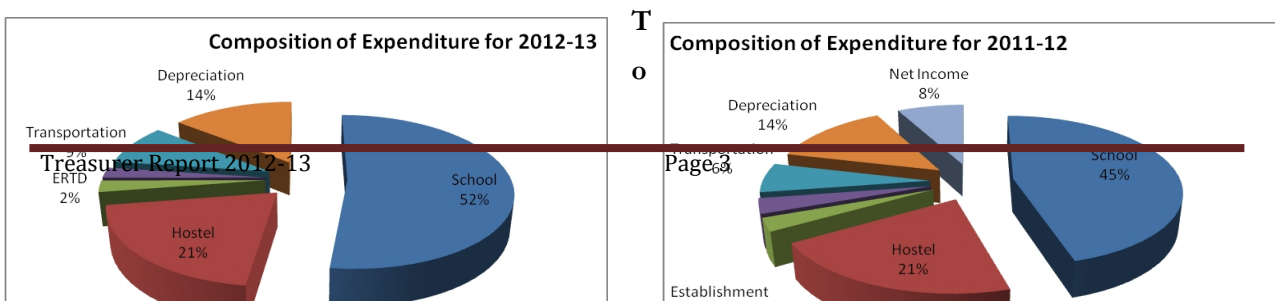
While comparing with the last year 2011-12, the expenses from school fees and transportation have increased by 7% and 3% respectively and the expenses from ERTD and Establishments have come down by 1% each. However, the income proportion did not increase significantly to meet out the increased portion of expenses. Overall, the expenses to income ratio has increased by 24.3% (from 92.42% to 116.74%), which results in the excess of expenses over income of Rs.77.94 lakhs.

### REVENUE EXPENDITURE

Due to the shooting up with inflation, new admissions and appointments, our total operating expense has increased by 116.45 lakhs, or 33.28 percent comparatives for the financial year 2011-12.

Revenue Expenditure	2012-13	2011-12
School Expenses	2,83,04,002	1,98,33,989
Hostel expenses	1,11,17,226	97,85,451
Education Research Training & Development	13,21,540	12,20,351
Contribution/Establishment expenses	12,04,164	14,04,623
Transportation expenses	46,87,437	27,44,778
Total	4,66,34,369	3,49,89,192

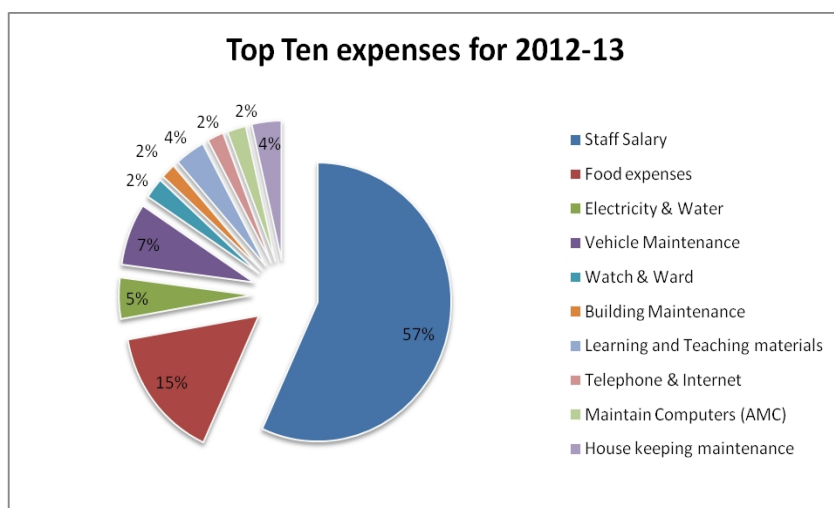
The total expenditure for the year 2012-13 is Rs. 466.34 lakhs as compared to Rs. 349.89 lakhs in 2011-12.



### p Ten Expenses for 2012-13

S. No.	Particulars of expenses of Top Ten Items	2012-13	2011-12	% of Increase / (Decrease)
1	Staff Salary	2 25 50 301	1 43 13 860	58
2	Food expenses	61 16 683	45 76 803	34
3	Electricity & Water	19 01 555	13 78 892	38
4	Vehicle Maintenance	28 73 909	20 34 972	41
5	Watch & Ward	9 60 458	10 71 143	(10)
6	Building Maintenance	7 05 016	5 65 168	25
7	Learning and Teaching materials	14 50 102	6 96 324	108
8	Telephone & Internet	7 87 035	3 15 257	150
9	Maintenance of Computers (AMC)	9 04 104	4 96 680	82
10	Housekeeping & campus maintenance	14 27 493	11 89 560	20
<b>Total</b>		<b>3 96 76 656</b>	<b>2 66 38 659</b>	<b>49</b>

The major increase is due to the following top 10 expenses:



The staff salary accounts for 58% of total top ten expenses of which amounts to Rs.2.26 crores. Due to the increased cost of living, the salary was revised by 35% (on an average) during the reporting period. Apart from the salary revision, the total number of teaching and non-teaching staffs is also increased from 118 to 134.

