Accounting and Financial Reporting for NGOs and NPOs

Seminar on NPO's, Organized by

Southern India Regional Council (SIRC) of ICAI

Under the aegis of Cooperation and NPO Committee, ICAI

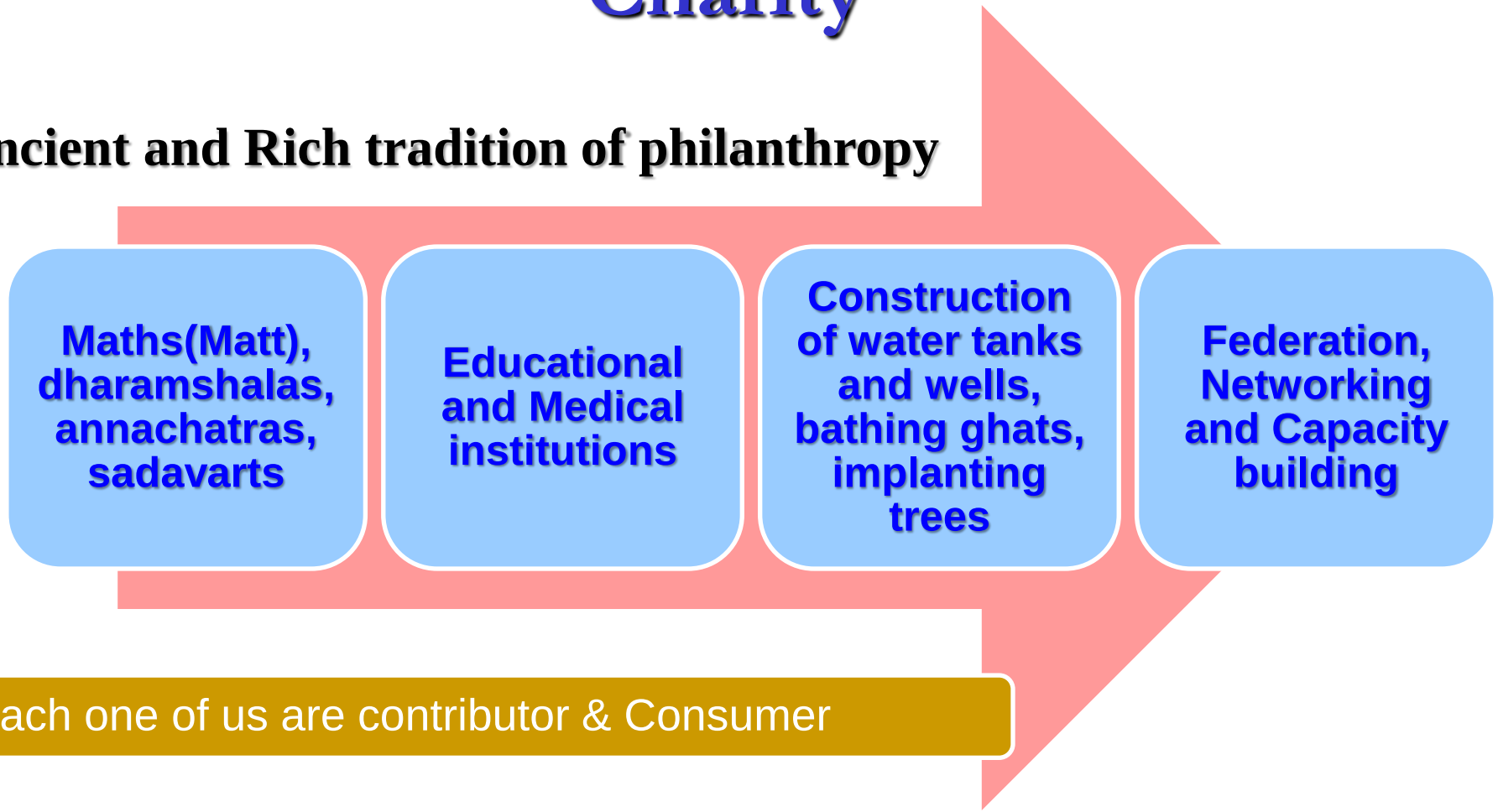
19th September 2026

CA I. Daniel Selvaraj
Partner
Manohar Chowdhry & Associates

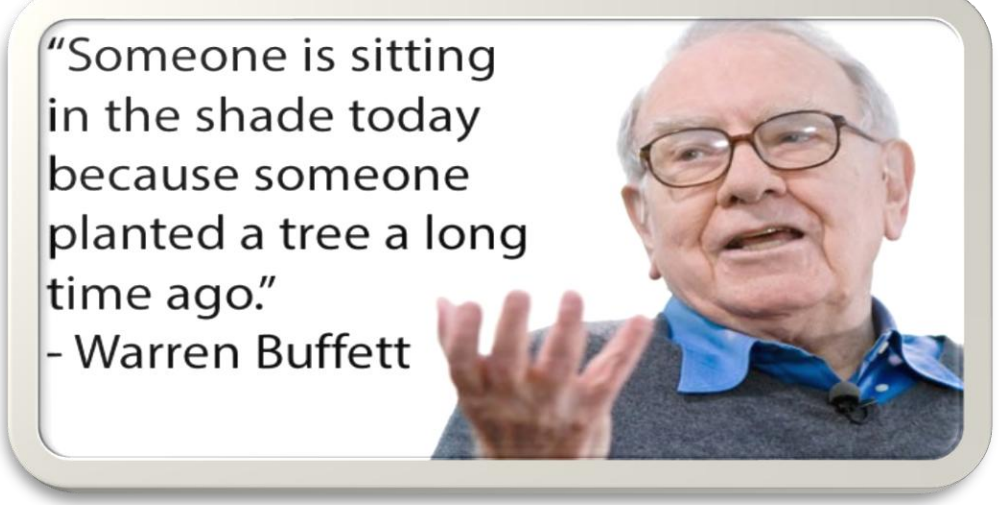
Introduction

Charity

Ancient and Rich tradition of philanthropy



- Each one of us are contributor & Consumer
- Various Name: Third Sector, Civil Society, CBO, VA
- Modern Time: various Exemptions are available



தளிர்த் திறன் திட்டம்

Aparajitha Foundations



$145 billion (Rs. 12.68 Lakh Crore) to give charity

$400 Million (Rs. 3838 Crore to charity



Bill & Melinda Gates Foundation has assets of over $92 billion



The Times of India 05th February 2015



CHENNAI: Monika Saradha, 17, wept as her older sister **Rennee Saradha, 20, a third year student at Women's Christian College, got her head shaved on Tuesday**. Rennee consoled her sister, saying that her donation would **help a child with cancer smile at the joy of getting a wig**.

Rennee, an English literature student, tonsured her head to **donate 13 inches of her hair. "**I wanted to inspire more girls to come forward. I feel lovely after doing it," said Rennee, who came up with the 'Tangled' initiative as an annual project for her college's Rotaract club.

Surendra Singh Choudhary (Bittu Tabahi), 2026



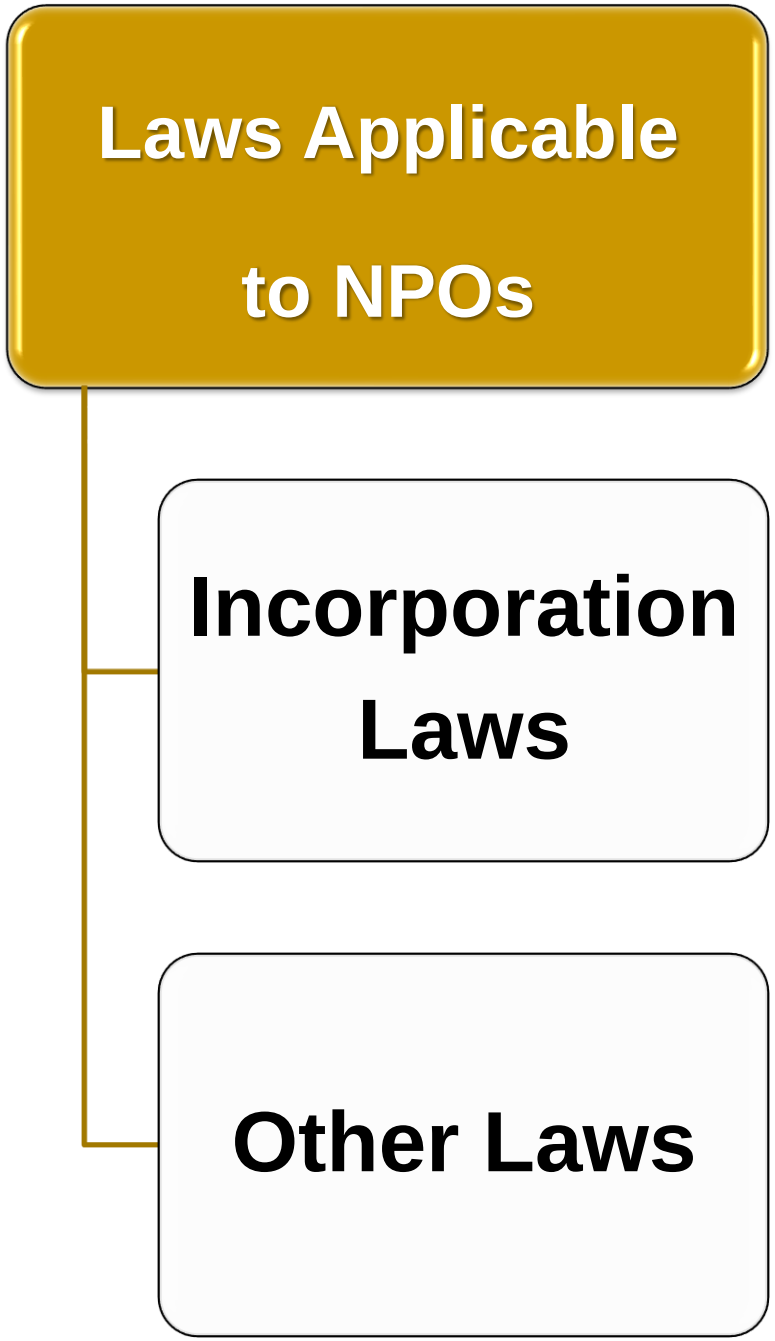
A 21-year-old student went viral for cleaning a polluted river by hand.

