

Frequently Asked Questions and Answers

Muslim Society of Memphis Endowment Fund

Question- 1 What is Endowment Fund?

Answer:

- The term “Endowment” or “Trust” are the terms used in English language to describe “Waqf” (in Arabic)

Question- 2 What is Waqf Fund?

Answer:

- The term “Waqf” is used to describe that a certain property or cash is reserved for a designated purpose. In many countries land or a house is reserved as a Waqf for masajid or schools, or even for the welfare of a family.
- The idea is that the property will remain intact and the income from the property will be used for the benefit of beneficiary (masajid, schools, students, families etc.)

For example:

- When a piece of land is used as a Waqf property then only the income from the use of land, for example income from the farming will be utilized, but the land will never be sold. Thus it will provide a continuous income for the beneficiary.
- Another example is that when a house is used as Waqf then the rental income is used for the benefit of the beneficiary but the house is never sold and remains a source of income for the beneficiary.
- Similarly, CASH funds can be used as “Trust Fund”, “Endowment Fund”, or as “Waqf Fund” to generate income by investing these funds in business.

Question- 3 Why should I participate in this program?

Answer:

- People go a long way to seek opportunities to seek reward from Allah (swt) for any good deed.
- Now, the opportunity is knocking your door and it’s up to you to either take advantage of this opportunity for a nominal sacrifice or leave it.

Question: 4 Why only \$10 per month?

Answer:

- We have kept it as low as \$10 per month so that everyone can participate.

- Rich people who can donate hundreds or thousands of dollars should not be the only ones getting the benefit of sadqua-e-jaria.
- People who are less rich should not be deprived of sadqua-e-jaria. They should also have the opportunity of donating some of the bounty given to them by Allah (swt).
- Therefore, after much serious consideration it was decided to ask everybody to donate at least \$0.34 (thirty four cents) per day that comes to about \$10 per month.
- In this way everybody in the community, rich or poor and young or old, can contribute for the benefit of the community and receive perpetual reward from Allah (swt).

Question: 5 Can contributions be made on behalf of others?

Answer:

- Yes, you may contribute \$10 per month on your behalf, on behalf of your parents, on behalf of your loved ones, as well as on behalf of poor who can't afford even \$10 per month.
- This will ensure multiple perpetual rewards for the donor as well as reward to those on behalf of whom the donation is made, Insha-Allah.

Question: 6 Is \$10/person per month enough to generate sufficient funds for the needs of the community?

Answer:

- Yes, for the time being.
- Please look at the table below to see how the miracle of small donations in the name of Allah (swt) will work.
- You will note that if 500 people contribute \$10 per month and profit earned every year is invested to earn more profit each year then it will take approximately 10 years to accumulate one million dollars. It also takes into consideration that some people may contribute more.
- It is estimated that this endowment fund of one million dollar may Insha-Allah would give us approximately \$100,000 each year.
- Of course, each year the endowment will continuously grow and will yield more profit each subsequent years.

500 pledges with a minimum of \$10/month each will give MSM \$5,000/month Or \$60,000/year. However, some of these pledges will be of more than \$10/month, therefore, it's safe to assume that MSM may have pledges for approximately \$72,000/year. Following projections are based on this assumption.

OR

240 pledges with a minimum of \$25/month will give \$6,000/month or \$72,000 per year.

Table-1

Year	Yearly Pledge	Amount from previous year	Profit on last years investment	Total
1	\$72,000			72,000
2	\$72,000	\$72,000	\$7,200	\$151,200
3	\$72,000	\$151,200	15,120	\$238,320
4	\$72,000	238,320	23,832	\$334,152
5	\$72,000	334,152	33,415	\$439,567
6	\$72,000	439,567	43,957	\$555,524
7	\$72,000	555,524	55,552	\$683,076
8	\$72,000	683,076	68,308	\$823,384
9	\$72,000	823,384	82,338	\$977,722
10	\$72,000	977,722	97,772	\$1,147,494
			114,749	

NOTE: All figures given above are approximate figures only to make approximate projections

- Now look at Table-2 below.
- If 100 people will donate \$100 per month (with the understanding that some will contribute more) then it will take approximately five years to accumulate one million dollars or ten years to accumulate approximately two million dollars.

