



COMMUNITY
FRIENDLY
MOVEMENT

ANNUAL REPORT- 2008-2009

Community Friendly Movement



To our Stakeholders

2008 was the best year in terms of leveraging our investment in the supply chain since 2006. Despite a global slowdown around mid-2008, we were able to commit to our artisan Communities more days of employment by increasing our turnover by 300% over previous year. Of course it meant more product development, increase in our marketing budget and sometimes working on wafer thin margins provided we were able to recover our cost.

An increase in personnel and rent budget because of our shift from a residential to a commercial property increased our costs. Still our operating costs were one of the lowest in the industry with our employees putting on a number of hats at the same time and working hard to make the chain efficient.

Wholesale

On the marketing front we have added one major customer during this financial year and as of date our total wholesale customer base is 9. In spite of this 80% of our turnover is from one major customer. This is a concern for the organisation and in this year we hope to decrease our dependence to 60%. We have started our US operations under the name CFM Outreach with around 12 small stores as its customers. We expect this to grow significantly over the coming years.

Retail

The biggest surprise for this year is growth of our retail model. From a store that we started as a pilot in August 2007, the number of outlets has grown to 18 with sales almost growing at 100 times over the previous year. Since our overheads are quite low, we hope to breakeven on our retail model this year.

Product Development and Artisan Communities

There has been no increase in the number of artisan communities over the previous year since as a strategy we have decided to first guarantee at least 200 days of employment to our existing artisan members. This involves-

- New Product Development so that we are able to generate more business.

- Process improvement to increase efficiency.

- Forming producer companies owned by the artisans so that the producers have more control over their business.

Eco-System

In 2008 we strengthened our Board and continue looking forward to add new members who can bring domain knowledge on retail, development issues and design. Our staff strength remained the same but we involved designers to work on a project basis with two of our communities. Since our objective is to create 'gainshare' across our supply chain, all employees were rewarded with a share of income from sales.

At the eco-system level, our efforts of bringing together all our producer groups to share a common vision continued with our 2nd CFM Connect Meet which was held at

Ahmedabad. This time the Local Entrepreneur of the Year Award was won by Santosh Kumar of Thy-Designers.

A Strong Movement getting Stronger

When we started off in 2005 with one artisan community, we committed at that point of time to create an efficient market place. In 2008 we have achieved scale which will help us realise our mission of creating employment opportunities to 100,000 artisans by 2025. We still have a long way to go. It's just a beginning.

All of us know that 2009 will be the most challenging year for us. Our worry is that a decrease in sales will lead to job losses at artisan level. But our priority to create more marketing channels, improve efficiency at artisan level and commitment to transparency and accountability remain intact.

It is a realization of the fact that there are no great people in the world, only great challenges. Ordinary people rise to meet them. All of us at CFM are ready to rise to the occasion and meet these challenges. On behalf of all of us at CFM we thank you for your ongoing support and belief in our future. Together we can!

Rahul Barkataky, Co-founder & CEO



Forward looking Statements

These forward looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in these statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Business

Overview

Commercial supply chain dynamics do not by themselves address the challenges of third world employment and quality of life issues. However, it is apparent that global trade, essentially in the worldwide industries can either exploit for unilateral gain, or collaborate to "share gain" for overall development of work force.

CFM therefore creates "gainshare" solutions within commercial interactions to directly impact producer communities and contribute towards UN Millennium Development Goals 2015.

CFM is a social enterprise based out of New Delhi, India whose mission is to create wealth for its primary stakeholders-artisan communities at the bottom of the supply chain.

CFM has two main business models-

- Wholesale

- Retail

Wholesale: CFM wholesale business is core to our operations and this year also we expect that it will contribute around 80% to our total revenues. But with a global slowdown

we expect a flat growth this year. Efforts will be to add at least 2 new customers and have a substantial turnover from our US operations, CFM Outreach.

Retail: In spite of the slowdown we expect our retail business to contribute around 20% to our bottom line this financial year. This growth will come through adding new stores to our existing ones and increasing per store sales by 25%. An investment in an online marketplace will hopefully bring in additional revenues over the next 2-3 years.

