

# Understanding Nonprofit Governance and DEI Practices Among Marginalized Communities for a More Just & Inclusive Society

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Muslim Philanthropy Initiative at Indiana University Lilly Family School of Philanthropy.



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# TABLE OF CONTENTS



About Us .....	2
Team Members .....	3
Key Reflections .....	5
Introduction .....	6
Background .....	8
Part 1: Legal Clinic Commentary .....	11
Part 2: Governance, Risk, and Compliance .....	13
Part 3: Diversity, Equity, and Inclusivity .....	29
Conclusion .....	35
References .....	37

### **Indiana University Lilly Family School of Philanthropy**

The Indiana University Lilly Family School of Philanthropy is dedicated to improving philanthropy to improve the world by training and empowering students and professionals to be innovators and leaders who create positive and lasting change. The school offers a comprehensive approach to philanthropy through its academic, research, and international programs through The Fund Raising School, Lake Institute of Faith & Giving, Mays Family Institute on Diverse Philanthropy, and Women's Philanthropy Institute.

### **The Muslim Philanthropy Initiative**

The Muslim Philanthropy Initiative is a project of the Dean's Office and Lake Institute on Faith & Giving, and is a part of the Lilly Family School of Philanthropy at IUPUI. It focuses on understanding and helping further enhance contemporary and traditional aspects of Muslim philanthropy in all its facets. It convenes scholars and philanthropic professionals to explore issues and research in the field, hosts symposiums and seminars, and provides education and training. By seeking to further research in this understudied area, helping to develop thought leadership and inform conversations, and training philanthropic and nonprofit leaders within Muslim philanthropy, the initiative helps build capacity in the Muslim philanthropy sector while adding to the body of knowledge about the rich tradition and practice of philanthropy in Islam.

### **The Ihsan Standard**

The Ihsan Standard is an MLFA-funded capacity-building project of the Muslim Philanthropy Initiative. The Ihsan Standard promotes the inclusion and understanding of marginalized communities. It supports minority-led and U.S. Muslim organizations with governance-risk-compliance screenings, law and leadership trainings, and research.

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The research was completed with generous funding from the Muslim Legal Fund of America (MLFA). MLFA is a national nonprofit with the mission to advance equality and justice for American Muslim organizations and individuals by promoting legal compliance and protecting their rights in matters concerning national security law. The findings and conclusions contained within are those of the authors and do not necessarily reflect official positions or policies of MLFA.

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1. **Community-engaged practice and participatory research provide important feedback loops. In this project, the legal clinic relies on partnerships to build trust across communities.** For example, legal colleagues, nonprofit colleagues, and former clients—who understand the benefits of legal screenings—are critical to relationship building. Ongoing, deep community engagement offers faculty ample opportunities to observe and learn firsthand about issues that are important to community members and helps guide the research. Ultimately, community perspectives and interests that translate into research findings offer opportunities for community reflection, action, and improvement.
2. **Empirical assessments of an organization’s financial policies, audits, and procedures are crucial to its success and efficient service delivery.** It not only helps ensure that the organization’s financial activities are transparent and accountable but also helps build trust with internal and external stakeholders. Strong governance, the role of the board, and smooth relationships between the nonprofit’s management and its board members are equally important for an effective decision-making process. This coalition leads to strong fiscal policy implementation and measurement of its outcome.
3. **Many dilemmas are associated with Muslim organizations. One is the lack of equity and inclusion at different levels. Incorporating strong diversity, equity, and inclusion (DEI) policies and practices helps ensure that Muslim nonprofits are aligned with their goals and values.** A diverse and inclusive workplace can lead to better decision-making and outcomes while attracting and retaining a diverse and talented workforce. It is equally necessary to involve everyone in developing and implementing DEI policies.

Americans have long demonstrated a proclivity toward forming voluntary associations. In fact, in the early 19th century, French sociologist and political theorist Alexis de Tocqueville observed the prevalence of a diverse and vibrant association life in America (Tocqueville, 1838). To some degree, this trend continues today; the U.S. nonprofit sector reflects social, religious, and economic values held by civil society.