The second major portion of top ten expenses is food. This constitutes 34% of total top ten expenses. The average food expenses per student per month is Rs.885. Due to the increase in the number of students from 649 to 918, the food expenses have also increased by 34% compared to the previous year. The incremental cost per student is 13% and it was mainly due to the increases in cost of food materials and groceries. We are providing lunch to the day scholars which amount to Rs.61.16 lakhs.

The third major portion of expenses goes towards water and electricity. The cost of water and electricity was Rs. 19 lakhs to marginally fulfils the need of our students and staff, in-spite of the deep scarcity of water and limited use of a generator on need basis. More focus was given on effective utilisation of

electrical and electronic items, which results in a 0.38 % increase while compared with the previous years

The next major portion expenses go towards meeting the cost of transportation (*vehicle maintenance*). This covers 41% of total top ten expenses. The cost of transportation and the maintenance of all vehicles amount to Rs.28.73 lakhs. It has increased by 41% than the previous year 2011-12. The use of new bus to transport the students during the year is the major reason for the increase. The cost per beneficiary is increased by 3%. We are, with great difficulty containing the expenses within the income. But the ever increasing cost of diesel is the biggest challenge for us to maintain the transport facility for our students.

The expenses made on the investments in learning and teaching materials, which amounts to Rs.14.50 lakhs. This constitutes 4% of total top ten expenses. However, special focus was given to provide the learning materials to each and every child, which results into a 108 % increase while comparing with last year. The incremental rate of learning materials per student was 47%. It directly relates to the total number of students studied during 2012-13, which is increased by 41.5% (*increased from 649 to 918*) and quality enhancement in teaching and learning materials.

The expenses for maintenance of building, telephone & internet, maintenance of computer and housekeeping were increased by 25%, 150%, 82% and 20% respectively. The increases in telephone & internet, and maintenance of computer were due to the erection of new line and cabling for e-learning. However this is the capital expense which can be appropriated for the next few years. The expenses housekeeping would come down in the forthcoming year of 2013-14 due to Multi Purpose Vocational Training Programme. The expenses made on 'watch & ward', was the only expenses reduced by 10% from the last year due to the reduction in the number of securities and service charges.

#### **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 into the respective treasuries as per law and procedures.

RICE MMS had received a Show Cause Notices under the Income Tax Act, 1961, issued by the Income Tax officer of Krishnagiri for the Assessment year 2011-12. We have produced all the necessary documents to the concern officer and the assessment is under adjudication.

Mathagondapalli Village Panchayat property tax paid for the last 3 years. The land court case on survey no. 100/4 & 100/2B is still pending in the Munsiff court, Denkanikottai court.

#### **LIABILITY**

##### **The project fund:**

The "Project Fund" accounts for 97% of the total funds under designated funds (equivalent to asset creation) and the rest accounts for the staff refundable caution deposit liability funds. There is no money due for payment to any creditors except the staff refundable caution deposit. The grant amount received from TdH-NL to meet the overall deficit was utilised for the same purpose for which it was approved.

An amount of Rs. 63,45,100/- shown under liability (Schedule-5) is the grant received from M/s. Terre Des Hommes to meet staff salary and other maintenance expenses during emergency situation of organisation. This amount is deposited with the Indian Bank, Mathagondapalli, as at the reporting date this investment has grown to Rs. 1,05,65,798/-

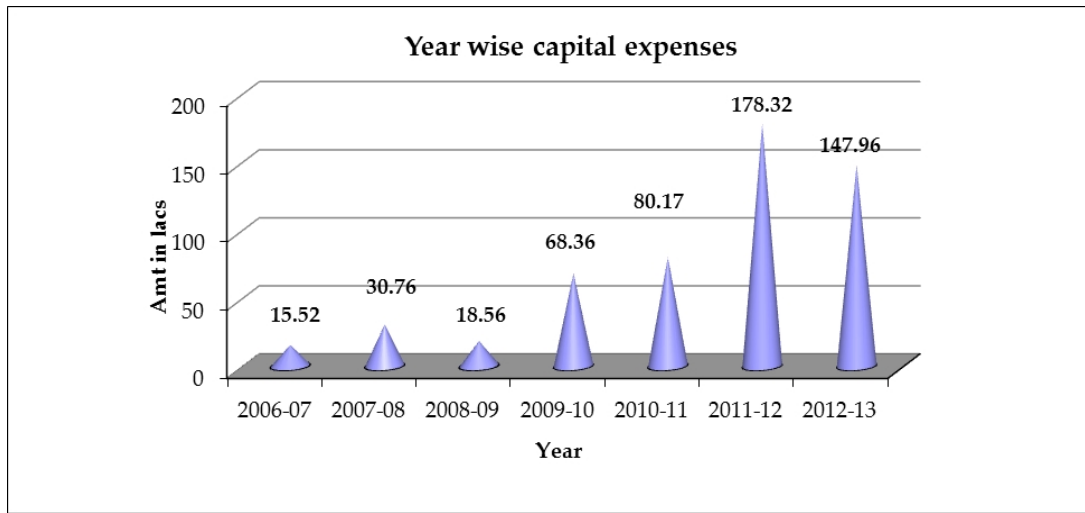
We have started the student's admission for the academic year 2013-14 in the month of February 2013, The admission fees received in advance for the next academic and financial year accounts for Rs.68, 86,910/- is shown under liability Schedule-5.

