

## A Guide for Charities & Mosques on Disbursing Charitable Contributions

American Muslim charities and mosques play a critical role in collecting charitable contributions for social, spiritual, humanitarian, and other noble causes. Review this guidance for charity and mosque leaders covering the basics of documenting distributions to domestic and foreign individuals and organizations, and implement these steps to strengthen your organization and comply with legal requirements.

### What Can Organizations Do?

501(c)(3) nonprofit organizations such as charities and mosques may use donations and contributions to:

- 1) Directly conduct charitable activities through its own operations;

Examples of Activities {

- Schools conducting educational programs
- Mosques providing a place of worship
- Clinics providing patients with medical care

- 2) Make grants or distributions to other organizations or to individuals directly; or

Donations or Transfers of {

- Money
- Medicine
- Religious Materials
- Food
- Clothing

- 3) Engage in a combination of 1 & 2 above. For example:

Combination {

- A mosque that collects contributions to provide a place of worship; *and*
- Also sends funds to another organization for international aid work.

Organizations that make grants or distributions to other organizations or to individuals directly — “grant-making organizations” — must follow certain rules to ensure that these transfers comply with the law.

### Issuing Grants or Disbursing Fitra Funds to Individuals

Grants to individuals—such as disbursing fitra funds—are permissible if the organization shows that **the donation furthers its charitable purpose**. Therefore, the charity should be prepared to substantiate the connection between its mission and the project or cause that is funded. For example, a mosque donating money, food, goods, or services to the poor, needy, distressed, or underprivileged doing so in line with religious doctrine. The organization should also **maintain adequate records** of the following information:

- ☑ **Who they are.** Include the recipient’s name, address, and the purpose of the distribution.
- ☑ **What they are receiving.** Note the monetary amount or description of items distributed.
- ☑ **How they were chosen.** Show the process behind selecting and approving recipients, and showing that those determinations were made on an objective and nondiscriminatory basis.
- ☑ **Disclose any conflicts of interest.** Determine and disclose the relationship, if any, of the recipient to members, officers, trustees, or key employees of your organization, or to donors of the funds.
- ☑ **Secure a written acknowledgment.** Maintain a document signed by the recipient of the assistance.

**TIP:** Access our handy template *Model Mosque Fitra and Donation Form* — available in our [Nonprofit & Charity Toolkit](#) at [MuslimAdvocates.org](http://MuslimAdvocates.org) — for an easy way to track this information, as well as an acknowledgement slip for the recipient of the financial assistance.



## Issuing Grants to Other Organizations

Organizations are allowed to issue grants to U.S. 501(c)(3), non-501(c)(3), or U.S.-based organizations operating internationally **if the distribution furthers the organization's charitable purpose.**

Muslim Advocates recommends that charities prepare a **grant agreement** with the recipient organization that includes:

- ☑ **Who they are.** Include the tax-exempt status of the grantee organization, if applicable.
- ☑ **What they'll do.** Describe the charitable activity or tax-exempt purpose that will be served;
- ☑ **How, when, and how often they'll receive funding.** Explain terms for the transfers of money.
- ☑ **When the work will be completed.** Propose a timeline for completion of the activity.
- ☑ **How they'll be providing updates.** Determine what periodic narrative and financial reports the recipient organization will provide documenting its use of the donated funds.
- ☑ **What they're expected to report upon completion of the project.** Include the reports and evaluation mechanisms that are required upon completion of the charitable activity.
- ☑ **What they'll do with unspent funds.** Remember to include a requirement that funds be returned to the grant-making organization if they are not spent for the intended charitable purpose.

## Issuing Grants to Foreign Entities

Grants or distributions to foreign entities (individuals or organizations) are permissible, subject to additional requirements. Just like domestic grants, **grants to foreign entities must further the organization's exempt purposes.** Similarly, the charity should prepare a donation form (for individuals) or grant agreement (for organizations) as above. Foreign grants must also avoid support of individuals or groups the U.S. government identifies as prohibited parties or those in countries on the country sanctions lists.



**TIP:** Read more in our *Guidance on International Charitable Giving* — available in our [Nonprofit & Charity Toolkit](#) — about permissible and prohibited types of aid to foreign groups and individuals.

To **verify the intended recipient is not a prohibited party**, the charity should use the Office of Foreign Assets Control's *SDN Search* tool to search for names of individuals, organizations, or officials associated with the recipient organization. Remember to **search for phonetically similar names** (e.g., Mohamed and Muhammad). If the search does return a match, the charity should consult an attorney to clarify whether it may be a false-positive or advise whether the charity should apply for an OFAC license to clear the transfer.

OFAC also administers a number of U.S. economic sanctions and embargoes that target geographic regions and governments. The charity should check that **the group or individual to be supported is not from a country on OFAC's country sanctions list.** If in doubt, the charity should consult an attorney knowledgeable in the laws and regulations governing contributions to foreign entities.

**TIP:** Did you know that contributions to foreign entities may not be deductible? Watch our webinar on *What Mosques & Nonprofits Should Know About Managing and Distributing Charitable Funds* — available in our [Nonprofit & Charity Toolkit](#).



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Have questions? Contact our Program to Strengthen Muslim Charities at [charities@muslimadvocates.org](mailto:charities@muslimadvocates.org) or (415) 692-1486.