



SHARP & TANNAN

Chartered Accountants

Firm's Registration No. 003792S

INDEPENDENT AUDITOR'S REPORT

To the members of The Centre for Internet and Society

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of Centre for Internet and Society ("the Society"), which comprise the Balance Sheet as at 31 March 2021, the Receipts & Payments account and Income & Expenditure account for the year ended 31 March 2021 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effect of the matters described in Basis for Qualified Opinion section of our report*, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

1. In the case of Balance Sheet, of the state of affairs of the Society as at 31 March 2021;
2. In the case of Receipts & Payments account, of the receipts and payments for the year ended 31 March 2021; and
3. In the case of Income and Expenditure account, of the excess of expenditure over income for the year ended 31 March 2021.

Basis for Qualified Opinion

We draw reference to Note 10(a) accompanying the financial statements, wherein the Society has explained about the misappropriation of funds in the earlier years and the consequent judiciary proceedings initiated against the ex-employee alleged of the misappropriation, who was in charge of finance and accounting function. Further Note 6(a) accompanying the financial statements states that that 'advance recoverable suspense' of Rs. 14,63,998/- represents the amounts suspected to have been misappropriated by the ex-employee during the FYs 2013-14 and 2014-15. In view of the ongoing judicial proceedings, we are unable to comment on the adjustments required,

if any, and the recoverability of Rs. 14,63,998/- since these could be determined only on completion of the judicial proceedings.

We conducted our audit of the financial statements in accordance with the Standards on Auditing ('Standards' or 'SAs') issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the Code of Ethics issued by the ICAI and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Emphasis of matter

1. We draw reference to Note 2(d), which states that the Society has recognized the unspent grant amount of Rs. 26,32,819/- (13 projects) as income in 'Income and Expenditure account'. The Note also states that the Society has recognized the expenditure spent in excess of the specific grant amount aggregating to Rs. 1,56,865/- (1 project) as expenditure in 'Income and Expenditure account'.
2. We draw reference to Note 2(e), which states that the funds received from Facebook India Online Services Pvt Ltd, Google India Pvt Ltd and Microsoft Research Lab India Pvt Ltd are accounted based on 'fund accounting system' even though a formal document describing the substance of the understanding with the donor is not available for the reasons mentioned in the Note.

Our opinion on the financial statements is not modified in respect of the above matters.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair representation of these financial statements that give a true and fair view of the state of affairs, the receipts & payments and the income and expenditure account of the Society in accordance with the accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records, safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and



application of appropriate accounting policies; making judgements 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 accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Society to cease to continue as a going concern.

Restriction on use:

This report has been issued solely for the members of the Society for the purpose of adoption of the financial statements of the Society and for submission to the Registrar of Societies in terms of Section 13 of Karnataka Societies Registration Act, 1960 and therefore should not be used for any other purpose or should not be distributed to any other parties. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

for **SHARP & TANNAN**
Chartered Accountants
Firm's Registration No.0037925



D. Vinod Kumar
Partner

Membership No.224549
UDIN: 21224549AAAAFH8802

Date: 27 November 2021
Place: Chennai

The Centre for Internet & Society
Balance Sheet

Particulars	Note	As at 31 March 2021 Amount (Rs.)		As at 31 March 2020 Amount (Rs.)	
FUNDS AND LIABILITIES					
I. Capital and other funds					
i) General fund	I(A)	81,35,929		65,18,802	
ii) Capital funds used for purchase of property, plant and equipment	I(B)	70,99,795		66,98,941	
iii) Balance in undisbursed funds	2	3,98,94,736	5,51,30,460	3,14,77,084	4,46,94,827
II. Liabilities					
Other current liabilities	3		4,42,055		4,92,316
Total			5,55,72,515		4,51,87,143
ASSETS					
i) Property, plant and equipment					
ii) Cash and cash equivalents	4	4,51,69,402		3,39,37,480	
iii) Loans and advances	5	18,39,320		30,86,724	
iv) Advance recoverable suspense	6	14,63,998	5,55,72,515	14,63,998	4,51,87,143
Total			5,55,72,515		4,51,87,143

The accompanying notes form an integral part of the financial statements.

