

What is the legal understanding of the term non-profit?

What is your understanding of a non-profit.

We don't use the word profit. We call it excess of income over expenditure.

What is a profit? If you are a partnership firm and there are two partners; at the end of the financial year a profit of a lakh of rupees is made... both partners are fifty-fifty partners, so one partner takes fifty thousand home the other takes fifty thousand and that's it.

But in a non-profit if there is excess of income over expenditure it is **not** given by way of dividends to either the board members or to the members of the organization. There may be subscribing members of the organization they don't receive dividends. That's what you would do in a public limited company. If there are shareholders you declare dividends for on the profits that you have made. None of that is done so the actual work for non-profit is non-profit distributing. This means earning profit is not a problem, **distribution of profit is a problem**. If profits are made it's not a bad idea but profit should **not** be distributed.