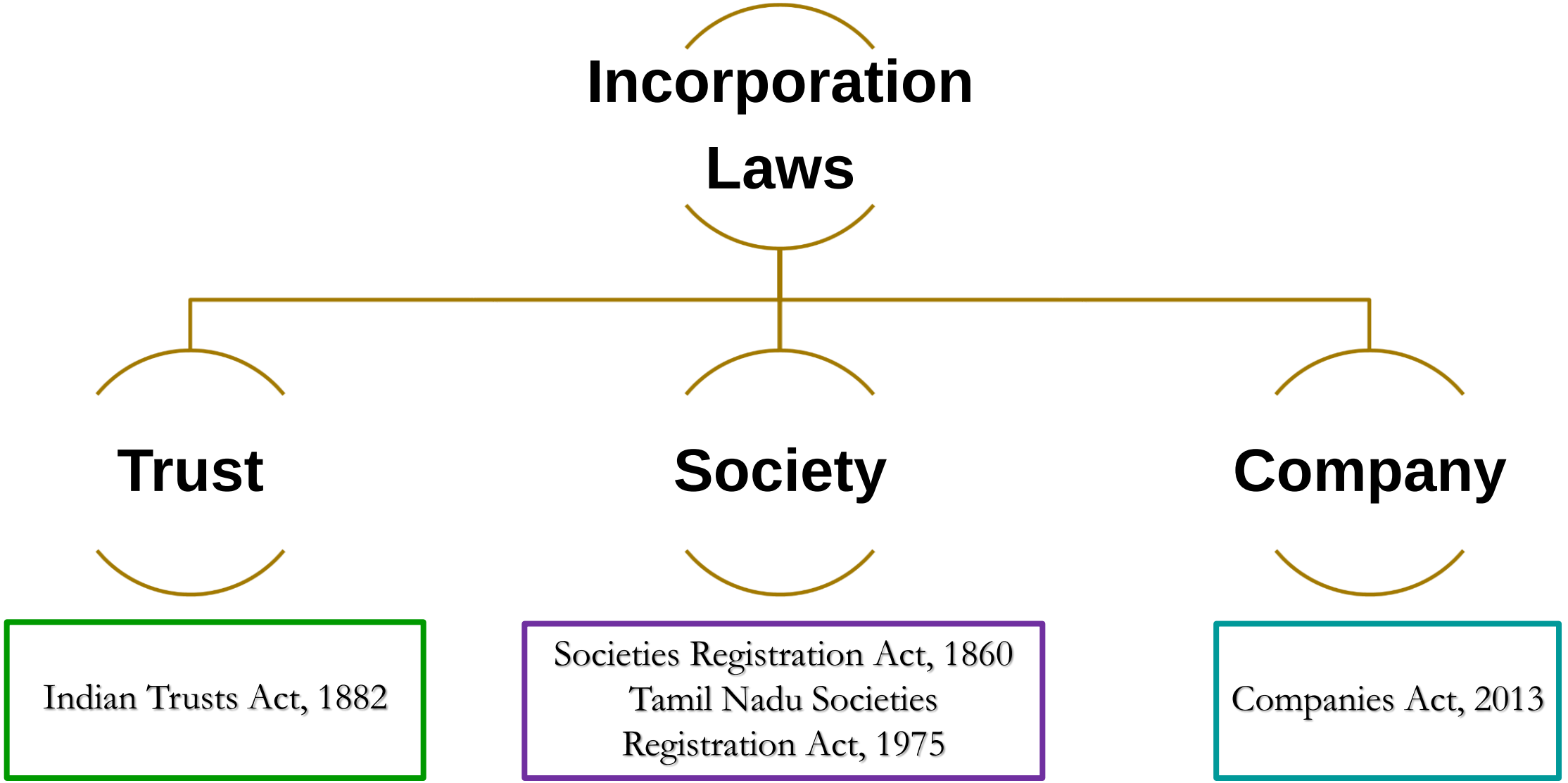
Surendra Singh Choudhary, known online as Bittu Tabahi, spent months pulling plastic and waste from the **Ajnar River, Madhya Pradesh, in India**.

He spent his own money on tools and even suffered severe health issues from the toxic water.

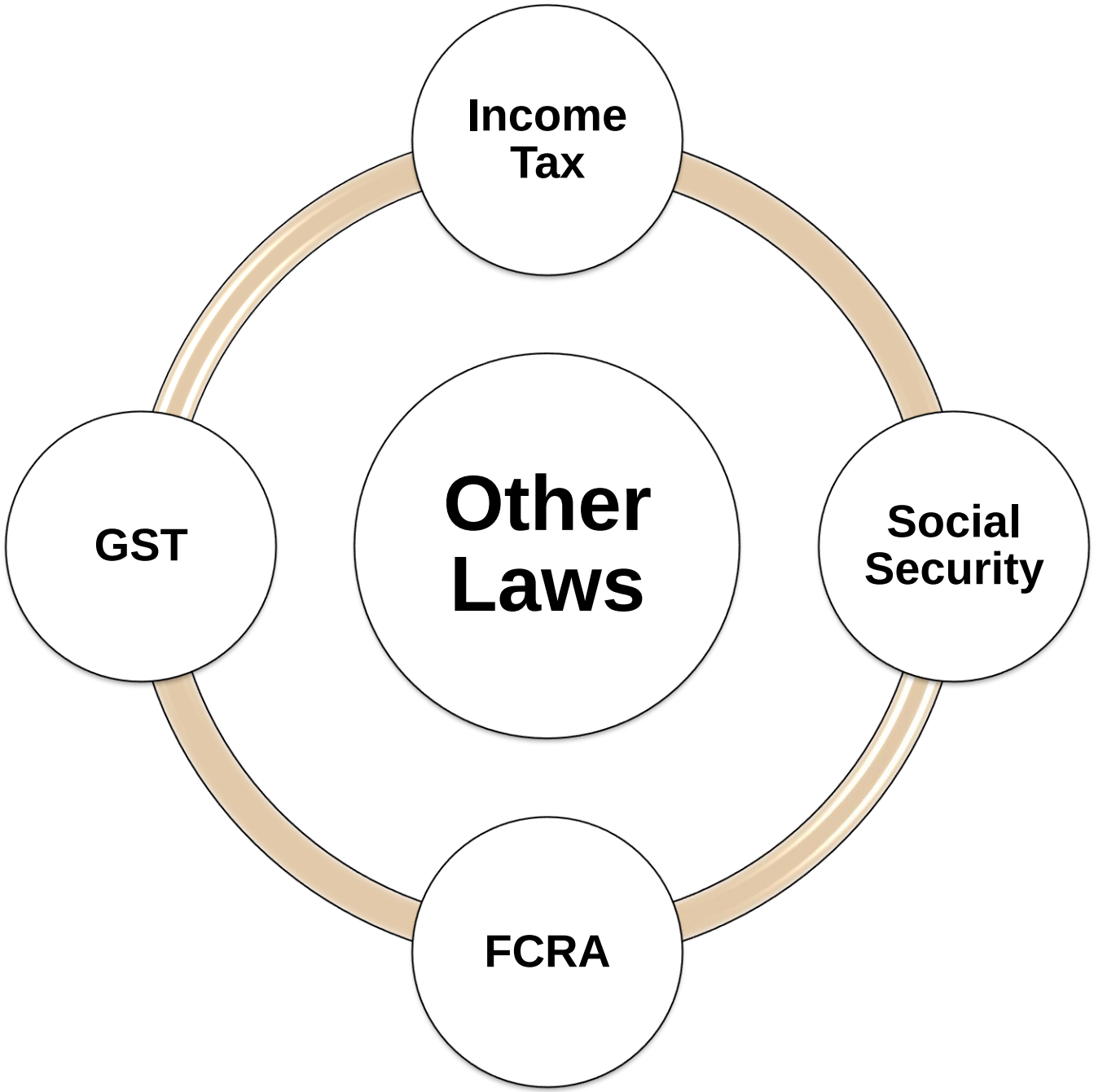
Surendra Singh Choudhary (Bittu Tabahi) received a public job offer from Boyan Slat, the founder and CEO of The Ocean Cleanup, a prominent environmental organisation based in the **Netherlands**.