ECO-SYSTEM

Artisans

We don't see any new communities being added this year so that we can focus on creating more employment opportunities for our existing groups. For the next 3 years our challenge is to provide at least 200 days of employment per year to our artisans.

The CFM Passbook system will be implemented across another 2 groups taking the total number of groups to 5. With a financial inclusion model been implemented we expect that by 2025 all our members will be a part of this effort.

In order to corporatize the artisan groups CFM will invest in at least 2 new producer companies in this financial year. By doing this we hope to bring in more accountability and transparency to our supply chain. Also it will bring in outside investments to these groups.

Organisation

Board: We intend to add more Board members having domain expertise in Retail, Marketing, Design and Development issues so that we can tap a vast knowledge base for our growth. Each board member is also expected to head at least a committee. The following committees are expected to be operation by this year-

- Retail Committee
- Product Selection Committee
- Audit Committee

Team: We expect to add more designers to our team so that they can facilitate more product development by our artisan groups. A new leave policy which provides work-life balance will be implemented during this year. Also a new self-appraisal system will be implemented. We don't see any significant raise in cost of manpower during this year.

Financial Viability

With our business bringing in substantial revenues we expect to break-even this year. Still our major expenses will be taken care of by our existing grants. We expect to decrease our reliance on grants by almost 50% by next financial year.

Changes in Finance Bill

Due to certain changes been incorporated into the Finance Bill 2008-09 where by the definition of charity has been Redefined.

reflected in the company's books of accounts. We believe that this is no way would affect the mission of the organisation

Corporate Governance, Transparency and Accountability

Mission

CFM mission is to generate wealth in a sustainable way for artisan communities in India by creating employment opportunities for 100,000 artisans by 2025.

Vision

CFM's vision is to become a global leader in stimulating growth for artisans and increase recognition for their artefacts by creating a dedicated distribution channel.

Governance

Details of Board Members: (as on March 31, 2009)

Name	Sex	Position on Board	Occupation	Area of Competency	Meetings Attended
Reva Nayyar	F	President	Social Service	Administration	4
Rahul Nainwal	M	Secretary	Social Service	Management	4
Saurav Kumar	M	Treasurer	Self employed	Management	4
Vaibhav Nigam	M	Vice President	Professional	Management	4

AGM held on 17/7/08 at the registered office.

Accountability and Transparency

No remuneration, sitting fees or any other form of compensation has been paid since inception of the society to

any Board member, trustee other than Executive Members.

The following reimbursements have been made to Board Members:

Traveling expenses (to Executive Members): Rs. 8,127

No other reimbursements have been made to any Non-Executive Board member or trustee.

Executive President's remuneration: Rs. 80,000 p.m.

Remuneration of highest paid staff member: Rs. 70,000 p.m.

Remuneration of lowest paid staff member: Rs. 4500 p.m.

Staff Details: (as on March 31, 2009)

Gender	Paid Full Time	Paid Part Time	Paid Consultant	Unpaid Volunteers
Male	6	0	0	< 10
Female	3	0	0	< 10

Distribution of staff (as at March 31, 2009)

Slab of gross salary (in Rs.) plus benefits paid to staff	Male	Female	Total
5000-10000	2	0	2
10000-25000	2	2	4
25000-50000	0	0	0
50,000-100,000	2	0	2
Total	6	2	8

Total cost of national travel by all staff members during the year: Rs.1,60,585

Total cost of international travel by all staff during the year: Rs. 3,04,563

AUDITED FINANCIAL STATEMENTS

BALANCE SHEET AS OF MARCH 31, 2009

	Schedule	Amount (In Rs.)
SOURCES OF FUNDS		
<u>Capital Fund Account</u>		
- Opening Balance		973,410
- Add: Accumulation during the year		3,362,174
<u>Excess of income over expenditure</u>		808,531
<u>Unutilized Grant Fund</u>		4,113,920
<u>Fixed Asset Replacement Fund</u>		
- Opening Balance		219,997
- Add: Addition during the year		1,165,283
		1,385,280
Less: Depreciation		299,785
		1,085,495
		10,343,530
APPLICATION OF FUNDS		
Fixed Assets	1	
Gross Block		1,385,280
Less: Depreciation		299,785
Investment		4,956,233
CURRENT ASSETS, LOANS & ADVANCES		
Current Assets, Loans & Advances	2	4,804,618
Less: Current Liabilities & Provisions	3	502,815
Net Current Assets		4,301,803
		10,343,530