Attention to broader trends, however, often obscures the struggles of marginalized communities who face impediments to association. Scrutiny of nonprofits among marginalized communities finds roots in U.S. history. During times of social unrest or national security concerns, state and public scrutiny has extended from individuals to nonprofits. For example, slavery and Jim Crow segregation prevented Black Americans from safely exercising their right to association in public spaces. During the civil rights movement when existing power structures felt threatened, the FBI surveilled, harassed, and investigated several Black organizations and leaders based on mostly unjustifiable accusations, including communist ideology (Cunningham & Browning, 2004). During World War II, the loyalty of Japanese Americans was questioned after the bombing of Pearl Harbor. Prior to the incarceration of Japanese Americans in camps across America, organizational leaders were taken from their families, rounded up, and interrogated by the FBI (Murray, 2008; Tong, 2004).

Similarly, U.S. Muslim nonprofits have faced disparate amounts of government and public scrutiny—disparities that became especially visible in the post-9/11 era (Bail, 2014; Bloodgood & Tremblay-Boire, 2017; Khan, 2015; MacFarquhar, 2006; Siddiqui, 2013; Watanabe & Esquivel, 2009). U.S. Muslim nonprofits generally include organizations that are labeled as Islamic under the NTEE codes as well as organizations that serve faith-based values or are led by and for Muslims. While the compatibility of Islam with the “West” has been a long-standing debate, post-9/11 policies and practices largely delegitimized Muslim charities. The federal government created and relied on laws such as the USA PATRIOT Act to scrutinize alleged connections between Muslim nonprofits and terrorists (Jamal, 2011). The government secretly surveilled, raided, and froze the assets of several Muslim nonprofits, including the three largest Muslim nonprofits—the Holy Land Foundation for Relief and Development, the Benevolence International Foundation, and the Global Relief Foundation—without clear evidence to substantiate material financial support of terrorism (Jamal, 2011). Other Muslim charities under allegation, such as KinderUSA, saw a decrease in donations, even after federal investigations fell short of an indictment.<sup>1</sup> In succeeding years, law enforcement agencies pressured additional Muslim charities, but no indictments were brought (MacFarquhar, 2006; Turner, 2009; Turner, 2011; Watanabe & Esquivel, 2009).

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<sup>1</sup><https://ca.cair.com/sfba/updates/cair-calls-on-trump-to-repudiate-islamophobia-anti-muslim-hate-crimes-during-address-to-congress/>



In addition to environmental circumstances, U.S. Muslims—a racially and ethnically diverse group—also face intra-faith friction and often operate in silos over collaboration (Salama & Wiener, 2022). As the United States becomes increasingly diverse and faces questions about how to address inequities and promote inclusion and collaboration, it remains crucial to more deeply understand the barriers and practices of nonprofits among marginalized and diverse communities.



This report aims to foster the understanding of nonprofit practices among marginalized communities. More specifically, this report focuses on U.S. Muslim nonprofits. Deeper insights are offered in two parts. Part 1 of this report offers insights on how clinical practice can support research by building trust and engagement with marginalized populations. Part 2 uses survey data to examine nonprofit capacity and diversity, equity, and inclusion practices. What do organizational capacity and governance practices look like among U.S. Muslim nonprofits? And how do marginalized and diverse communities navigate policies and practices within organizations to address issues of diversity, equity, and inclusivity?

This research and report were conceptualized within The Ihsan Standard project.<sup>2</sup> The Ihsan Standard was established in 2021, envisioning a society in which all persons have equitable opportunities to promote public good without impediments to association. The Ihsan Standard builds on the findings of a four-year pilot project among 135 U.S. Muslim organizations. The pilot phase included governance-risk-compliance screenings and nonprofit legal bootcamps. Discoveries from the pilot phase supported further investments to address resource challenges, data shortages, and legal impediments among U.S. Muslim nonprofits. Using these insights, The Ihsan Standard developed a capacity-building legal and research project, including governance-risk-compliance screenings, law and leadership workshops, and a research lab.

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<sup>2</sup>The Ihsan Standard is a legal and research project, implemented by the Muslim Philanthropy Initiative at the Indiana University Lilly Family School of Philanthropy and funded by the Muslim Legal Fund of America. Ihsan is an Arabic term meaning continued growth toward the highest levels of excellence and beautification. The word “ihsan” is adopted into the project title to encourage leadership of the highest excellence.