Legal Framework for NPO's


Laws Applicable to NPOs
Incorporation Laws
Other Laws



Legal Form Drives Reporting


Income Tax
GST
Other Laws
Social Security
FCRA

NPO Accounting

Why NPO Accounting is different?

Business	NPO
Profit is Performance Measure	**Mission** /objective/Stewardship are central
Resources generally **serves Owners**	Resources are **held for stated purposes** or Objects
Capital	Corpus /general fund
Retained earnings are generally **unrestricted**	**Multiple funds** and Restrictions may coexist
Revenue is Mainly Commercial	Donations, grants, subscriptions, fees, project income, Coexist
Dividend	No distribution to members, EVER
Profit & Loss A/c	Income & Expenditure A/c

The accounting equation remains fundamentally the same:

Assets = Liabilities + Net Assets/Fund balances.

Who uses NPO financial information?

Different users ask different questions	
Stakeholder	**What they want to know**
Trustees / governing body	❖ Are we sustainable ❖ What are our Risks
Donors / grantors	❖ Donations are used for the purpose for which given
Regulators	❖ Are you Complying the law of the land
Beneficiaries / public	❖ Can we Trust you
Auditors	❖ Can I get evidence for all of this?

One accounting system — many reporting questions.

Users

Donor Due Diligence for CSR Funding

	NGO 1	NGO 2	NGO 3
❖ Size	BIG	Medium	Small
❖ Presentation	Brilliant	Good	Less Impressive
❖ largest number of beneficiaries.	Yes	Moderate	Small
❖ Audited financial statements ❖ Income & Expenditure Account ❖ Balance Sheet ❖ Receipts & Payments Account ❖ Notes to Accounts ❖ Auditor's report ❖ Project-wise utilisation information ❖ Restricted/unrestricted fund information ❖ Related-party disclosures ❖ Previous donor utilisation reports	Available	Available	Available

Users

Donor Due Diligence for CSR Funding

Previous Donor CSR Funding Journey of 1 Cr.	NGO 3
❖ Project Personnel	12 Lakh
❖ Learning Materials	18 Lakh
❖ Community Education	35 Lakh
❖ Technology Infrastructure	20 Lakh
❖ Monitoring and Evaluation	10 Lakh
❖ Other Eligible Project Costs	5 Lakh
	100 Lakh
	Budget Vs Actual Expenditure
	Utilization
	List of Beneficiaries
	Outcome

Mandatory or Guidance

Source	*Typical Role*
Governing Law	
Companies Act / Rules	❖ Statutory Requirements for Companies
Income Tax Act	❖ Tax Reporting Requirements
FCRA	❖ Applicable when Foreign Contributions are Received
AS / Ind AS	❖ Applicable Accounting Framework
Contract	
Grant / Donor Agreement	❖ Contractual Conditions
Guidance	
ICAI Technical Guide	❖ Professional Accounting Guidance

Do not Confuse Guidance with Law.

Fees Fixation committee

Separate Internally, Consolidate Externally

Separate Vs Consolidation

Entity	Projects	Funds	Donors	Locations
One legal reporting entity	Project-wise ledgers / cost centers	Corpus / restricted / designated / general	Donor-wise tracking where needed	Branch / center / geography dimensions

Project-wise records should reconcile to the entity-level general ledger.

NPO Ledger

The Five questions every NPO ledger must answer

1

What is the **source?**

Individual
Corporates
Government
Foundation
Foreign Donor

2

What is the **purpose?**

General Support
Specific Project
Assets Purchase
Programme

3

What **restriction** applies?

Spent within 1 year
Don't use it for
Admin Expenses

4

How was it **utilized?**

As per Approved
Budget,
fully through Bank

5

What **balance / obligation remains?**

NIL Balance
Completion
Certificate to be
obtained

**If your accounting system cannot answer these five questions,
it is not NPO-ready.**

Cash
Vs
Accrual

Cash basis vs accrual basis

Cash basis

- Income on receipt
- Expenditure on payment
- Simple cash accountability
- Misses receivables / payables / prepayments / depreciation

Accrual basis

- Income when earned / receivable
- Expenditure when incurred
- Captures assets and liabilities
- Provides a better period-based performance picture

NPO accounting must **capture the period,** not merely the bank movement

ICAI recommends accrual accounting for NPOs, including non-corporate NPOs.

Clause 31

Contents of Form 10 B

S.No	Title	Electronic Rs.	Other than Electronic Rs.	Total Rs.
31(ii)	❖ Details of application out of (i) (a) and (i) (b) resulting in payment in excess of Rs. 50 lakh during the previous year to any person ❖ Name of the Person /PAN/Amount/TDS			
31(iii)	❖ **Amount which was not actually paid** during the previous year [if included in (i)(c)]			
31(iv)	❖ **Amount actually paid during the previous year which accrued during any earlier previous year but not claimed as application of income in earlier previous year**			
31(v)	❖ Total amount to be allowed as application [31(i)(c)- 31(iii) +31(iv)]			
31(vi)	❖ Bifurcation of application in 31(v) into Revenue or Capital ❖ **Revenue** ❖ **Capital**			
31(vii)	❖ Amount invested or deposited back in corpus which was applied during any preceding previous year and not claimed as application during that previous year.			
31(viii)	❖ Repayment of loan or borrowing during the previous year which was earlier applied and not claimed as application during that previous year during that previous year.			

Actual Payment is allowed

Accrual Journal

Year-end accrual checklist

Area	Typical year-end item
Expenses	Salary, audit fee, rent, electricity, professional charges
Income	Accrued interest and other receivables
Prepayments	Insurance, rent, programme costs
Advances	Staff / vendor / programme advances
Grants	Receivable, unutilised, refundable or conditional balances
Assets / liabilities	Depreciation, provisions, employee benefits

A clean bank reconciliation is not a substitute for a clean year-end close.

Accounting Standards: apply them intelligently

Mandatory for Section 8 Companies but recommended for others

What is the Legal Form? Does it has Commercial Activities?

Presentation

AS 1 / Ind AS 1
Disclosure of Accounting Policies
AS 3 / Ind AS 7
Cash flow Statements

Assets

AS 2 / Ind AS 2
Inventories
AS 10 / Ind AS 16
Property, Plant and Equipment

Grants

AS 12 / Ind AS 20
Government Grants

Liabilities

AS 15 / Ind AS 19
Employee Benefits
AS 29 / Ind AS 37
Provisions, Contingents

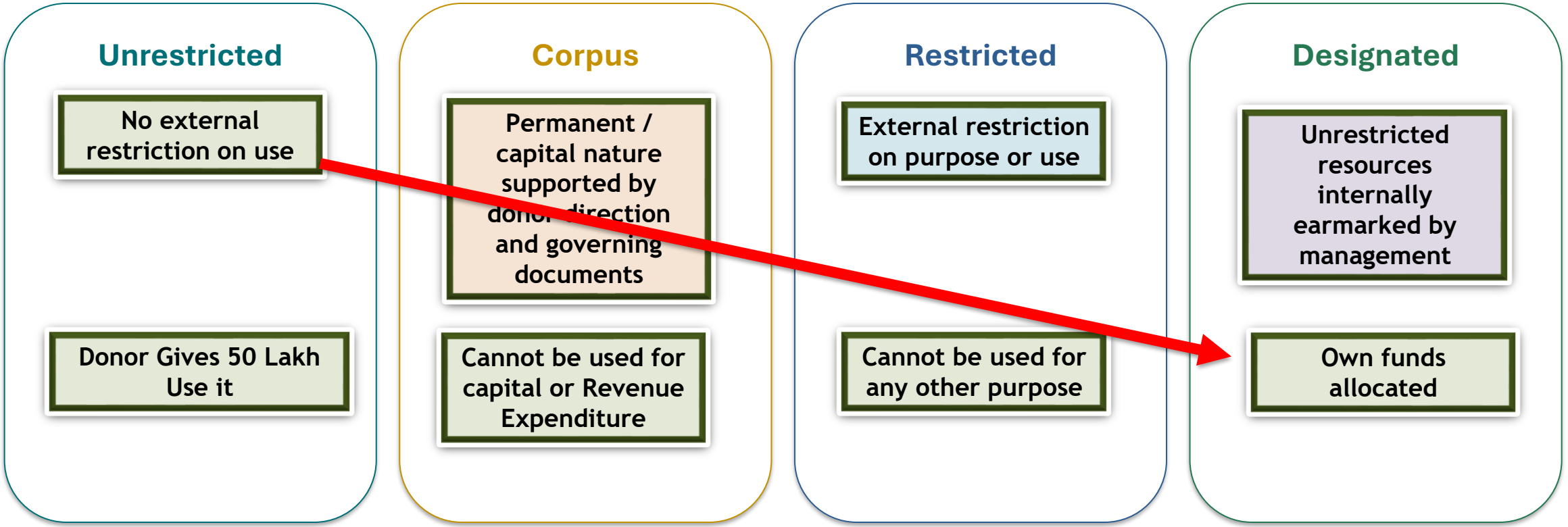
Related parties

AS 18 / Ind AS 24
Related Party Disclosures

ICAI: AS apply to enterprise engaged in commercial activities, irrespective of whether it is profit-oriented or Not for Profit.
AS will not apply to an enterprise that only carries on activities that are not of a commercial

Classification of donations

Donation classification — four buckets



Restricted = external. Designated = internal. Corpus = evidence-based, not preference-based.