As per our report of even date attached
for Sharp & Tannan
Chartered Accountants
(Firm's Registration No. 003792S)



D. Vinod Kumar
Partner
Membership No. 224549

Place: Chennai
Date : 27 November 2021

for and on behalf of the Board of Trustees



Amber Sinha
Executive Director

Place : New Delhi
Date : 27 November 2021



Rekha Jain
Chairperson

Place: Ahmedabad
Date: 27 November 2021

The Centre for Internet & Society
Income and Expenditure Account

Particulars	Note	2020-21 Amount (Rs.)	2019-20 Amount (Rs.)
INCOME			
i) Consultancy income		4,35,266	-
ii) General donations		14,000	10,500
iii) Other income		1,49,861	1,00,000
iv) Interest income		20,159	22,609
v) Unspent specific grant	2(d)	26,32,819	-
vi) Membership fees/registration fees		950	700
vii) Untied project receipts	7	-	32,53,055
			18,79,094
			20,12,903
EXPENDITURE			
i) Expenditure against consultancy income		2,44,084	-
ii) Untied project expenses	8	13,750	9,85,702
iii) Bank charges		-	1,575
iv) General administration		3,068	61,249
v) Excess expenditure over specific funds	2(d)	1,56,865	10,07,913
vi) General expenses		12,18,160	16,35,927
			-
			20,56,439
Excess of income over expenditure transferred to general fund		16,17,128	(43,536)

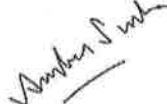
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Amber Sinha
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The Centre for Internet & Society
Receipts and Payments Account

RECEIPTS				PAYMENTS			
Particulars	Note	2020-21 Amount (Rs.)	2019-20 Amount (Rs.)	Particulars	Note	2020-21 Amount (Rs.)	2019-20 Amount (Rs.)
To opening balance of recoverables				By opening balance of liabilities			
i) Cash and bank balances		3,39,37,480	1,91,75,121	i) Other current liabilities		4,92,316	1,18,946
ii) Loans and advances		30,86,724	40,24,053				
iii) Advance recoverable suspense		14,63,998	14,63,998				
			2,46,63,172				
To contributions received during the financial year	2	6,21,64,429	7,54,72,459	By expenditure against grant sanction during the financial year	2	5,12,70,824	6,29,85,176
To other receipts during the financial year				By other payments during the financial year			
i) Consultancy income		4,35,266	-	i) Expenditure against consultancy income		2,44,084	-
ii) Interest on short term deposit		20,159	22,609	ii) Bank charges		-	1,575
iii) General donations		14,000	10,500	iii) United project expenses	8	13,750	9,85,702
iv) Other income		1,49,861	1,00,000	iv) General administration		3,068	61,249
v) Membership fees/registration fees		950	700	v) General expenses		12,18,160	10,48,526
vi) United project income	7	-	18,79,094			14,79,062	-
			20,12,903				
To closing balance of liabilities				By closing balance of recoverables			
i) Other current liability	3	4,42,055	4,92,316	i) Cash and bank balances	4	4,51,69,402	3,39,37,480
				ii) Loans and advances	5	18,39,320	30,86,724
				iii) Advance recoverable suspense	6	14,63,998	14,63,998
						4,84,72,720	3,84,88,202
Total		10,17,14,922	10,26,40,850	Total		10,17,14,922	10,26,40,850

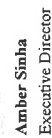
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D. Vinod Kumar
Partner
Membership No. 224549

Place: Chennai
Date : 27 November 2021

for and on behalf of the Board of Trustees


Rekha Jain
Chairperson


Amber Sinha
Executive Director

Place : New Delhi
Date : 27 November 2021

Place: Ahmedabad
Date: 27 November 2021

The Centre for Internet & Society
Notes accompanying the financial statements

Note -1(A): General fund

Particulars	As at 31 March 2021 Amount (Rs.)	As at 31 March 2020 Amount (Rs.)
Opening balance	65,18,802	65,62,338
Excess of income over expenditure transferred to general fund	16,17,127	(43,536)
Closing balance	81,35,929	65,18,802

Note -1(B): Capital fund/ property, plant and equipment

Particulars	As at 31 March 2021 Amount (Rs.)	As at 31 March 2020 Amount (Rs.)
Opening balance	66,98,941	55,12,265
Additions during the year	4,00,854	11,86,676
Closing balance	70,99,795	66,98,941

Note:

Property, plant and equipment held in the books were purchased against specific projects and were accounted based on fund accounting system i.e. recorded as payment in the respective specific project. For the purpose of control, the property, plant and equipment were notionally recorded in the Balance Sheet with a corresponding credit to 'Capital Fund'.

