**FINANCIAL MANAGEMENT POLICY**

***Policy Number: VIT/FIN/01***

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| **Prepared and Proposed By** |  |
| **Reviewed and Recommended By** | John Alex, Trustee, Varshini Illam Trust |
| **Approved By** | Board Of Trustees |
| **Date of Approval - Ver 1.0** | 6th September 2025 |
| **Date of last review** | NA |
| **Review Cycle** | Annually or as recommended by the Board of Trustees |

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# **1. Purpose**

This Financial Management Policy outlines the principles and procedures governing the financial management of **Varshini Illam Trust** ("the Trust"). The purpose is to ensure that the Trust's financial resources are managed responsibly, transparently, and in compliance with various applicable laws, regulations, and the governing trust deed.

# **2. Scope**

This policy applies to all trustees, staff, volunteers, contractors, vendors and any other parties involved in the financial operations of the Trust.

# **3. Financial Responsibilities**

* The Board of Trustees would

1. ensure proper financial oversight and strategic direction
2. approve the annual budget, audited accounts, and financial statements
3. Ensure compliance with legal and fiduciary responsibilities

* The Board may delegates this overall responsibility to the trustees, staff, volunteers and any other parties as it may deem fit.

# **4. Budgeting and Financial Planning**

* An annual budget must be prepared and approved by the board of trustees before the start of every financial year.
* The budget must reflect the Trust’s strategic objectives and anticipated income and expenditure.
* Any significant deviation (>20%) from the approved budget must be reviewed by the board.

# **5. Accounting and Record-Keeping**

1. The Trust must maintain accurate, complete, and up-to-date financial records in accordance with applicable accounting standards.
2. All income and expenses must be supported by proper documentation.
3. Financial records must be retained for a minimum of 8 years or as required by law.
4. **Revenue Recognition**

Donations received in cash are recognized as income as and when the donations are received or when there is no uncertainty in receiving the committed amounts. Project Specific Donations are recognized as income when such projects are undertaken by the Trust.

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 reflected as part of the Corpus Donations in the Balance Sheet.

Donations received for a specific purpose and earmarked towards the same by the donor are accounted as “Earmarked donation fund” in the Balance Sheet and the same are released to the Income and Expenditure Account as and when the amounts are expended by the Trust towards the specified / earmarked activities. Interest, if any, earned on the Earmarked Donation Fund is credited to these funds.

Donations received other than in cash in the form of capital nature would be capitalized and treated as donations in the Books of Accounts.

Fees such as adoption fee, foreign adoption fee, Home Study Report (HSR) and State Adoption Fund are recognized as income on receipt

Interest on Term-Deposits are recognized on accrual basis

1. **Property, Plant & Equipment and Depreciation:**

Fixed assets are stated at cost less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset.

Depreciation on fixed assets is provided on the basis of the written down value (WDV) method, based on the rates as prescribed under the Income Tax Act, 1961.

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| --- | --- |
| **Category of asset** | **Depreciation %** |
| Computer Equipment | 40% |
| Furniture and Fixtures | 10% |
| Office Equipment | 15% |
| Vehicles | 40% |

1. **Impairment:**

The carrying amounts of assets are reviewed at each Balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation (where applicable) is provided on the revised carrying amount of the asset over its remaining useful life.

1. **Retirement and Other Employee Benefits:**
   1. Defined Contribution Plan

Provident Fund: Contributions to the employees provident fund scheme maintained by the Central Government are accounted for on an accrual basis.

* 1. Defined Benefit Plan:

Gratuity: The Trust estimates its liability towards employees gratuity based on an actuarial valuation done by an independent actuary using the projected unit credit method done at the end of each accounting period. Actuarial gains / losses are immediately recognized in the Income and Expenditure Account in the period in which they occur. Obligation under the defined benefit plans is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to the prevailing market yields at the Balance Sheet date on Indian Government bonds where the currency and term of the Indian Government bonds are consistent with the currency and estimated term of the defined benefit obligation.

1. **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized only when there is a present or legal obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the entity or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

# **6. Banking and Cash Handling**

* All bank accounts must be held in the name of the Trust and approved by the trustees.
* Appropriate approvals are required for all payments and withdrawals as per delegation of authority.
* Cash transactions must be minimized, with proper records maintained for all such transactions.

# **7. Income Management**

* All income, including donations, grants, and investment returns, must be recorded promptly and accurately.
* Restrictions attached to income (e.g. earmarked donations) must be tracked and used in accordance with donor or grantor requirements.

# **8. Expenditure Control**

* All expenditures must be authorized by an appropriate person, in line with the Trust’s delegated authority limits.
* Payments must be supported by invoices or receipts.
* Trustees must ensure funds are used effectively and for charitable or trust purposes.

# **9. Reserves and Investment Policy**

* Any surplus/excessive funds need to be parked in the Fixed Deposits with nationalized banks or with any other investment avenue as approved by the Board of Trustees from time to time.

# **10. Financial Reporting and Audit**

* The Trust will prepare periodic financial reports to monitor income, expenditure, and cash flow.
* Annual financial statements will be prepared, independently audited or reviewed (as required), and filed with relevant authorities.
* Financial statements will be made available to stakeholders in accordance with transparency commitments.

# **11. Review and Amendments**

This policy will be reviewed annually or as required by changes in law or operations. Amendments must be approved by the board of trustees.