Donor Gives 50 Lakh Use it

Use it for Building

Only Corpus

Budget allocation for Equipment purchase

ITR 7: Schedule VC(C): Total Voluntary Contribution

Schedule VC		Voluntary Contributions *[to be mandatorily filled in by all persons filing ITR-7]*				
A	Domestic Contribution (Other than anonymous donations taxable u/s 115BBC)					
	i	Corpus donation (Aia +Aib)			Ai	
	a	Corpus representing donations received for the renovation or repair of places notified u/s 80G(2)(b)	Aia			
	b	Corpus other than above	Aib			
	ii	Other than corpus donation				
		(a)	Grants Received from Government			
		(b)	Grants Received from Companies under Corporate Social Responsibility			
		(c)	Other specific grants			
		(d)	Other Donations			
		(e)	Total			
	iii	Voluntary contribution Domestic (Ai + Aiie)				
B	Foreign contribution (other than anonymous donations taxable u/s 115BBC)					
	i	Corpus donation (Bia + Bib)				
	a	Corpus representing donations received for the renovation or repair of places notified u/s 80G(2)(b)	Bia			
	b	Corpus other than above	Bib			
	ii	Other than corpus donation			Bii	
	iii	Foreign contribution (Bi + Bii)			Biii	
	iv	Specify the purpose for which foreign contribution has been received			Biv	Free text box
C	Total Contributions (Aiii + Biii)				C	

Donation Classification helps in ITR 7 Reporting

Corpus / restriction: build the evidence file

- Donor correspondence and written direction
- Donation receipt and bank narration
- Funding agreement and approved budget
- Trustee / governing body resolution
- Terms concerning investment, utilisation and refund
- Consistent accounting policy and fund-wise ledger

CA test: “Show me the document that creates the restriction.”

ITR: Schedule J: Corpus

ITR 7 Reporting

Schedule J	Statement showing the funds and investments as on the last day of the previous year *[to be filled by assesses claiming exemption u/s 11 and 12 or u/s 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C)(via))]*											
DETAILS OF INVESTMENT OF FUNDS	A1	Details of corpus										
		Corpus Donation	Opening Balance as on 01.04.2022 (corpus not applied till 31.03.2022)	Received/Treated as corpus during the year	Applied during the year	Amount invested or deposited back in to corpus (which was earlier applied and not claimed as application)	Total amount invested or deposited back in to corpus	Financial year in which (4) was applied earlier	Closing Balance as on 31.03.2023	Invested in modes specified in Sec 11(5) as on 31.03.2023	Amount taxed in assessment year 2022-23	Invested in modes other than specified in section 11(5) as on 31.03.2023
			(1)	(2)	(3)	(4)	(5)	(6)	(7)=(1+2+5-3)	(8)	(9)	(10)=7-8-9
		(i.) Representing donations received for the renovation or repair of places notified u/s 80G(2)(b) on or after 01.04.2020										
		(ii.) Other than (i) above received on or after 01.04.2021										
		(iii.) Other than (i) and (ii) above										
		Total										

Make Exclusive Investments

Conditions

Grant accounting: use a decision tree

SOURCE

Who provided it?

Foundation

PURPOSE

Why was it provided?

Child Education Scholarship

CONDITIONS

What must be done?

Transfer the funds to Child Bank account

REFUND

What happens to unused / non-compliant amounts?

Unused : Refund
Non Complied: Refund

REPORT

How is utilisation demonstrated?

As per the specific format given by Donor with proof Children Passbook

Then decide: revenue / capital • restricted / unrestricted • recognition / liability / deferral.

Comparison of Various Receipts

Donation vs grant vs fee vs investment income

Receipt	Primary question	Typical accounting focus
Donation	Is it voluntary and unrestricted / restricted / corpus?	Fund classification
Grant	What conditions and purpose apply?	Recognition + restriction + utilisation
Programme fee	Is the NPO providing a service/activity?	Revenue recognition / applicable tax analysis
Membership subscription	Which period does it relate to?	Accrual / deferral
Interest / dividend / rent	Which fund generated it?	Accrual + fund attribution

Never classify a receipt by its name alone. Read the substance and conditions.

Service charges from ICICI Bank for coordinating with SHG

Other income streams: Do not overlook them

Subscriptions	Programme income	Investment income	Property income	In-kind
General / life membership fees	Training, hospital, school, hostel or other activity receipts	Interest, dividends and similar returns	Rent and related income	Goods / services received — document control and measurement

Each income stream needs the right recognition, fund attribution and disclosure.

In Kind: corporate giving wind energy to an NPO
Form 10B: Clause 23(v) ITR: Schedule J(E) and VC & A

Other Income
Form 10B & ITR 7

Form 10B: Serial Number 28: Other Income

Income to be applied	28.	Income other than voluntary contributions derived from property held under trust referred to in section 11 or income of fund or institution or trust or any university or other educational institution or any hospital or other medical institution (other than the contribution reported in serial number 24)	Amount in Rs.
	29.	Income applied outside India which is eligible under clause (c) of sub-section (1) of section 11	Amount in Rs. < Fill Schedule Int App>
	30.	Income required to be applied in India by the auditee during the previous year [27+28-29]	Amount in Rs.

ITR 7: Schedule AI(10): Other Income

Schedule AI		Aggregate of income derived during the previous year excluding Voluntary contributions *[to be filled by ... u/s 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C)(via)]*			
AGGREGATE OF INCOME	1	Receipts from main objects			1
	2	Receipts from incidental objects			2
	3	Rent			3
	4	Commission			4
	5	Dividend income			5
	6	Interest income			6
	7	Agriculture income			7
	8	Net consideration on transfer of capital asset			8
	9	Any other income (specify nature and amount)			
		Nature		Amount	
	A	Pass through income/Loss (Fill schedule PTI)	a		
	B		b		
	C		c		
	D		d		
	E	Total (9a+ 9b+ 9c +9d)	e		9e
	10	Total (1 + 2 + 3 + 4 + 5 + 6+ 8 + 9)			10

Other Income Form 10B

Form 10B: Serial Number 23(v): Donation in Kind

VoluntaryContributions	20.	Whether the provisions of twenty second proviso to clause (23C) of section 10 or sub-section (10) of section 13 are applicable.	No
	21.	Whether auditee has filed Form No. 10BD for the previous year < If No then skip to row 23 >	No
	22.	Total sum of donations reported in Form No. 10BD furnished by the auditee for the previous year	₹
	23.	Donations not reported in Form No 10BD /Not required to fill Form No. 10BD	

(iv)	Donations which could not be reported in Form No 10BD due to non-availability of identification of donor as required under Form No 10BD	₹ 0
(v)	Donations received in kind	₹ 0
(vi)	Anonymous Donations referred to in section 115BBC	

ITR 7: Schedule J (E): Donation in Kind

Donation in Kind
ITR 7 in 3 places

SCHEDULE J. Statement showing the funds and investments as on the last day of the previous year [to be filled by assesses claiming exemption u/s 11 and 12 or 10(23C)(iv)/10(23C)(v)/ 10(23C)(vi)/10(23C)(via)]

E	Voluntary contributions/donations received in kind but not converted into investments in the specified modes u/s 11(5) within the time provided		

Sl. No.	Name and address of the donor	Value of contribution/donation	Value of contribution applied towards objective	Amount out of (3) invested in modes prescribed under section 11(5)	Balance to be treated as income under section 11(3)
(1)	(2)	(3)	(4)	(5)	(6)
Total		0	0	0	0

ITR 7: Schedule VC: Donation in Kind

SCHEDULE VC VOLUNTARY CONTRIBUTIONS (DONATIONS RECEIVED) (TO BE MANDATORILY FILLED IN BY ALL PERSONS FILING ITR-7)]

A	Domestic Contribution (Other than anonymous donations taxable u/s 115BBC)		A		
	i	Corpus donation(Aia + Aib)	Ai		0

ITR 7: Donation in Kind Receipts

ITR 7: Schedule A: Donation in Kind

Donation in Kind
ITR 7: in 3 places

SCHEDULE A - Amount applied to stated objects of the trust/institution during the previous year from all sources referred to in C1 to C7 of this table [to be filled by assessee claiming exemption u/s 11 and 12 or u/s 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C)(via)]