GAH

Vandana S. Singh

Rekha

The Centre for Internet & Society
Notes accompanying the financial statements

Note - 2: Balance in undistributed funds
a) Foreign

Projects	Donor	Opening balance (Rs.)	Receipts during the year (Rs.)	Total funds available for utilisation (Rs.)	Expenses during the year (Rs.)	Closed projects transferred to income & expenditure (Rs.) [Refer note (e) below]	Balance as at 31 March 2021		
							Total (Rs.)	Excess applied (Rs.)	Undistributed funds (Rs.)
		[A]	[B]	[C]=[A+B]	[D]	[E]	[F]=[C-D-E]	[G]	[H]
Protecting privacy in the global south (Phase 2): Year 1 & 2 & 3	Privacy International (PI)	93,908	-	93,908	-	93,908	-	-	-
Towards a networked economy in Myanmar	LIRNEAsia	87,141	-	87,141	-	87,141	-	-	-
Harnessing big data to meet the sustainable development goals building capacity in the global south	LIRNEAsia	(14,71,372)	25,23,077	10,51,755	3,41,263	7,10,490	-	-	-
Studying internet governance, freedom of expression, privacy, and security	John D and Catherine T MacArthur Foundation	(1,81,166)	-	(1,81,166)	(1,84,845)	3,679	-	-	-
Privacy research and outreach as well as continue to strengthen the financial, institutional & research capacity - sustainability	Privacy International (PI)	6,416	-	6,416	-	6,416	-	-	-
Linking policy & advocacy with practical action at the international & national levels to protect internet freedom	ARTICLE 19	8,36,115	13,03,925	21,40,040	21,40,040	-	-	-	-
Cyber policy research agenda for India: Year 2 & Year 3	Hewlett Foundation	79,55,980	1,886	79,57,866	79,57,866	-	-	0	0
Develop educational content under a free license	Wikimedia Foundation	59,64,292	94,63,184	1,54,29,476	1,13,27,168	-	41,02,308	-	41,02,308
State of Map Asia	Refer Note (f) below for donor wise break up.	9,61,571	-	9,61,571	-	9,61,571	-	-	-
Digital mediation of reproductive and core work in India: A feminist exploration	Association for Progressive Communications	9,22,932	6,05,124	15,28,056	14,97,836	30,220	-	-	-
Open data for Asia	East West Management Institute (ENI)	(4,00,641)	4,29,085	28,443	-	28,443	-	-	-
Field research, legal analysis and joint report digital freedoms	International Centre for Not for Profit Law (ICNPL)	95,871	6,11,794	7,07,665	7,07,665	-	-	-	-
Mozilla research grant (Making voice heard) 2019	Mozilla Voice	14,40,588	-	14,40,588	12,36,810	-	2,03,778	-	2,03,778
Digital identity	Omidyar Fund	52,94,407	1,53,44,034	2,06,38,441	1,35,79,239	-	70,59,201	-	70,59,201
Reclaiming the right to privacy: Researching the intersection of privacy and gender	Privacy International	8,97,663	3,82,690	12,80,353	12,79,612	658	-	-	-
University of Oxford	University of Oxford	3,14,016	-	3,14,016	-	3,14,016	-	-	-
Tiger project 2.0	Wikimedia Foundation	31,20,706	-	31,20,706	5,90,343	-	25,30,363	-	25,30,363
Contributing to public interest copyright policy at the WIPO	American University Fund	-	8,94,838	8,94,838	895	-	8,93,942	-	8,93,942
2021 Local Networks (LocalNet) research policy and regulatory measures for community networks in India	Association for Progressive Communications telecom	-	8,57,908	8,57,908	862	-	8,57,046	-	8,57,046
Feminist Internet Research Network (FIRN) dissemination activities	Association for Progressive Communications FIRN	-	2,36,235	2,36,235	70,303	-	1,65,933	-	1,65,933
Media market mapping and review	Global Disinformation Index	-	3,87,315	3,87,315	3,73,257	-	14,058	-	14,058
General operating support	Hewlett Foundation	-	83,28,961	83,28,961	20,32,453	-	62,96,508	-	62,96,508
Support of leadership transition and training	Hewlett Foundation	-	43,66,509	43,66,509	15,07,866	-	28,58,643	-	28,58,643
Research on digital platform	Internet Society Foundation Fund	-	71,95,024	71,95,024	5,72,486	-	66,22,538	-	66,22,538
Study of security ramifications of open-source software and limits of targeted interventions	Open Collective Foundation Fund	-	20,04,771	20,04,771	1,171	-	20,03,600	-	20,03,600
Digital identity systems: Developing a dynamic evaluation framework tool	Research ICT Africa Fund	-	17,94,997	17,94,997	1,133	-	17,93,864	-	17,93,864
Research on facial recognition: technology in India	University of Essex; Fund	-	2,46,602	2,46,602	312	-	2,46,290	-	2,46,290
Research on the state of the internet's languages	Whose Knowledge Fund	-	14,73,400	14,73,400	2,56,075	-	12,17,325	-	12,17,325
Total - (A)		2,59,38,475	5,84,53,260	8,43,91,735	4,57,89,811	22,36,542	3,68,65,389	-	3,68,65,389