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Schedule	2008-2009 (Rs.)
<u>INCOME</u>		
Sales		15,136,543
Misc. Incomes		1,001,412
		16,137,955
EXPENDITURE		
Cost of Goods Sold		10,211,557
Administrative Expenses		1,812,783
		12,024,340
Excess of Income over Expenditure		4,113,615

RECEIPT AND PAYMENT FOR THE PERIOD OF 01.04.2008 TO 31.03.2009

	Schedule	Amount (Rs.)
<u>Receipt</u>		
<u>Foreign Grant - Ford</u>		
Opening Balance Ford Foundation	-	
Addition during the year	5,355,328	5,355,328
<u>Foreign Grant - Ebay</u>		
Opening Balance Ebay	-	
Addition during the year	1,646,768	1,646,768
<u>Foreign Grant - Hivos</u>		
Opening Balance Hivos	(814,142)	
Addition during the year	1,054,412	240,270
<u>Local Grant - Dorabji</u>		
Opening Balance Dorabji	-	
Addition during the year	3,091,000	3,091,000
		<u>10,333,366</u>
<u>Payment</u>		
<u>Expenses For Ford</u>		
<u>Operational Cost</u>		
Salary	1,708,671	
<u>Office Management</u>		
Travelling	306,393	
Conveyance	71,874	
Repair & Maintenance	44,984	
Communication Expenses	36,960	
Bank Charges	7,737	
Rent	291,575	
Legal & Professional Fees	32,727	
Consultancy Fee	974,240	
Staff Welfare	50,350	
Trade Fair	223,551	
Consumables	33,759	
<u>Marketing Expenses</u>		
Design & production Expenses	326,134	
Hosting Expenses	11,354	
<u>Purchase of Fixed Assets</u>		
Computer	68,147	
Vehicle	803,000	
Office Equipment	26,854	
Furniture & Fixture	30,600	<u>5,048,910</u>
<u>Expenses For Ebay</u>		
<u>Office Management</u>		
Travelling	8,528	
Office Space	141,000	
Office Expenses	22,038	
Staff Welfare	13,833	
Documentation Expenses	6,875	<u>192,274</u>

Expenses For Hivos

Office Management

Travelling	59,811	
Conveyance	88,711	
Office Expenses	59,562	
Bank Charges	2,028	
Rent	184,000	
Audit fee	20,000	

Marketing Expenses

Hosting Expenses	17,889	
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Purchase of Fixed Assets

Computer	46,176	
Office Equipment	53,790	<u>531,967</u>

Expenses For Dorabji

Office Management

Connect Meet	98,266	
Communication Expenses	4,067	
Legal and Professional Expenses	17,500	
Trade Fair Expenses	134,522	
Travell Boarding & Loading	55,224	

Purchase of Fixed Assets

Computer	116,716	
Office Equipment	20,000	<u>446,295</u>
Unutilized Balance		<u>4,113,920</u>
		<u>10,333,366</u>

As per our report of even date attached

for A.K. Nair & Co.
Chartered Accountants
Sd/-
A.K. Nair
Partner
M.No. 84690

Place : New Delhi
Date : 20th July, 2009

For COMMUNITY FRIENDLY MOVEMENT

Sd/-
Treasurer

Sd/-
President

Place : New Delhi
Date : 20th July, 2009

The Year in Pictures



1. Artisan group, Bhagalpur, Bihar
2. CFM booth at NYIGF, New York, USA



Acknowledgment

Ford Foundation, HIVOS, Sir Dorabjee Tata Trust
and eBay Foundation for their support.

All our wholesale customers who believes in our mission.

Our artisan communities who have been central to our business model.

Our local entrepreneurs and staff who always rise to meet challenges.

3. Local entrepreneur of the year, Santosh Kumar
4. Participants at CFM Connect Meet, Ahmedabad



Registered Address:

16/100, Vikram Vihar, Lajpat Nagar-IV, New Delhi-110024