### **U.S. Muslims and Diversity**

The United States is home to one of the most diverse Muslim communities in the world (Mogahed & Mahmood, 2019; Khan & Siddiqui, 2017). Although often seen as synonymous with “Arabs” or “immigrants,” U.S. Muslims are “multi-racial, multi-lingual, and multi-cultural” (Eraqi, 2015). U.S. Muslims account for about 1.1% of the total U.S. population (Mohamed, 2018). More than half (58%) of U.S. Muslims are foreign-born (Cooperman, 2017) and nearly one-third (29%) identify as Black Muslims (Zurlo, 2019). Furthermore, Muslims are not new to America. Islam has a shared history with Black Americans. Accounts by planters, travelers, enslaved Americans, and court records confirm the presence of Muslims in America since at least the 16th century (Diouff, 1999; Kalin, 2006). Although Islam did not survive intact due to the brutality of slavery, family separation, and forced conversion, many Black Muslims preserved their religious and cultural heritage through various means, such as charitable giving (Diouff, 1999; Hill et al., 2015).

Throughout history, Muslims in America have faced discrimination on the grounds of race and religion (Carter, 2020; Noor et al., 2021), the intersectionality of which compounds challenges (Purdie-Vaughns & Eibach, 2008). They have also faced intra-faith friction (Noor et al., 2021). That said, existing research does not fully explore how diversity among U.S. Muslims is reflected in policies and practices among U.S. Muslim nonprofits.

### **U.S. Muslim Nonprofits**

Research suggests that well over 7,000 U.S. Muslim nonprofits exist, including mosques, schools, human services organizations, student associations, advocacy groups, and grassroots associations (Bagby, 2017; Khan & Siddiqui, 2017; Siddiqui, 2010). U.S. Muslim nonprofits include organizations that are labeled as Islamic under the NTEE codes, organizations that serve faith-based values, and organizations led by and for Muslims. Mosques or houses of worship are one type of nonprofit established by U.S. Muslims. Although no comprehensive studies of mosques in America existed prior to 2000, the earliest record of mosques in America date back to the 1920s, with the oldest built by Syrian Muslim immigrants in 1923 in Highland Park, Michigan (GhaneaBassiri, 2010; Howell, 2014). As of 2021, there were over 2,760 mosques in the United States with nearly 60% constructed after 9/11 (Bagby, Perl, & Froehle, 2001; Gunerigok, 2021). Muslim communities across the country have also established small community-based nonprofits that address issues such as food and housing insecurity and mental health, while other nonprofits are organized at the national level to address public policy and national security (Siddiqui, 2010). Organized giving and funding opportunities are also gaining visibility.

For example, the American Muslim Community Foundation was launched in 2016 as the first of its kind to make an impact through collective giving. The RISE Together Fund and the Pillars Fund were respectively established in 2008 and 2010 as collaborative funders to support the collective advancement of social good by Muslim American individuals and nonprofits and to bridge relationships with more traditional philanthropy regarding the overlooked needs of U.S. Muslim communities.

In the aftermath of 9/11, the U.S. government investigated and froze the assets of several U.S. Muslim nonprofits (Jamal, 2011). Scholars have analyzed the chilling effect of charity raids, the impact of which has presented unevenly. While earlier studies have hypothesized that Muslim giving was tempered, other studies have focused on the proliferation of Muslim charities after 9/11 and the diversity of Muslim philanthropy in practice (GhaneaBassiri, 2017; Khader & Siddiqui, 2018;). The overall scholarship is consistent in that the perceptions, giving behaviors, and trust of Muslim American individuals and nonprofits have been affected, yet not always in expected ways. For example, U.S. Muslims find their “American” identity important (Mogahed, Chouhoud, & Buageila, 2018) and continue to give back to their local communities through civic engagement and voluntary associations. Furthermore, in a 2021 study, Muslim Americans on average gave more generously to secular and faith-based causes than the general population (Wasif & Siddiqui, 2021). These studies focus on individuals rather than organizations.

U.S. Muslim nonprofits face a variety of pressures that overlap with minority-led nonprofits. For example, a recent survey among nonprofit leaders of color suggests that minority-led nonprofits faced layered challenges during the COVID-19 pandemic. While finding creative ways to respond to community needs, they had to address external scrutiny and policies that disproportionately affected their communities with the added pressure of securing additional funding to meet needs and support structural changes (Siddiqui, Samad, & Wasif, 2022). Similarly, for U.S. Muslim nonprofits in particular, funders are often hesitant to fund religious and marginalized communities, with special concern for religious proselytization (Siddiqui et. al, 2022).