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b) Local

Projects	Donor	Opening balance (Rs.)	Receipts during the year (Rs.)	Total funds available for utilisation (Rs.)	Expenses during the year (Rs.)	Closed projects transferred to income & expenditure (Rs.) [Refer note (c) below]	Balance as at 31 March 2021		
							Total (Rs.) [F] = [C - D - E]	Excess applied (Rs.) [G]	Undisbursed funds (Rs.) [H]
NRC, Assam	Azim Premji University	(5,84,034)	4,27,169	(1,56,865)	-	(1,56,865)	-	-	-
Mapping digital labour in India	Azim Premji University	52,835	-	52,835	-	52,835	-	-	-
Regulatory practices lab	Facebook India Online Services Pvt Ltd	29,58,802	-	29,58,802	29,42,778	-	16,024	-	16,024
IPR guidelines for National Cultural Audio Visual Archives	Indira Gandhi Centre for Arts [IGNCA]	2,43,442	-	2,43,442	-	2,43,442	-	-	-
State of Map Asia	CE Infosystems Pvt Ltd	1,00,000	-	1,00,000	-	1,00,000	-	-	-
Research on artificial intelligence and privacy, R2L	Google India Pvt Ltd	27,67,564	-	27,67,564	5,38,235	-	22,29,324	-	22,29,324
MSR grant 2020	Microsoft Research Lab India Pvt Ltd	-	7,84,000	7,84,000	-	-	7,84,000	-	7,84,000
Facebook IL	Facebook IL	-	25,00,000	25,00,000	25,00,000	-	-	-	-
Total - (B)		55,38,609	37,11,169	92,49,778	59,81,013	2,39,412	30,29,348	-	30,29,348
Total (A+B)		3,14,77,084	6,21,64,429	9,36,41,513	5,12,70,824	24,75,954	3,98,94,736	-	3,98,94,736

(c) The undisbursed funds of Rs. 3,98,94,736/- as at 31 March 2021 is subject to confirmation by the respective donors

(d) During the year the Board of the Society has approved to recognize the unspent specific grant amount of Rs.26,32,819 (13 projects) as income in income and expenditure account. Accordingly Rs. 1,56,865/- are recognized in income and expenditure account.

(e) From time to time, the Society receives grants from private corporations like Facebook India Online Services Pvt Ltd, Google India Pvt Ltd and Microsoft Research Lab India Pvt Ltd etc. to carry out research. Unlike foundations which provide grant letters for research, companies provide 'gift letters' or 'letters of support' for the disbursement of funds. Though structured as a 'gift letter' or 'letter of support', the work has defined outputs and deliverables, timelines, and a budget just like a grant letter. The gifts or support are not given in exchange of services or products but to support research and/or educational endeavours similar to Grants from foundations. The Society uses the funds towards salaries and research costs as well as administrative costs of furthering the research and academic goals as per the specific requirements of the project. Any funds from the gift/support remaining beyond the timeframe in the letter of gift/support is used towards furthering project and organisational requirements in similar areas of research, as per the understanding with the corporates. Accordingly, these funds are considered as earmarked grants and are accounted under the fund accounting system as per Note 10 (c)

