

# **PROGRAM CIRCULAR OF THE CHARITABLE GIFT FUND**

## **CHARITABLE GIVING THE MUSLIM WAY**

Muslims are ordained to practice regular charitable giving in the form of Zakah (wealth tax), bequest and Sadaqah.

Payment of Zakah is obligatory (2:3, 43, 100, 177, 195, 254, 277) and is due on current year's gross income (before taxes) less Nisab (essential needs for a lunar year) and on income on savings and investments. Bequest (through a will "wassiyyah") is limited to 1/3 of the assets to be conveyed upon death, only to non-inheritors. Sadaqah (gift) is given by one living person to another as the Prophet (SAW) has encouraged: "*Exchange gifts among yourselves and thus strengthen mutual love with one another.*"

Sharing of one's wealth with the less fortunate in the community brings harmony and develops compassion between the haves and have-nots and thus purifies and increases benefits of the wealth for the good of mankind.

*"The parable of those who spend their substance in the way of Allah is that of a grain of corn: it grows seven ears and each ear has hundred grains. Allah gives manifold increase to whom He pleases: and Allah cares for all and He knows all things" (2:148)*

*"And race to do good deeds" (2:148)*

*"But as for him who believes and does good, he shall have goodly reward..." (18:88)*

Sterling Charitable Gift Fund, a Section 501(c)(3) publicly supported charitable tax-exempt organization, has been created particularly for Muslims, but is open even for non-Muslims as well, to facilitate the collection and distribution of their Zakah, Bequests, Sadaqahs (gifts) and other charities in an organized way in order to achieve these higher objectives.

## **FUNDING A FUTURE OF CHARITABLE GIVING**

While there are many ways to structure your charitable giving, there are few alternatives that offer the versatility and tax efficiency of a Charitable Gift Account.

A Charitable Gift Account set up in donor's name allows you, the donor, to take action today to fund a future of charitable giving. Here's how it works. You make a tax-deductible contribution of cash or securities valued at \$10,000 or more to the Fund.

Such contributions are invested. You can recommend at any time that grants be made from your account to qualified charitable organizations of your choice.

## **ADVANTAGES OF THE CHARITABLE GIFT ACCOUNT**

The Charitable Gift Account offers important benefits:

*Give More, as Your Contributions Grow.* Investments in a Charitable Gift Account can grow over time, tax-free, allowing you to give more in charity.

*Realize Immediate Tax Benefits, and Give When It Is Needed the Most.* Donations to the Fund are usually fully deductible in the tax year when they are made because they are irrevocable charitable gifts. By placing your contribution in a Charitable Gift Account, the Fund allows you to then make recommendations for charitable grants of \$500 or more at any time to support any number of charities, in your home state or all across the country. You may also recommend to make grants to qualified organizations in perpetuity upon your death, subject to certain limitations.

*Avoid Capital Gains Tax.* You can donate appreciated securities directly to the Fund and realize their full value as a charitable deduction, without incurring any capital gains tax liability. If you were to sell appreciated securities yourself and donate the proceeds of the sale to charity, you would be fully liable for capital gains tax. The deductions may be limited to 30% of the Adjusted Gross Income (AGI) in a given year (carried forward up to 5 years.) Please check your tax advisor.

*Create a Low-Cost Alternative to a Private Foundation.* A Charitable Gift Account allows you to build a low-cost alternative to a private foundation through an organization you can trust, Sterling Charitable Gift Fund, at a lower cost and greater tax benefits relative to a private foundation. No administrative expenses are charged unless there is profit from investments. This means your contributed principal is not reduced by expenses.

*Establish a “waqf” (endowment, a “sadaqa jariyah”) for a specific purpose(s), and cause(s), you wish to support.* You can establish such a waqf for education, community activities such as mosques, playgrounds, hospitals and clinics, or for social services such as shelter for the needy, food banks, counseling, as well as for other charitable purposes or in memory of someone you loved—parents, for example. This will help to set a tradition of perpetual giving for you and your family. Such a “waqf” can be funded preferably now during your lifetime or through a bequest. As the Prophet (SAW) has advised: “*Indeed Allah has ordained a better way (ihsan) in all things.*”

*Eliminate Year-End Pressure to Select Charities to Support.* You can use a Charitable Gift Account to hold and invest your deductible contributions, and you can recommend charitable organizations to support at a future date.

*Eliminate Paperwork.* With a Charitable Gift Account, you can reduce time spent on administrative tasks associated with charitable giving. We will track all your

contributions and grant recommendations and provide you with account statements and annual tax documentation.

**WHILE DECIDING PLEASE KEEP IN MIND THAT:**

*Contributions are Irrevocable and Unconditional.* Once you have made a contribution to the Fund, contributed assets become the property of the Fund and cannot be returned under any circumstances.

*The Charitable Gift Account Allows You to Recommend Grants but Not Control Them.* Tax laws require that your charitable gifts be irrevocable, unconditional and completed gifts, in order for you to receive the associated tax benefits. If you were to retain control over the assets transferred to a Charitable Gift Account, there would be no “gift” for the purposes of a charitable deduction. While the Fund will allow you to recommend how assets are to be disbursed, all recommendations are subject to the approval of the Fund Trustees.

Grants from the Fund will be made only to Qualified Beneficiaries, which are tax-exempt public charities\*. Chances are that the organizations you choose will be acceptable, but you should keep in mind that the Fund has final discretion regarding grant recipients. A donor can also authorize any other person(s) to make recommendation as to the Qualified Beneficiary(ies) to receive contribution(s).

*Conflict of Terms.* In the event of any inconsistency between the terms of this Program Circular and the Declaration of Trust, the terms of the Declaration of Trust will govern the rights and obligations of the Gift Fund and Donors.

*The Minimum Amount Required to Open a Charitable Gift Account is \$10,000.*

**FUND TRUSTEES:**

*Trustees: Current Trustees\*\* of the Sterling Charitable Gift Fund are:*

Dr. M. Yaqub Mirza  
Mr. M. Omar Ashraf  
Mr. Muhammad Ashraf

**\*As defined in Internal Revenue Code Section 501(c)(3) and Section 509(a)(1), (2), or (3).**

**\*\*Trustees have fiduciary responsibility to follow through and implement the terms and conditions of the trust document and the law relating thereto.**