### **Nonprofit Governance, Risk, and Compliance**

The recent growth in the U.S. Muslim nonprofit subsector, external scrutiny, and challenges for legitimacy raise questions about organizational governance, risk, and compliance practices. Organizational governance is broadly defined as “the systems and processes concerned with ensuring the overall direction, control, and accountability of the organization” (Cornforth, 2004, 2014). Governance is an ongoing activity that must, at minimum, adhere to legal expectations. While fiduciary duties emerge from common law, today they are outlined in state statutes (Miller, 2011).

Boards of directors are tasked with the governance duties of care, loyalty, and obedience, and early governance research focuses on these duties. For example, organizational governance focuses on boards and their governance, organization, practices, and impact (Renz & Andersson, 2014). Although fiduciary responsibilities have not shifted broadly, there are some notable developments. For example, in the wake of corporate scandals, the Sarbanes-Oxley Act of 2002 was passed. Two provisions of Sarbanes-Oxley extend to nonprofits, namely the whistleblower and document retention provisions. These provisions impose for-profit corporate governance standards in efforts to deter corporate fraud and have influenced nonprofit governance (Ostrower, 2007).

There is also a heightened expectation of transparency and accountability among nonprofits. Researchers have examined this phenomenon in several ways, including nonprofit governance practices (Ostrower, 2007), improved frameworks for comparing state-level charity regulations (Lott et al., 2022), and increased compliance with Sarbanes-Oxley practices among larger-sized nonprofits' practices (see Ostrower, 2007).

U.S. Muslim nonprofits operate in a space of stigmatization and heightened expectations of transparency and accountability. Only a handful of studies have looked at organizational infrastructure and governance practices. These studies' initial findings suggest low levels of board activity and training of board members (Rehman, 2016) and only about 2% of mosques with full-time staff and a board, often operating with minimal infrastructure (Bagby, 2018). All the while, U.S. Muslim nonprofits strive to gain legitimacy with the government and funders to further their missions for social good.

This report brings a new dimension to understanding nonprofits among marginalized communities. It overall provides insights into U.S. Muslim nonprofit boards and upper management perspectives regarding internal policies and practices. It also explores opportunities for further research and investments.

The Ihsan Standard<sup>3</sup> was established in 2021, envisioning a society in which all persons have equitable opportunities to promote public good without impediments to association. The Ihsan Standard builds on the findings of a four-year pilot project among 135 U.S. Muslim organizations. The pilot phase included governance-risk-compliance screenings and nonprofit legal bootcamps. Discoveries from the pilot phase support further investments to address resource challenges, data shortages, and legal impediments among U.S. Muslim nonprofits. Using these insights, The Ihsan Standard developed a capacity-building legal and research project that includes governance-risk-compliance screenings, law and leadership workshops, and a research lab. In this brief commentary, we reflect on the purpose of the legal clinic, the student learning opportunities, and the importance of bridging theory and practice to promote a more just and inclusive society.

Among American law schools, more than 500 are public interest legal clinics. They support practical experience for law students and community-focused legal services in a variety of practice areas. Legal services range from legal audits to formation to tax advice to habeas corpus representation. Similarly, The Ihsan Standard legal clinic offers a transactional experience for law students to learn about nonprofit organizations via legal audits.



Legal audits include a client consultation, review of corporate documents, and a scorecard evaluation of legal risks in the areas of governance, internal controls, and overall compliance. Targeted training is also provided to leadership based on risks identified through the audit.

The Ihsan Standard legal clinic finds strength in an interdisciplinary community of students, faculty, and community partners. As part of the philanthropy school, clinical faculty are ongoingly enriched by philanthropic research and extend this broader lens into the legal clinic. For example, philanthropic research is incorporated into student orientation and ongoing discussions, exposing law students to different perspectives and skills for solving problems. When relevant, research is also infused into client strategies.

<sup>3</sup> See supra footnote 1.

Law students can join the clinic for externship credit and develop practical skills. Skill development includes interviewing, document review, planning client meetings, legal research, and writing. Students receive ongoing feedback and opportunities for improved practices throughout the course of clinical work. Law students also have an opportunity to engage with other team members who are not part of the legal clinic. For example, they are exposed to periodic philanthropic seminars and research as well as graduate students from philanthropic studies. Ultimately, a broader disciplinary perspective—legal and philanthropic—prepares students to think more creatively when working with clients and developing solutions.