			Amount		
A	Application towards the stated objects of the trust/institution		Revenue	Capital	Total
	1	Donation to trust or institution registered u/s 12AB or approved u/s 10(23C) (iv)/(v)/(vi)/(via)– Other than Corpus (100% of donation made need to be entered here)	0	0	0
	1a	85% of the donation(s) made to trust or institution(s) registered u/s 12AB or approved u/s 10(23C)(iv)/(v)/(vi)/(via)– Other than Corpus	0	0	0
	2	Religious	0	0	0
	3	Relief of poor	57,43,033	0	57,43,033
	4	Educational	0	0	0
	5	Yoga	0	0	0
	6	Medical relief	0	0	0
	7	Preservation of environment	0	0	0
	8	Preservation of monuments etc	0	0	0
	9	General public utility	0	0	0
	10	Application which cannot be specifically identified under 1 to 9 above	0	0	0
	11	Cost of new asset for claim of Exemption u/s 11(1A)(restricted to the net consideration)	0	0	0
	12	Total (A1a to A11)	57,43,033	0	57,43,033
B	Expenditure not allowed as application, other than application out of source of fund at C2 to C7 (B1 + B2 + B3 + B4+B5+B6+B7+B8) Note: Amount entered in Sl. No. B should be out of Sl. No. A		0	0	0
	1	Donation to trust or institution registered u/s 12AB or approved u/s 10(23C) (iv)/(v)/(vi)/(via) towards Corpus	0	0	0

ITR 7: Donation in Kind Payments

Expense classification — programme, administration, fundraising

Programme / project

- Directly advances the charitable objective
- Project-specific salaries / materials
- Beneficiary-related expenditure
- Project travel / implementation

Administration / fundraising

- Governance and common infrastructure
- Finance, HR, audit, compliance
- Donor campaigns and resource mobilisation
- Allocate shared costs using reasonable drivers

Do not classify everything as “programme” merely to make overheads look low.

Section 2(15) defines "Charitable Purpose"

- Relief of the Poor
- Education
- Yoga (in Finance Act 2015)
- Medical Relief
- Preservation of Environment/ Monuments
- Advancement of any other objects of GPU

Form 10B: Serial Number 31(i)(c): Application of Income

Form 10B clause 31

31.	Application of Income (excluding application not eligible and reported under serial number 37)						
	(i)	Total amount applied for charitable or religious purposes in India during the previous year			+Electronic (In Rs)	Other than Electronic (In Rs.)	Amount in Rs.
		(a)	Contribution or donation to any other person during the previous				Amount in Rs.
		(b)	Object wise application other than the application provided in (a)				
			(I)	Religious			Amount in Rs.
			(II)	Relief of poor			Amount in Rs.
			(III)	Education			Amount in Rs.
			(IV)	Medical relief			Amount in Rs.
			(V)	Yoga			Amount in Rs.
			(VI)	Preservation of environment (including watersheds, forests and wildlife)			Amount in Rs.
			(VII)	Preservation of monuments or places or objects of artistic or historic interest			Amount in Rs.
			(VIII)	Advancement of any other objects of general public utility			Amount in Rs.
			(IX)	Application which cannot be specifically categorised under (I) to (VIII)			Amount in Rs.
			(X)	Total			Amount in Rs.
		(c)	Total application [(a) + (b)(X)]				Amount in Rs.

ITR 7:PART B -TI-Serial No 6(i): Application of Income

Form 10B clause 31 & ITR 7

Part B – TI STATEMENT OF INCOME FOR THE PERIOD ENDED ON 31ST MARCH, 2023

Part B1 – Applicable if exemption is being claimed u/s 11 and 12 or 10(23C)(iv)/10(23C)(v)/ 10(23C)(vi)/10(23C)(via) where Part B3 is not applicable.

1	Voluntary Contributions other than Corpus and anonymous donations taxable u/s 115BBC *[(C- Ai-Bi) of Schedule VC]*		1	
2	Voluntary contribution forming part of corpus other than anonymous donations taxable u/s 115BBC *[(A + B) of schedule Part B-TI -Part B1]* Note: If conditions specified in Section 11 and 12 are violated, this field will be considered for adjustment under section 143(1)		2	
	A	Corpus representing donations received for the renovation or repair of places notified u/s 80G(2)(b) *[Aia +Bia of Schedule VC]*	A	
	B	Corpus other than above *[Aib +Bib of Schedule VC]*	B	
3	Aggregate of income referred to in sections 11, 12 and sections 10(23C)(iv), 10(23C)(v), 10(23C)(vi) and 10(23C)(via) derived during the previous year excluding Voluntary contribution included in 1 above *(10 of Schedule AI)*		3	
4	Amount eligible for exemption under section 11(1)(c)		4	
	A	Approval number given by the Board	A	
	B	Date of approval by board	B	
5	Income to be applied (1+2+3-4)		5	
6	Application of income for charitable or religious purposes or for the stated objects of the trust/institution:-			

ITR 7:PART B -TI-Serial No 6(i): Application of Income

ITR 7:PART B -TI-Serial No 6(i): Application of Income

	i	Amount applied during the previous year [Excluding application from borrowed fund, deemed application, previous year accumulation upto 15% etc, i.e. not from the income of prev. year] *[Sr.no. G from Schedule A]*	6i	

Allocation methodology — document the driver

Expense	Possible allocation driver
Salary	Timesheets / time spent
Rent	Area occupied
Electricity	Usage / area / metered basis
Vehicle	Kilometres / activity
IT	Users / devices / usage
Common staff	Timesheets / job responsibility

Allocation is an accounting policy — not a year-end adjustment exercise.

Capital expenditure & depreciation

- **Capitalize controlled assets** such as buildings, vehicles, computers and medical equipment under the applicable framework.
- **Maintain a fixed asset register** with cost, location, funding source and project.
- **Recognize depreciation** over useful life where applicable.
- **Review title, physical existence**, impairment, restrictions and disposal conditions.
- **Track assets acquired** from restricted / grant funds separately.

Two questions:
"What is the asset?" and "Who ultimately owns it?"

Fund Accounting
Track the Money

Fund Accounting — the heart of NPO accounting

Corpus

Permanent / capital nature

General

Unrestricted resources

Restricted

Externally restricted project resources

Designated

Internally earmarked resources

Capital / Endowment

Resources linked to assets or long-term purpose

The accounting system should answer:
what resources exist, what restrictions apply, and what remains unutilized?

ICAI
Suggested Format

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2026

(Amount in Rs.)

S.No	Particulars	Sch.	As At 31/03/2026	As At 31/03/2025
I	**Liabilities (Sources of Funds)**			
1	**NPO Funds**			
(a)	Unrestricted Fund	1		
(b)	Restricted Fund	2		
	Sub Total			
2	**Non-Current Liabilities**			
(a)	Long-Term Borrowings			
(b)	Other Long Term Liabilities	3		
(c)	Long-Term Provisions			
	Sub Total			
3	**Current Liabilities**			
(a)	Short-Term Borrowings			
(b)	Payables	4		
(c)	Other Current Liabilities	5		
(d)	Short-Term Provisions			
	Sub Total			
	Total			

ICAI
Suggested Format

II	**Assets (Application of Funds)**			
1	**Non-Current Assets**			
(a)	Property, Plant and Equipment & Intangible Assets	6		
	(i) Property, Plant and Equipment			
	(ii) Intangible Assets			
	(iii) Capital Work In Progress			
	(iv) Intangible Asset Under Development			
(b)	Non-Current Investments	7		
(c)	Long-Term Loans and Advances	8		
(d)	Other Long Term Assets			
	Sub Total			
2	**Current Assets**			
(a)	Current Investments	9		
(b)	Inventories	10		
(c)	Receivables	11		
(d)	Cash and Bank Balances	12		
(e)	Short-Term Loans and Advances			
(f)	Other Current Assets	13		
	Sub Total			
	Total			

ICAI
Suggested Format

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2026

(Amount in Rs.)

S.No	Particulars	Sch.	For the Year Ended 31/03/2026	For the Year Ended 31/03/2025
I	**Income**			
(a)	Donations and Grants	14		
(b)	**Fees from Rendering of Services**			
	(i) Hospital Income - OP & IP	15		
(c)	**Sale of Goods**			
	(i) Sale of Goods - Pharmacy & Opticals	16		
II	**Other Income**	17		
III	**Total Income (I+II)**			
IV	**Expenses**			
(a)	Material Consumed/Distributed	18		
(b)	Donations/Contributions Paid			
(c)	Employee Benefits Expenses	19		
(d)	Depreciation and Amortization Expenses	6.1 & 6.2		
(e)	Finance Costs			
(f)	**Other Expenses**			
	(i) Hospital Department Expenses	20		
	(ii) Hospital Establishment Expenses	21		
	Total Expenses			
V	**Excess of Income over Expenditure for the year before exceptional and extraordinary items (III- IV)**			
VI	Exceptional items			
VII	**Excess of Income over Expenditure for the year before extraordinary items (V-VI)**			
VIII	Extraordinary Items			
IX	**Excess of Income over Expenditure for the year (VII-VIII)**			
	Balance tansferred to General Fund			

NPO Chart of Accounts — make the ledger tell the story

Code	Illustrative group
1000	Assets — bank, cash, receivables, investments
2000	Liabilities — payables, provisions, advances
3000	Corpus / endowment
4000	General / unrestricted fund
5000	Restricted project funds — education, medical, CSR, etc.
6000	Income — donations, grants, fees, interest, rent
7000	Programme / project expenditure
8000	Administration / fundraising

Account code + dimension = management information.