(f) During the FY 2018-19 the Society has received grant from various parties as sponsorship of the State of Map - Asia event. The donor wise break up is as follows

(i) Facebook India Online Services	Rs. 6,90,000/-
(ii) Grabtaxi Holdings PTE LTD	Rs. 3,63,070/-
(iii) Mapbox Inc	Rs. 3,37,833/-
(iv) Mapillary AB	Rs. 2,06,863/-
(v) Opencage Data Ltd	Rs. 65,640/-
(vi) CE Info Systems Pvt Ltd	Rs. 1,00,000/-
Total	Rs. 17,63,406/-

The grant is received towards sponsorship of a specific event and as such no specific agreement / contract was entered into with the individual sponsors considering the nature and value of the sponsorship. The management considered these to be in the same nature as earmarked grants and accordingly these have been accounted under the fund accounting system as per Note 11 (c)

[Signature]

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The Centre for Internet & Society
Notes accompanying the financial statements

Note -3: Other current liabilities

Particulars	As at 31 March 2021 Amount (Rs.)	As at 31 March 2020 Amount (Rs.)
i) Advance from Creative Commons	-	45,379
ii) Statutory liabilities	4,32,404	4,46,937
iii) Other current liabilities	9,651	-
Total	4,42,055	4,92,316

Note -4: Cash and cash equivalents

Particulars	As at 31 March 2021 Amount (Rs.)	As at 31 March 2020 Amount (Rs.)
i) Cash in hand	-	13,112
ii) Cash at bank	4,47,81,472	3,35,56,596
iii) Term deposits (Refer note below)	3,87,930	3,67,772
Total	4,51,69,402	3,39,37,480

Note:

Term deposit has been maintained with M/s. Kotak Mahindra Bank towards corporate credit cards issued to select management staff.

Note -5: Loans and advances

Particulars	As at 31 March 2021 Amount (Rs.)	As at 31 March 2020 Amount (Rs.)
i) TDS recoverable	13,54,065	14,62,695
ii) Rent deposits	4,17,400	6,50,000
iii) Other deposits	-	5,00,000
iv) Staff advances	43,484	2,23,485
v) Other advances	24,371	2,50,544
Total	18,39,320	30,86,724

Note -6: Advance recoverable suspense

Particulars	As at 31 March 2021 Amount (Rs.)	As at 31 March 2020 Amount (Rs.)
i) Funds recoverable (refer note (a) below)	14,63,998	14,63,998
Total	14,63,998	14,63,998

(a) Advance recoverable suspense represent amounts suspected to have been misappropriated by one of its employees who was in charge of finance and accounting function during the FYs 2013-14 and 2014-15. The Society is confident of recovering the entire amount in view of the legal proceedings initiated against the party (Refer note 10(a)). Accordingly, the entire advance is considered as good and recoverable.

Ambarish Sankar

Rekha

Ambarish Sankar

The Centre for Internet & Society
Notes accompanying the financial statements

Note -7: Untied Project Receipts

Particulars	2020-21 Amount (Rs.)		2019-20 Amount (Rs.)	
(Foreign)				
i) Hewlett	-		93,184	
ii) City University of London	-		86,617	
iii) University of Munich	-	-	5,85,543	7,65,344
(Local)				
i) Facebook	-		11,00,000	
ii) CMS Technologies	-	-	13,750	11,13,750
Total		-		18,79,094

Note -8: Untied project expense

Particulars	2020-21 Amount (Rs.)		2019-20 Amount (Rs.)	
(Foreign)				
i) Hewlett	-		94,900	
ii) Facebook	-		1,32,132	
iii) City University of London	-		86,344	
iv) University of Munich	-	-	4,26,326	7,39,702
(Local)				
i) Lepuana	-		10,000	
ii) Facebook	-		2,36,000	
iii) CMS Technology - Hockey Event	13,750	13,750	-	2,46,000
Total		13,750		9,85,702







The Centre for Internet & Society
Notes accompanying the financial statements

Note-9: Background and Operations of CIS

The CIS is registered as a society under the Karnataka Societies Registration Act, 1960 w.e.f. 04 July 2008. It has also been granted the status of "Charitable Trust" w.e.f. 05 February 2010 under section 12A of the Income Tax Act, 1961. Along with that, it has also obtained registration under the Foreign Contribution (Regulation) Act, 2010 and the nature of its activities are described as Cultural, Educational and Social.