Furthermore, the legal clinic is community-engaged and relies on community-based partnerships to build trust among potential clients. For example, legal colleagues, nonprofit colleagues, and former clients—who understand the benefits of legal screenings—promote our services across their platforms and help us build relationships across different communities. In this manner, the legal clinic has ongoing, deep community engagement, providing ample opportunities to observe and learn firsthand about issues that are important to community members. These observations help guide the research in helpful directions. Clinical faculty provide one vehicle for voicing community concerns and interests, and they are consulted by the research team, including during the survey design. These insights are among the many perspectives that inform Part 2 of the report.

### Methods

#### Community-Based Participatory Research Principles

The research in this report is guided by community-based participatory research principles. Community-based participatory research (CBPR) is a research method that intentionally includes marginalized and overlooked voices among affected populations. CBPR includes participants in all stages of the research, including research conceptualization, survey development, and data collection. Overall, participants guide the research.

CBPR questions power relationships in knowledge production and actively and equitably involves community members, researchers, and organizational members throughout the process, including in the interpretation and dissemination of the data (Tremblay et. al, 2018; Israel et. al, 1998). All participants are valued for their strengths. Shared control in knowledge production is an opportunity to build trust and include the voices of marginalized communities. Community-based participatory research is often used in the fields of health and psychology, but it can be applied in other disciplines.

This report and research were guided by CBPR principles, in efforts to promote the inclusion of overlooked perspectives. U.S. Muslim nonprofit representatives, community members, researchers, and leaders were involved in the survey design, question development, data collection, participation, and dissemination of findings. Faculty from the law clinic also shared feedback, based on their deep community engagement. In developing the survey, researchers utilized tried-and-true questions and adapted some questions for cultural context.

Overall, CBPR principles offer U.S. Muslim nonprofits an opportunity to speak about their own practices, ideas, challenges, and contributions. They also open the door to conversations about how to create more inclusive, rather than alienating, policies. They further bring a sense of connectedness among the ecosystem of U.S. Muslim nonprofits, which have a shared interest in learning more about the broader subsector to which they are connected. With a shared purpose of knowledge production, U.S. Muslim nonprofits can also recognize opportunities to better reflect their position within the current landscape of U.S. Muslim nonprofits.

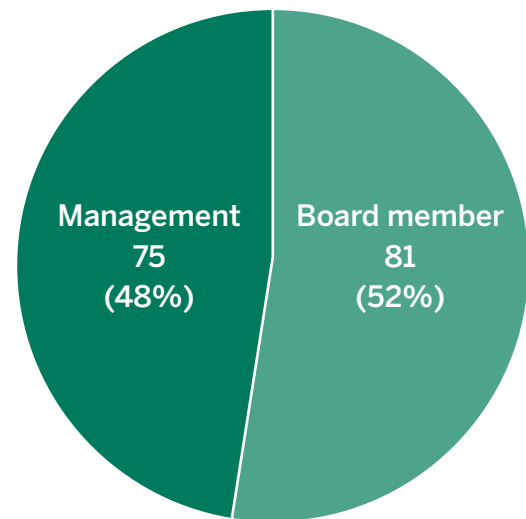
### Original Survey

The final survey was approved by the Institutional Review Board (IRB) of the Indiana University Lilly Family School of Philanthropy. An online version of the survey was nationally fielded among U.S. Muslim nonprofit leaders and board members via Qualtrics. We used snowball sampling to reach out to as many eligible participants as possible through multiple sources. The survey link was initially shared with the 26 nonprofit leaders in The Ihsan Standard ecosystem. The survey invitation was next sent out to 124 potential respondents in the Muslim Philanthropy Initiative’s database who have previously participated in the Lilly Family School’s Fundraising sources and have identified themselves as someone serving a Muslim nonprofit either in a leadership/management role or as a board member. In the third phase, the list of all 3,020 IRS-registered Muslim nonprofits was downloaded using GuideStar.org, a list of 498 management personnel was compiled, and the survey invitation was sent out. The Center on Muslim Philanthropy also shared the survey invitation with its contact list. Finally, the MPI team shared the survey invitation through their personal and professional contacts.