#### **FIXED ASSETS:**

As of the beginning of the year 2011-12, the net block stood at Rs.2,758 Lacs During the year, the RICE invested Rs.147 lacs in fixed assets. The addition was for the following:

<b>From FCRA A/C</b>	<b>2012-13</b>	<b>2011-12</b>
Building	13 14 247	18 69 338
Fields, Courts, Hall	2 01 815	7 97 656
Furniture	14 60 914	25 27 960
General Equipment	15 47 024	24 07 317
Vehicles	88 70 950	12 01 989
<b><i>FCRA A/C-Total</i></b>	<b><i>133 94 950</i></b>	<b><i>88 04 260</i></b>
<b>From LOCAL FUND A/c</b>		
Furniture	2 99 470	1 42 558
General Equipment	11 01 356	27 27 337
<b><i>LOCAL FUND A/c</i></b>	<b><i>14 00 826</i></b>	<b><i>28 69 895</i></b>
<b>GRAND TOTAL</b>	<b>147 95 776</b>	<b>116 74 155</b>

Year wise capital expenditure:



## DEPOSITS

The details of deposits can be seen in the schedule-4. The service deposits for electricity, LP gas, CBSE reserve fund, staff gratuity fund and telephone is covered under this schedule. During the year 2012-13 the additional deposit of Rs.6.64 lakhs was paid to the following:

Sl.No.	Particulars	Amount
1	Staff gratuity fund deposit	Rs.1.83 lakhs
2	Staff refundable caution deposit	Rs.4.72 lakhs
3	Electricity HT line deposit	Rs.0.08 lakhs

## ADVANCES

Except the advance of Rs. 1,371/-, paid to M/s. Vishu Vijay P Ltd., Chennai all the other advances are since settled. The advance paid to M/s. Vishu Vijay P Ltd., for purchase of reference to the Library is pending since the suppliers are procuring the same from some other source.

## Conclusion:

The revised National Policy for Children {2013} adopted by the government heralds a policy shift from a welfare-based approach to a rights-based approach towards children, which is in line with India's commitments under the UN Convention on the Rights of the Child (UNCRC). Friends, all these years we have been in this direction. To achieve this objective, the challenge before us is mobilization of financial and human resources. As we keep saying that a well defined and planned individual child focused quality education is the answer to retrieve children from poverty and exploitation and to sustain the parents who moved from objective poverty to a higher level including to the level of lower middle

class. We are in the process of looking at various ways in mobilizing financial resources. Lei Brouns Fund started during the year is a step forward. RupeeKind Club will look at mobilizing resources towards this corpus fund.

There is no standard, proven method to meet this challenge. Increasing financial security is an important part of our planning process. Becoming completely independent of donors may not be a realistic for us at least for a few more years. While trying to self-generate funds just to cover our overhead costs we find the inflation stands in our way. Hence still we may have to legitimately relying on grants and donations, at least for now, are the best approach. There is no right answer. We need to consider all the funding options available for us and to choose the most appropriate mix, just as they must determine which core activities and implementation strategies are most appropriate to our vision and mission. Now we need to collaborate with other educational institutions, universities and research organisations to increase our outcome more sustainable outcome. We are a small drop in the ocean of making the youth of this country more skilled and be responsible in the sustainable development. By 2020 the average age of Indian citizens will be 29 which is something a big task before us to make this population to meet the challenges of the country. Our model is making a very small headway into this dream. Let us all join together.

I place on record the good work of Dr. Prabudass in the organisation. Loosing Mr Lei Brouns and Dr. Prabudass one after another in a short span of time was not expected. However the organisation has to now move forward with the new and renewed energy. I thank the members of the general body, the auditors- both, statutory and internal auditors, the senior staff, the parents of our student community, Terre des Hommes-Netherlands, the partners of Terre des Hommes-Netherlands, corporate friends for their untiring support to me, as a Treasurer and the person in charge of the project.

Thank you all

M.Meru

Hon. Treasurer

7, September, 2013