Assumption: \$100/month x 100 pledges x 12 months = \$120,000/year

Table-2

1	\$120,000			12,000
2	\$120,000	\$120,000	\$12,000	\$252,000
3	\$120,000	\$252,000	25,200	\$397,200
4	\$120,000	397,200	39,720	\$556,920
5	\$120,000	556,920	55,692	\$732,612
6	\$120,000	732,612	73,261	\$925,873
7	\$120,000	925,873	92,587	\$1,138,460
8	\$120,000	1,138,460	113,846	\$1,372,306
9	\$120,000	1,372,306	137,230	\$1,629,536
10	\$120,000	1,629,536	162,953	\$1,912,489

NOTE: All figures given above are approximate figures only to make approximate projections

Question: 7 Why one million dollars?

Answer:

- We can make any amount as our goal.
- However, it makes more sense to have a goal that will give us enough income to do major projects.
- Insha-Allah, contributions will continue and as more people will contribute the amount of endowment will grow constantly also, Insha-Allah.
- As endowment increases, so will the income from the investment, Insha-Allah.

Question: 8 Why such a large base of funds?

Answer:

- Remember, endowment fund is for the future.
- It is for our future and for the future of our children.
- As the community grows, so will the need for bigger, better, and respectable places for our children.
- We have to provide them such facilities together and we can do it with \$10 or more per month.
- It is our obligation to our younger generation and we can do it easily through this kind of small and systematic contributions.
- Also remember, this sadqua-e-jaria will benefit us even when we are no more in this world.

Question- 9 Will profit be in the form of INTEREST? IF not, why?

Answer: Cash funds can generate income in two different ways:

- Simply deposit these funds in a bank and collect a fixed amount of income at a fixed rate. This kind of income is considered as “Interest income” and is not allowed in Islam. It is forbidden and Haraam.
- Another way of generating income is to invest funds in business.
 - The income generated will fluctuate according to the business trend in the market. Also there is risk that even the value of the “capital” or “principal” may increase or decrease as is the case of any business.
 - The income generated this way, is called “profit” and is allowed in Islam. Investment in business may be in different forms. Example:
 - To open a store, or invest in a store owned by somebody else, or buy a house or land and use the income from such investments.
 - In modern times, large sums of funds are invested in a variety of different businesses by “Investment Companies” who specialize in this field and carefully monitor and track market trends of different business. Thus the chances of “loss” or the risk factor is minimized. Examples of such investment companies are Merrill-Lynch, Schwab, Stanley Morgan, Fidelity, Smith-Barney etc.

Question-10 How will the income/ profit from these funds be utilized?

Answer:

- The Muslim Society of Memphis has identified certain categories on the pledge form based on the current needs of the community.
- Persons donating funds will indicate in which category they wish the income from their donations should be utilized.

- These funds are for the future use and the needs of the community may change also.
- Therefore, there is a provision that the income/profit may be utilized for other purposes also, but this option will be exercised only after obtaining the consent of the donors. A detailed procedure is given in the constitution or bylaws of the MSM Endowment Fund. A copy of the constitution is always available in the office of the mosque and anybody can request a copy for his/her personal record. In the future this bylaws/constitution will also be posted in the webpage of the Muslim Society of Memphis

Question-11 Where will the funds be invested?

Answer:

- Usually the investment of funds is left up to the investment company to decide where to invest.
- They have the expertise to 'manage' such funds.

Question-12 Will Shura control these funds?

Answer:

- No, these funds are controlled by the donors.
- A separate committee called "Endowment Management Committee or Team" will manage these funds. However, Shura is the main body to oversee these funds.
- The Director of the management team will be appointed by the Shura.
- The Director will choose his own team members that will be approved by the Shura.

Question-13 Who will control these funds?

Answer: Please see the response given above.

Question-14 Who will be responsible to decide where funds are invested?

Answer:

- The management team will choose the investment company with the approval of the Shura.

Question-15 Who will decide for what purposes the profit will be utilized?

Answer:

- The purpose of the donation will be indicated by donors on their pledge form.
- Changes will be made only after the approval of the donors.

Question-16 Is there a constitution or bylaws under which the activities of these funds will be managed?

Answer:

- Yes. Currently, constitution is under review by experts.

- It will soon be presented to the Shura for their approval and then to the general body of the donors and community members for their approval.
- After reviews, revisions, and approvals the constitution will be implemented.
- A copy of the constitution will be available in the masjid as well as posted on the website for easy and ready access.

Question-17 Why automatic bank withdrawal?