Purpose and Geographical Area : Rule 9(1B) / Form FC-6F)

- ***The purpose for registration could be***
  - *Religious, Cultural, Economic, Education or Social.*

- *Under each of these five broad heads specific activities are listed in the Schedule which organizations must choose.*
  - *Under **Religious there as sixteen**,*
  - *under **Cultural there are eighteen,***
  - *under **Economic there are nineteen**,*
  - *under **Education there are twenty-two** and*
  - *under **Social there are thirty.***

Which Activity chosen for your FCRA Approval

" SCHEDULE

Purposes for Registration

[See rule 9 (1B)]

VI. Religious:

Sl.	Purposes/ Activities
1	Construction, renovation, and maintenance of temples, mosques, churches, gurudwaras, monasteries, synagogues, and other places of worship.
2	Preservation, printing, translation, and digitisation of sacred scriptures and commentaries used in liturgy.
3	Preservation and support of institutions engaged in the study, documentation, and preservation of religious philosophy, theology and religious history (excluding proselytisation).
4	Provision of amenities for pilgrims at heritage religious sites (drinking water, sanitation, shelter).
5	Setting up of dharamshalas, langars, annadans, and community kitchens under religious auspices.
6	Conduct of religious education, moral instruction, satsangs, discourses, and meditation retreats (excluding proselytisation).
7	Promotion of devotional music, chants, theatre, and liturgical arts.
8	Documentation, preservation, and revival of indigenous and tribal faith practices, rituals and systems of worship (excluding proselytisation).

Which Activity chosen for your FCRA Approval

9	Protection of sacred relics, shrines, places of worship, and archaeological religious heritage primarily associated with religious practice.
10	Archiving, digitisation, and oral-history recording of religious rituals, festivals, and traditions of faith communities.
11	Inter-faith dialogue, harmony-building programmes, and peace initiatives through religious institutions.
12	Religious publications, journals, and faith-based research.
13	Establishment of religious libraries, museums, and archives.
14	Faith-based counselling centres, de-addiction centres, and social care programmes operated through religious organisations.
15	Training in traditional sacred crafts: idol-making, church art, calligraphy of scriptures, iconography, etc.
16	Burial/ cremation ground development and maintenance.

VII. Cultural:

Which Activity chosen for your FCRA Approval

Sl.	Purposes/ Activities
1	Archaeological exploration, excavation, conservation, and restoration of monuments, heritage sites, forts, and palaces.
2	Establishment and maintenance of museums, archives, libraries, cultural interpretation centres, and heritage walks.
3	Documentation, preservation, and promotion of folk songs, dances, oral epics, storytelling, and puppetry.
4	Support for classical performing arts: Bharatanatyam, Kathak, Odissi, Carnatic music, Hindustani music, Yakshagana, etc.
5	Promotion of contemporary arts inspired by Indian traditions (excluding political/ ideological content): visual arts, sculpture, cinema, photography, design.
6	Training and capacity-building for artisans, craftspersons, handloom weavers, potters, woodworkers, and metal workers.
7	Preservation of non-religious manuscripts, palm-leaf texts, paintings, frescoes, and rare cultural artefacts.
8	Promotion and preservation of regional languages, dialects, and scripts, including translation projects.
9	Establishment of literary academies, support to writers, poets, and translators, and organisation of book fairs.
10	Support to tribal and indigenous cultural heritage, including festivals, crafts, oral traditions, languages, and customs, excluding religious rituals and worship practices.
11	Organisation of national and international cultural festivals, fairs, and exhibitions.
12	Development of craft villages, heritage circuits, art hubs, and cultural tourism facilities.
13	Promotion of traditional culinary practices, traditional sports, food festivals, and culinary heritage preservation.
14	Research in cultural anthropology, ethnography, and folk studies.
15	Archiving and digitisation of films, radio programmes, theatre scripts, and photographs.
16	Documentation and preservation of traditional knowledge systems as intangible cultural heritage (e.g., Ayurveda manuscripts, tribal medicine practices).
17	Preservation of scientific and knowledge heritage (astronomy, mathematics, metallurgy manuscripts, traditional technologies).
18	Documentation and archiving of modern historical movements and oral histories of national importance (freedom struggle, social reform, etc.).

VIII. Economic:

Sl.	Purposes/ Activities
1	Agricultural development programmes: farmer training, non-commercial input support, organic farming promotion.
2	Allied activities: dairy farming, animal husbandry, poultry, fisheries, sericulture, apiculture (non-commercial).
3	Formation and strengthening of farmer-producer organisations (FPOs), cooperatives, and self-help groups (SHGs).
4	Microfinance, microcredit, and community savings institutions for poor households.

Which Activity chosen for your FCRA Approval

5	Vocational training and livelihood-linked short-term skilling programmes (non-formal) not leading to recognised educational qualifications.
6	Promotion of rural and cottage industries such as weaving, pottery, handicrafts, and agro-processing, undertaken with non-profit and community welfare orientation.
7	Support for socially-oriented micro, small, and medium enterprises operating on a non-profit or community-benefit basis.
8	Women's entrepreneurship promotion: tailoring, food processing, handicrafts, small-scale manufacturing.
9	Skill incubation centres and employability-oriented digital skilling programmes for youth (IT, coding, electronics).
10	Infrastructure creation for livelihoods: rural haats, cold storages, community processing units.
11	Promotion of fair-trade, ethical supply chains, and eco-friendly businesses.
12	Encouragement of sustainable community livelihood models in eco-tourism, and homestays.
13	Fisheries and aquaculture livelihood training for coastal and inland communities.
14	Green economy livelihoods: solar technicians, e-waste handlers, recycling units.
15	Job placement services, employment exchanges, and market linkages for trained youth.
16	Food processing and value addition units.
17	Digital literacy, financial literacy, technology access, and digital inclusion programmes for livelihood enhancement and economic inclusion of rural and marginalised communities.
18	Livelihood support for migrant workers and vulnerable groups, including temporary shelter-linked employment opportunities.
19	Community renewable energy enterprises (solar, biogas, micro-grids) generating local jobs.

IX. Educational:

Sl.	Purposes/ Activities
1	Establishment and management of educational institutions and facilities, including early childhood education centres, schools, colleges, universities, hostels, libraries, reading rooms, and community learning centres.
2	Scholarships, fellowships, stipends, and financial aid for disadvantaged students.
3	Adult literacy, continuing education, and night schools for workers.
4	Inclusive education for marginalized children and differently-abled children with Braille, sign language, and assistive technologies.
5	Teacher training institutes, refresher courses, and academic fellowships.
6	Establishment and running of technical, industrial, and vocational education institutions leading to recognised certification, diploma, degree, or accreditation.
7	Research institutions, think-tanks, innovation labs, and academic chairs.
8	Digital education platforms, smart classrooms, e-libraries, and distance learning.
9	Girls' education initiatives: residential schools, hostels, scholarships.
10	Education for children of migrant workers, refugees, and nomadic tribes.
11	Bridge courses, remedial coaching, and dropout reintegration programmes.
12	Environmental education (including climate change, biodiversity awareness etc.) programs in schools/ colleges.
13	STEM education programmes, science clubs, and innovation fairs.
14	Structured Sports education and training academies attached to schools/ colleges.
15	Language teaching, translation studies, and linguistic training.
16	Career counselling centres, mentorship programmes, and educational placement cells.
17	Higher academic fellowships abroad in government-recognised institutions for meritorious students from disadvantaged backgrounds
18	Value-based and ethics education in schools.
19	Awareness programmes on constitutional rights, fundamental duties, and civic responsibilities, strictly non-political in nature.
20	Disaster preparedness education: mock drills, safety training, and community insurance literacy.
21	Digital inclusion initiatives: assistive technologies for differently-abled students, rural e-learning hubs.
22	Youth leadership and civic engagement programmes.