The primary aim and object of the Centre for Internet and Society (CIS) is to educate the general Indian public and spread awareness about the developments in the field of Internet. It further aims to promote the usage of the Internet and conduct research in the same field.

Note-10: Other explanatory notes

(a) Advance recoverable suspense

During the financial year 2014-15, the Society had identified misappropriation of funds alleged to have been committed by an employee in charge of finance and accounts function at the Society. The employment contract with this individual has been terminated in 2015. Further the Board had also conducted a forensic investigation of the financial irregularities with the assistance of external consultants M/s. Deloitte Touche Tohmatsu India LLP.

The Society had, during the year 2014-15, initiated criminal proceedings against the ex-employee alleged of the misappropriation and the proceedings are in progress. Meanwhile, the Society had initiated civil recovery procedures during the financial year 2018-19 in connection with the alleged misappropriation. The proceeding is in progress and the next hearing is scheduled in November 2020. The Society is confident of recovering the entire amount of alleged misappropriation and accordingly 'Advance Recoverable Suspense' of Rs. 14,63,998/- is considered good and recoverable.

The management of the Society believes that identified / required adjustments and disclosures arising from the financial irregularities pertaining to the above, to the extent of the information available with the management, had been made in financial statements of financial year 2014-15. Based on the information available with the society, no adjustment is required to be made in the financial statements for the year ended 31 March 2021.

(b) Contingent liability

The Society had, on 7 April 2021 received a demand notice from the Income Tax Department amounting to Rs. 19,86,148 for AY 2018-19. The Society has disagreed with the demand raised and has appealed to the Income Tax Department on 3 May 2021. The Society is confident of winning the appeal and accordingly no provision is required.

(c) Income tax

The Society is currently registered under section 12A of the Income Tax Act, 1961 with Director of Income tax (exemptions) vide registration no .DIT(E)BLR/12A/C-713/AAABC0380R/ ITO(E)-Vol 2009-2010 dated 25 February 2010 w.e.f. 05 February 2010 and is still in the process of obtaining the registration under section 12AB. This makes the Society eligible for tax exemption on total income subject to compliance with Specific provisions of the Indian Income tax, 1961.



Note -11: Significant accounting policies

(a) Basis for preparation of financial statements

The Financial Statements of the Society, consisting of Balance Sheet, Receipts & Payments Account and Income & Expenditure Account, are prepared by the Society under historical cost convention, on cash basis of accounting. In the absence of any authoritatively established accounting principles for the specialised aspects related to Societies which do not carry out any commercial activity, the statements have been prepared in accordance with the significant accounting policies as described below.

(b) Property, plant and equipment

Property, plant and equipment purchased towards specific projects are accounted based on fund accounting system and are stated at cost. The purchases are recorded as utilisation in the respective fund.

No depreciation is charged since the entire property, plant and equipment relates to specific projects and are accounted on fund accounting system.

(c) Donations and grants

Donations and grants received are recognised as income on receipt of such donation. Donations made with a specific direction that they shall form part of the corpus of the Trust are classified as corpus donations and are directly accounted as society fund receipts in the Balance Sheet.

Grants received from donors which are earmarked with specific budget (specific grants) are accounted based on fund accounting system. The receipts and payments pertaining to the specific fund is accounted in the fund account and the unutilized amount is shown as a liability. Salary cost is allocated to the specific project based on the time spent on specific project estimated on reasonable basis in line with the budget agreed with the donors. Administration and other common expenses are apportioned to the projects to the extent allowable as per the MOU's agreed with the donors.

Unspent amount, if any, at the end of the project period will be returned to the donors if so required by the MOU agreed with the donors, or adjusted against Reserves in the absence of instructions from the donors to the contrary.

(d) Reimbursement of expenses

Expenses incurred by the Society which are reimbursed by the donors, are recognized as expenses on actual payment. The reimbursement received from the donors is recognized as income on actual receipt of the amount. Any amount reimbursed in excess of the actual expenses incurred is considered as income and recognized accordingly in the Income & Expenditure account.