Answer:

Our experience and also the experience of various fund raisers give us the following reasons:

- This is the easiest and hassle free way of contributing to any fund because donations are taken out directly from the bank account and the donor does not miss it.
- Donors know that on regular basis a certain amount will be taken out from his/her account and thus they can budget themselves accordingly.
- Even if Donor forgets, the donation is still made.
- The administration of endowment fund becomes easy because nobody will have to remind donors.
- It is possible to predict the amount of funds that will be collected in a certain amount of time. Therefore, planning of activities will be realistic.

Question-18 Why not yearly personal checks?

Answer: Several reasons, for example:

- Somebody will need to remind donors to pay their dues.
- Somebody will have to collect, deposit; maintain a record of such collection of checks.
- Donors feel a pinch when they donate through this process.
- There may be a temptation that the donor may want to postpone the donation for another time with good intentions to donate more, but chances of materializing such 'good intentions' are reduced every time.
- Check book may not be available at the time when the donor wants to donate.
- Besides, postponing the donation also affects purpose of the donation.
- The administrators of the fund can not predict the amount of donations and the resulting income.
- Thus, the future planning will be impossible.

Question-19 Why monthly contribution and why not yearly contribution?

Answer: There are several reasons. For example:

- It easy for most donors to donate a small amount at a time rather than a big amount at one time.

- Funds raised each month are invested and thus start to earn profit.

Question-20 Will the yearly donations not yield bigger profit from the very onset of the contribution?

Answer:

- Yes this is correct.
- Larger annual donations will yield bigger profit from the very start.
- However, there are two big risks:
 - (1) Somebody will have to remind each donor each year, and
 - (2) Commitment of such donors may vary or change each year.

Question-21 Will MSM accept yearly donations?

Answer:

- Yes, by all means.
- However, it is encouraged to donate monthly for reasons mentioned above.

Question-22 Why not CASH contributions?

Answer:

- MSM Endowment Fund wants to maintain full accountability.
- It is necessary to maintain a record who is donating and how much with full proof.
- This is done to safeguard the integrity of the program and the Masjid.
- Proper records will be there in the event anybody wants to check.
- Cash donations will not provide such means of accountability.

Question-23 What is the guarantee that the contributions received will be safe?

Answer:

- There is no way to say that funds will be totally safe.
- However, all contributions are made in the name of Allah (swt). Insha-Allah it will not only be safe but we should expect it to flourish.
- Although funds will be managed by reputable firm(s), fluctuations of the market are not predictable.
- If funds are invested in a bank to collect interest then funds can be maintained as safe and secure funds but interest is not allowed in Islam.

Question-24 Is my contribution Tax deductible?

Answer:

- Yes, Muslim Society of Memphis is a non-profit and religious organization. Therefore, all donations made to the Muslim Society of Memphis are tax deductible.
- Every year Muslim Society of Memphis will issue a financial statement for your income tax purposes.

Question-25 Who approved or will approve the constitution?

Answer:

- The community at large who contribute in this fund will approve the constitution.

Question-26 Can governments confiscate or freeze this endowment fund?

Answer:

- Government has full right to investigate these funds to make sure that funds are collected from legal sources and are utilized in proper way.
- Any activity detected or suspected to be a concern for national security then the government has full right to take any actions necessary to safeguard the security of the nation.
- However, please bear in mind this is endowment fund, therefore, all the funds will be endowed and cannot be used for any activity.
- Funds will be invested in the United States through government approved investment companies and income will be reported according to the government laws.
- In addition, the utilization of funds is clearly defined and will be clearly documented when utilized. Therefore, there should not be any fear of any adverse action from the government.

Question-27 If I give a void check, can it be used against me by the government?

Answer:

- No. This is an endowment fund. It means your donations will not be used to give money to anybody. Funds will be safe in a permanent account.
- In addition, MSM is a government recognized nonprofit institution.
- The income/profit from these funds would be used locally for community welfare and therefore is not subject to scrutiny.

Question-28 Would it be possible for the donors to find out the progress of the endowment fund any time during the year?

Answer:

- Yes. Account number may be provided to those who are interested in viewing the progress.

Question:29 Can the investment company be changed?

Answer:

- Yes, if the Shura or the Management Committee is not satisfied with the performance of the company.
- Even the investment may be made through more than one company to diversify investment as measure of security of funds as well as to monitor the performance of each company.

Question-30 Can we donate Zakat money for this fund?

Answer:

- No Zakat is to spend and therefore should not be donated towards the endowment fund.