### Sample Description

We invited responses online using a convenience sampling plan. The survey link was broadly shared with either a board member or an upper management team member. The survey received a total of 246 responses. After removing responses that did not meet the eligibility criteria or contained missing information, a total of 75 responses from the management team and 81 board members were used for analysis. The distribution of respondent type (board member versus manager) is presented in Figure 1.

Figure 1: Sample Distribution by Role



*Please refer to the appendix for a detailed sample description and inclusion criteria, individual and organizational demographic characteristics, and the analytical approach.*





**Table 1: Descriptive Statistics for Numeric Demographic Factors**

Variable	n	Min	Max	M	SD
Age	136	25	76	45.41	9.93
Religiosity	111	1.75	5.00	4.49	0.80
Percent of income from contributions and grants	128	0	100	64.11	33.64
Percent of income from program service revenue	128	0	100	23.01	25.97
Percent of income from investment income	128	0	70	7.24	13.09

**Table 2: Descriptive Statistics for Non-Numeric Demographic Factors**

Factor	n	%	Factor	n	%
<b>Education</b>			<b>Annual revenue</b>		
Bachelor's degree or less	61	44.9	Below \$100,000	17	13.3
Master's/PhD/ Professional degree	75	55.1	\$100,000 – \$249,999	19	14.8
<b>Experience</b>			\$250,000 – \$499,999	17	13.3
Less than 5 years	26	19.3	\$500,000 – \$999,999	35	27.3
6 to 10 years	33	24.4	\$1 Million or more	40	31.3
11 to 15 years	21	15.6	<b>Annual expenditure</b>		
16 to 20 years	22	16.3	Below \$100,000	21	16.4
More than 20 years	33	24.4	\$100,000 – \$249,999	16	12.5
<b>Gender</b>			\$250,000 – \$499,999	21	16.4
Male	71	52.6	\$500,000 – \$999,999	17	13.3
Female	64	47.4	\$1 Million or more	53	41.4
<b>Race</b>			<b>State</b>		
White	46	33.8	California	36	28.1
Asian	55	40.4	Indiana/Illinois	31	24.2
Other/Prefer not to say	35	25.7	Other	61	47.7
<b>Sect</b>			<b>Government funding status</b>		
Sunni	95	85.6	Yes	41	32.0
Other	16	14.4	No	87	68.0



**Table 2: Descriptive Statistics for Non-Numeric Demographic Factors (Cont'd)**

Factor	n	%	Factor	n	%
<b>Income</b>			<b>Cause area</b>		
I don't draw a salary	14	10.4	Education and Research	31	24.2
Less than \$50,000	17	12.6	Human Services	19	14.8
\$51,000 to \$75,000	26	19.3	Public, Societal Benefit	15	11.7
\$76,000 to \$100,000	39	28.9	Religion	22	17.2
\$101,000 to \$125,000	12	8.9	Other	22	17.2
\$126,000 or more	27	20.0	International/Immigrants and Refugees/Human Rights	19	14.8
<b>Religion</b>			<b>Years of existence</b>		
Islam	112	82.4	Less than 5 years	18	14.1
Other	24	17.6	5 – 10 years	37	28.9
<b>Organization size – full-time</b>			11 – 20 years	36	28.1
10 or less	74	57.8	More than 20 years	37	28.9
More than 10	54	42.2	<b>Registration status [501(c)]</b>		
<b>Organization size – part-time</b>			No	24	18.8
10 or less	90	70.3	Yes	104	81.3
More than 10	38	29.7	<b>Operational scope</b>		
<b>Organization size – volunteers</b>			1 country (USA only)	89	69.5
10 or less	47	36.7	2 – 9 countries	26	20.3
More than 10	81	63.3	10 or more countries	13	10.2

Note. Group sizes do not always add up to 136 due to a variable pattern of missing values across factors.

## Part 2A: Legal Governance and Compliance

The second major goal of this report was to address four overarching research questions.

### Research Question 1:

*How do U.S. Muslim nonprofit organizations understand and practice legal governance and compliance?*

A series of research questions were developed to study U.S. Muslim nonprofits' practices and perceptions of board meetings, audits and financial policies, gift acceptance policies, and insurance policies. Several questions were asked to either or both board members and the management team based on their relevance.