Which Activity chosen for your FCRA Approval

X. Social:

Sl.	Purposes/ Activities
1	Establishment and operation of hospitals, community health centres, dispensaries, mobile health clinics, ambulance services, patient transport facilities, and emergency medical response systems.
2	Preventive healthcare: vaccination drives, health awareness camps, vector-borne disease control.
3	Maternal and child healthcare, including maternity homes, neonatal care, nutrition supplementation, nutrition rehabilitation, and community-based management of malnutrition.
4	Nutrition and food security programmes, including midday meals, community kitchens, feeding programmes, grain banks, ration support, and hunger-relief initiatives.
5	Drinking water supply projects, community RO plants, and piped water schemes.
6	Sanitation: construction of toilets, hygiene awareness, menstrual health initiatives.
7	Orphanages, foster care, adoption support, and child protection homes.
8	Old-age homes, day-care centres, geriatric clinics, and pensions facilitation.
9	Disability care, including provision of assistive devices, rehabilitation services, therapy, vocational support, caregiver support, and community inclusion programmes.
10	Rehabilitation centres for drug addicts, alcoholics, and substance abusers.
11	Mental health counselling centres, suicide prevention helplines, and community psychiatry.
12	Women's safety and empowerment: shelters, legal aid, self-defence training.
13	Anti-trafficking programmes: rescue, rehabilitation, vocational reintegration.
14	Homeless shelters, night shelters, low-cost housing, and rehabilitation facilities for homeless, destitute, abandoned, and vulnerable persons.
15	Legal aid clinics, paralegal training, and access-to-justice programmes.

Which Activity chosen for your FCRA Approval

	[illegible]
16	Disaster relief, emergency response, and post-disaster rehabilitation relating to floods, earthquakes, cyclones, pandemics, and similar calamities.
17	Provision of basic civic and community infrastructure such as electrification, rural roads, solar lighting, and community halls, strictly on a non-commercial, community-welfare basis.
18	Community-based environmental protection and restoration (afforestation, biodiversity parks, mangrove projects).
19	Water harvesting and watershed management for community welfare and drinking water security.
20	Waste management at community level (solid waste, e-waste, plastic-free campaigns, recycling units).
21	Road safety: awareness, trauma-care centres, first-aid training.
22	Operation of community radio stations, helplines, and awareness platforms, subject to compliance with applicable broadcasting, telecom, and IT regulations.
23	Rehabilitation and reintegration of released prisoners.
24	Support to victims of domestic violence, dowry harassment, and acid attacks.
25	Community-level sports and recreation facilities for underprivileged children and youth (non-institutional).
26	Animal Protection, Rescue and Rehabilitation
27	Public health research: disease mapping, epidemiology, and health data systems.
28	Palliative care and hospice services for terminally ill patients.
29	Community blood banks, eye banks, and organ donation awareness.
30	Pre-disaster risk reduction, mitigation, preparedness, and resilience programmes, including flood control works, cyclone shelters, early-warning dissemination, community drills, and community emergency response teams.".

Which Activity chosen for your FCRA Approval

Financial Statement

Receipts & Payments Account

- Summarises cash and bank transactions.
- Shows opening balance, receipts, payments and closing balance.
- Includes capital and revenue receipts/payments actually received or paid.
- Does not determine accrual surplus or deficit.
- Useful for cash accountability and reconciliation.

R&P answers “what moved through cash?” — not “what was earned or incurred?”

Financial Statement

Income & Expenditure Account

- Determines accrual-based surplus or deficit.
- Includes income and expenditure relating to the period.
- Includes outstanding items, prepayments, depreciation and relevant provisions.
- Normally excludes corpus contributions, loans and capital transactions.
- Restricted and capital grant treatment should be supported by policy and notes.

Surplus is not the same thing as free cash — and free cash is not the same thing as unrestricted resources.

Financial Statement

Balance Sheet & Notes — where stewardship becomes visible

Balance Sheet

- Corpus / general / restricted / designated funds
- Fixed assets and investments
- Cash / bank / receivables
- Payables and provisions

Notes

- Accounting policies
- Fund-wise balances
- Grant conditions and unutilised funds
- Related parties, commitments, contingencies
- Significant restrictions and disclosures

The Balance Sheet tells you what exists. The Notes tell you what it means.

Notes on Accounts

- **Method of accounting followed.**
- **Going concern concept**
  - **Funded by single donor.**
  - **Fully depends on foreign donors.**
- **Expenditures are in conformity with the objects of the organization.**
- **Projects are implemented as per budget with variation permissible.**
- **Contributions received in kind and the method of accounting and valuation followed.**
- **Distinguishing between project assets and corpus assets.**

Financial Reporting Echo System

The NPO reporting ecosystem

Financial statements

Accrual accounts + notes

Tax reporting

Applicable income-tax returns / forms

FCRA

FC-4 and related disclosures, where applicable

Donor / grant

Utilisation reports / certificates

Internal MIS

Trustee, project and management reporting

All external reports should reconcile back to the books and audited financial statements.

Amendment, 2023

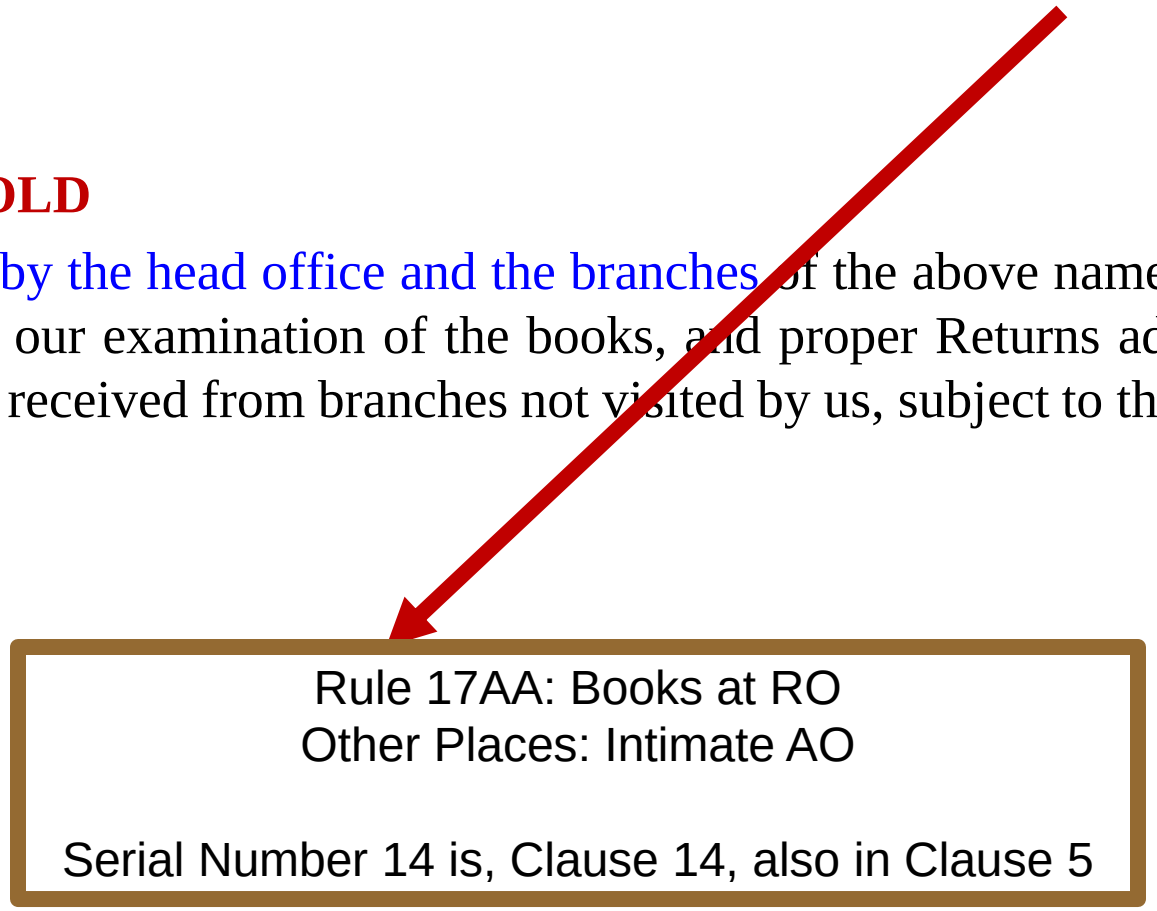
Audit Report in Form 10B

Part 3

- In * my/our opinion, proper books of account have been (maintained at the registered office of the above named fund or trust or institution or university or other educational institution or hospital or other medical institution at the address mentioned at serial number 14 of the Annexure :)

Part 3 OLD

- kept by the head office and the branches of the above named Trust visited by us so far as appears from our examination of the books, and proper Returns adequate for the purposes of audit have been received from branches not visited by us, subject to the comments given below: --



Rule 17AA: Books at RO
Other Places: Intimate AO

Serial Number 14 is, Clause 14, also in Clause 5

Income tax Reporting

Clause 14

Details of Place where books of account and other documents have been maintained	14.	(i)	Whether the books of account and other documents have been kept and maintained in the form and manner and at such place as prescribed under rule 17AA by the auditee						Yes/No	
		(ii)	Provide the following details of the books of account and other documents							
		S. No	Nature of Books of Account <Refer Note$$>	Whether maintained by the auditee (Yes/No)	Whether maintained in a computer system, (Yes/No)	Whether maintained at registered office (Yes/No)	If maintained at any place other than the registered place			Whether the books of account have been audited (Yes/No)
							Address of such Place	Date of decision by management to keep account at such place	Date of intimation to Assessing Officer that books of accounts are kept at such place under proviso to sub-rule (3) of rule 17AA	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Mandatory Books of Accounts