**2A (i) Perceptions About Board's Decision-Making Process**

We asked board members (n = 73) about their decision-making processes to gauge the extent to which inclusive approaches were adopted. Response options included the consensus approach, Robert's Rules of Order, a majority vote, a unanimous vote, and the Shura process. For each option, response choices ranged from (1) Extremely unlikely to (5) Extremely likely. The response pattern for these questions suggests support for inclusive board decision-making (see Figure 2).

**Figure 2: How Does Your Board Make Decisions?**



## 2A (ii) Perceptions About Board's Activity Level

Then we asked both board members and managers to rate board activity levels across 15 organizational activities (see Table 3). For this question, a total of 79 responses from board members and a total of 71 responses from managers were used for comparison. The response choices ranged from (1) Much lower to (5) Much higher. The response patterns for these activities are presented in Figure 4 for both board members and managers.

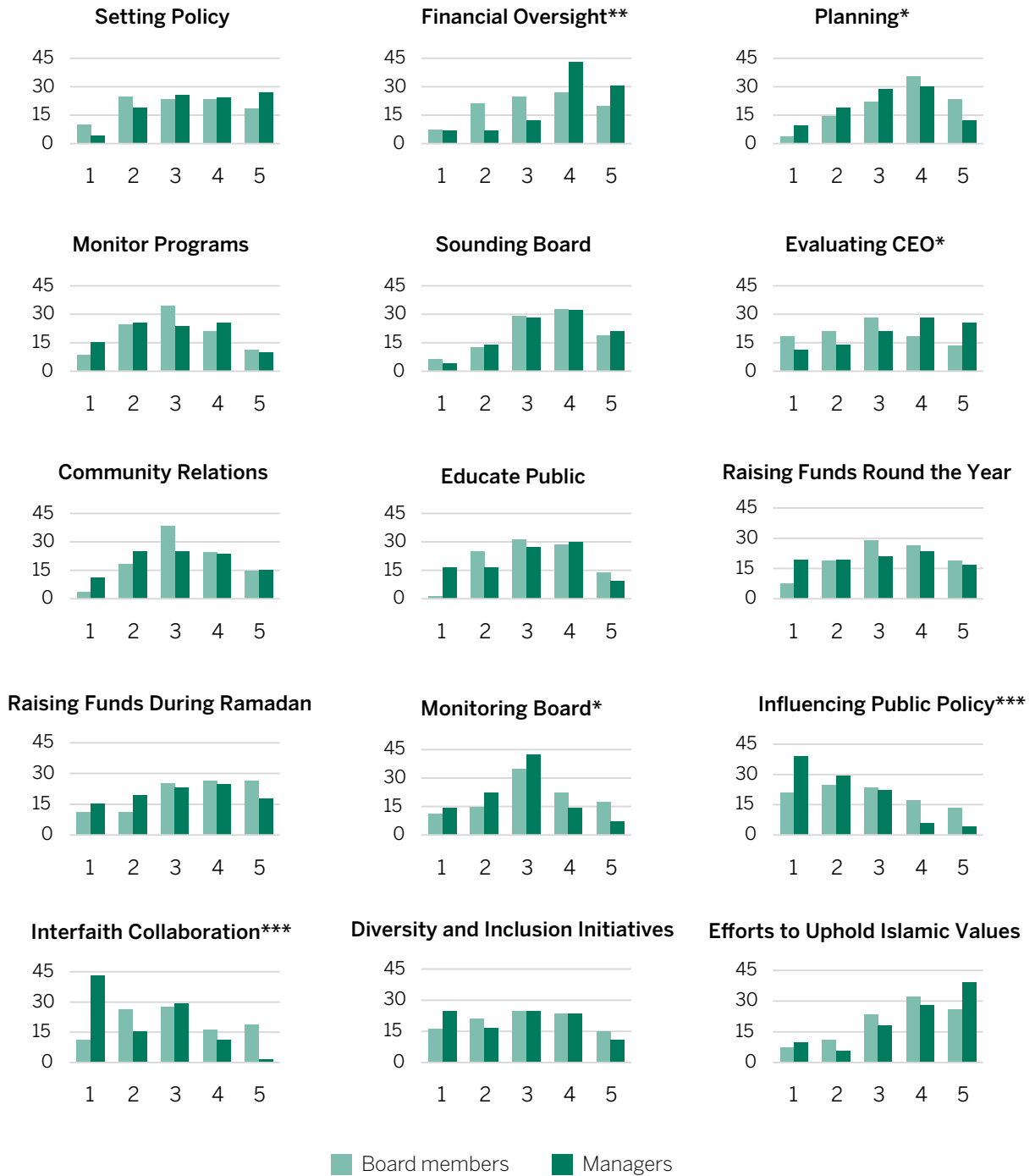
**Table 3: List of Board Activities**

- |                            |   |
|----------------------------|---|
| 1. Setting Policy          | 9. Raising Funds Round the Year         |
| 2. Financial Oversight (B) | 10. Raising Funds During Ramadan        |
| 3. Planning (M)            | 11. Monitoring Board (M)                |
| 4. Monitor Programs        | 12. Influencing Public Policy (M)       |
| 5. Sounding Board          | 13. Interfaith Collaboration (M)        |
| 6. Evaluating CEO (B)      | 14. Diversity and Inclusion Initiatives |
| 7. Community Relations     | 15. Efforts to Uphold Islamic Values    |
| 8. Educate Public          |   |

*Note. M = Mean value statistically higher for managers. B = Mean value statistically higher for board members.*