Rule 17AA has been notified by the CBDT No. 94/2022 on ***10th August 2022***

Clause 14

Books of Accounts –Rule 17AA

S.No	Rule	Books of Accounts
1	17AA(1)(a)(i)	Cash Book
2	17AA(1)(a)(ii)	Ledger
3	17AA(1)(a)(iii)	Journal
4	17AA(1)(a)(iv)	Copies of bills/receipts issued by assessee (serially or machined numbered)
5	17AA(1)(a)(v)	Original Bills issued to Person and receipts in respect of payments made by the person
6	17AA(1)(a)(vi)	Any other book that may be required to be maintained in order to give true and fair view
7	17AA(1)(b)	Business Undertaking Books (1 to 6 above), Section 11(4)
8	17AA(1)(c)	Business Books (other than Business Undertaking)

Books of Accounts –Rule 17AA

Clause 14

S.No	Rule	Records
9	17AA(1)(d)	Other documents for maintaining
	17AA(1)(d)(i)	Record of all projects and Institutions run by the person ❖ Name & Address ❖ Objectives
10	17AA(1)(d)(ii)	**Record of Income** of the person during the PY
	17AA(1)(d)(ii)(I)	**Voluntary contribution** containing details of ❖ Name of the donor, address, ❖ permanent account number (if available) and ❖ Aadhaar number (if available);
	17AA(1)(d)(ii)(II)	❖ **Income from property** held under trust ❖ along with list of such properties
	17AA(1)(d)(ii)(III)	❖ **Income other than** (I) and (II) above

Books of Accounts –Rule 17AA

Clause 14

S.No	Rule	Record of Application
11	17AA(1)(d)(iii)	Record of the following**, out of the income** of the person during **the previous year**
	17AA(1)(d)(iii)(I)	**Application of income, in India**, containing details of ❖ **amount of application, name and address** of the person to whom any credit or payment is made **and** ❖ **the object** for which such application is made

	17AA(1)(d)(iii)(II)	**Amount credited or paid to** ❖ **any fund** or institution or trust or any university or other educational institution or any hospital or other medical institution referred to ❖ 10(23C)(iv) or (v) or (vi) or (via) or ❖ T/I registered under section 12AB of the Act, ❖ **containing details of their name, address, permanent account number and the object** for which such credit or payment is made

Books of Accounts –Rule 17AA

Clause 14

S.No	Rule	Record of Application
	17AA(1)(d)(iii)(III)	**application of income outside India** ❖ containing details of **amount of application,** ❖ **name and address** of the person to whom any credit or payment is made **and** ❖ **the object** for which such application is made
	17AA(1)(d)(iii)(IV)	**One Year Accumulation** **Deemed application of income** referred in clause (2) of Explanation 1 of sub-section (1) of section 11 of the Act ❖ **containing details of the reason** for availing such deemed application
	17AA(1)(d)(iii)(V)	**5 Year Accumulation** **Income accumulated or set apart** as per the provisions of the Explanation 3 to the third proviso to clause (23C) of section 10 or sub-section (2) of section 11 of the Act which has not been applied or deemed to be applied ❖ **containing details of the purpose** for which such income has been accumulated

Books of Accounts –Rule 17AA

Clause 14

S.No	Rule	Record of Application
	17AA(1)(d)(iii)(VI)	**Money invested or deposited** in the forms and modes specified in sub-section (5) of section 11 of the Act
	17AA(1)(d)(iii)(VII)	**Money invested or deposited** in the forms and modes other than those specified in sub-section (5) of section 11 of the Act

Clause 14

Books of Accounts –Rule 17AA

S.No	Records 17AA(1)(d)(iv)	Details
12	**Record of application of income** out of the income of any previous year preceding the current previous year	1. Application out of the **income accumulated or set apart**
		2. Application out of the **deemed application of income** referred in Section 11(1) Explanation 1 (2)
		3. Application, other than the application referred in item (I) and item (II), out of **income accumulated during any preceding previous year**
		4. money invested or deposited in the forms and modes specified in section 11(5)
		5. money invested or deposited in the forms and **modes other than those specified in Section 11(5)**

Books of Accounts –Rule 17AA

Clause 14

S.No	Records	Details
13	Record of voluntary contribution made with a specific direction that they shall form part of the corpus 17AA(1)(d)(v)	
	Situation 1 the contribution **received during the previous year**	**Situation 2** the contribution, **received during any previous year preceding the previous year**
	❖ Name & Address of the Donor ❖ PAN and Aadhaar no (If available)	❖ Name & Address of the Donor ❖ PAN and Aadhaar no (If available)
	❖ application out of such voluntary contribution	❖ application out of such voluntary contribution
	❖ amount credited or paid towards corpus to T/I	❖ amount credited or paid towards corpus to T/I
	❖ money invested or deposited in the forms and modes specified in section 11(5)	❖ money invested or deposited in the forms and modes specified in section 11(5)
	❖ money invested or deposited in the forms and modes other than those specified in Section 11(5)	❖ money invested or deposited in the forms and modes other than those specified in Section 11(5)

Clause 14

Books of Accounts –Rule 17AA

S.No	Records	Details
14	Record of contribution received for the purpose of renovation or repair of temple, mosque, gurdwara, church or other place notified under 80G(2)(b) which is being treated as corpus 17AA(1)(d)(vi)	
	the contribution **received during the previous year**	the contribution, **received during any previous year preceding the previous year**
	❖ Name & Address of the Donor ❖ PAN and Aadhaar no (If available)	❖ Name & Address of the Donor ❖ PAN and Aadhaar no (If available)
	❖ application out of such voluntary contribution	❖ application out of such voluntary contribution
	❖ amount credited or paid towards corpus to T/I	❖ amount credited or paid towards corpus to T/I
	❖ money invested or deposited in the forms and modes specified in section 11(5)	❖ money invested or deposited in the forms and modes specified in section 11(5)
	❖ money invested or deposited in the forms and modes other than those specified in Section 11(5)	❖ money invested or deposited in the forms and modes other than those specified in Section 11(5)

Clause 14

Books of Accounts –Rule 17AA

S.No	Records	Details
15	Record of loan and borrowings 17AA(1)(d)(vii)	1. **amount and date of loan or borrowing, amount and date of repayment,** ❖ name of the person from whom loan taken, address of lender, permanent account number and Aadhaar number(if available) of the lender; 2. **application out of such loan or borrowing containing** ❖ details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made 3. application out of such loan or borrowing, **received during any previous year preceding the previous year**, containing ❖ details of amount of application, name and address of the person to whom any credit or payment is made 4. repayment of such loan or borrowing (which was applied during any preceding previous year and not claimed as application) during the previous year

Clause 14

Other Documents–Rule 17AA

S.No	Books of Accounts
16	**Record of Properties: Rule 17AA(1)(d)(viii)** i. **immovable properties containing details of,** ❖ nature, address of the properties, cost of acquisition of the asset, registration documents of the asset; ❖ transfer of such properties, the net consideration utilised in acquiring the new capital asset; ii. movable properties including details of the nature and cost of acquisition of the asset;
17	**Record of Specified Persons: Rule 17AA(1)(d)(ix)** ❖ containing details of their name, address, permanent account number and Aadhaar number (if available); ❖ transactions undertaken by the fund or institution or trust or any university or other educational institution or any hospital or other medical institution with specified persons as referred to in sub-section (3) of section 13 of the Act containing **details of date and amount of such transaction, nature of the transaction and documents to the effect** that such transaction is, directly or indirectly, **not for the benefit of such specified person**
18	❖ Any other documents containing any other relevant information: 17AA(1)(d)(x)

Books of Accounts –Rule 17AA

Clause 14

	Books of Accounts
Rule 17AA (2)	The books of accounts and other documents May be kept in ❖ written form or in electronic form or in digital form or ❖ as print-outs of data stored in electronic form or in digital form or ❖ any other form of electromagnetic data storage device
Rule 17AA (3)	The books of account and other documents shall be kept and maintained at its registered office ❖ Provided that all or any of the books of account and other documents may be kept at such other place in India ❖ as the management may decide by way of a resolution and where such a resolution is passed, shall, within seven days thereof, intimate the jurisdictional Assessing Officer in writing giving the full address of that other place and ❖ such intimation shall be duly signed and verified by the person who is authorized to verify the return of income under section 140 of the Act, as applicable to the assessee.
Rule 17AA (4)	shall be kept and maintained for a period of ten years from the end of the relevant assessment year

Contents of Form 10 B

Schedule SP-c: Details of salary, allowance or otherwise which is paid to the specified person out of the resources of the auditee for services rendered by him during the previous year						
S. No.	Name of specified person	PAN of specified person	Nature of services rendered by specified person	Details of payment for the previous year		
				Nature of payment	Amount of payment (in Rs)	Reasonable amount for services
(1)	(2)	(3)	(4)	(5)	(6)	(7)

How can we give this.



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