These comparisons suggest that managers perceived a relatively lower board activity level as compared to board members in their organizations in the following four areas: Planning, Monitoring Board, Influencing Public Policy, and Interfaith Collaboration. In two areas, managers' perception of board activity level was on average significantly higher than that of board members: Financial Oversight and Evaluating CEO. In all other areas, there was no statistically significant difference between perceptions of board members and managers.

**Figure 4: Rating the “Board Activity Level” in Different Organizational Matters**



Note. Response pattern (%) for the perceptions about board activity level. \* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ .

**2A (iii) Ability to Participate in Activities During Board Meetings**

The board members were asked about their ability to participate in 10 different activities (see Table 4) during board meetings. Responses ranged from (1) Extremely bad to (5) Extremely good. For this question, responses were provided by 67 board members.

**Table 4: List of Activities for Participation**

- |  |   |
|--|---|
| 1. Set Policies for the Organization                               | 7. Evaluate CEO   |
| 2. Review Organizational Finances                                  | 8. Make the Organizational Leadership Work More Transparent |
| 3. Review Organizational Reports                                   | 9. Ask Questions Comfortably                                |
| 4. Plan Organizational Strategies                                  | 10. Participate Remotely/Virtually                          |
| 5. Monitor Programs  |   |
| 6. Have a Generative Discussion About Opportunities and Challenges |   |

For most questions, the response pattern was negatively skewed. Thus, the general result indicates that most board members had a favorable view of their own ability to participate in various activities during board meetings (RQ1).



**Figure 5: Response Pattern—Ability to Participate During Board Meetings**

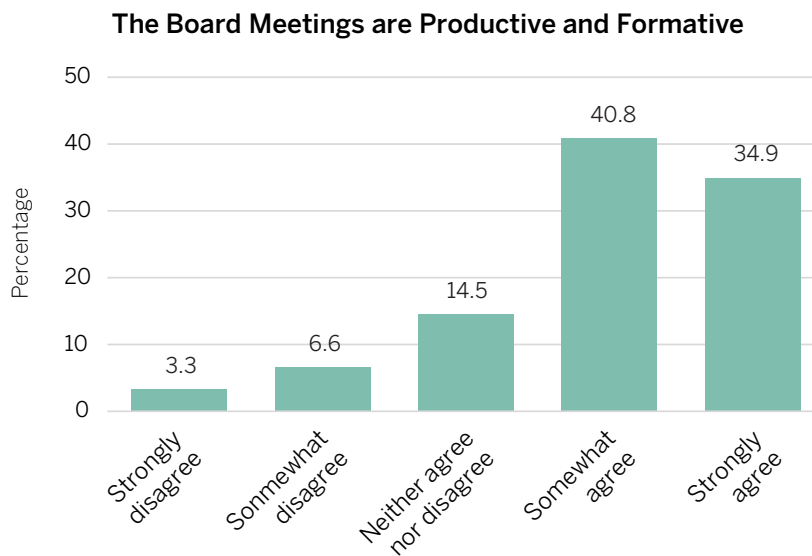




**2A (iv) Perception of Board Meeting Productivity and Effectiveness**

We asked the board members to rate their perception of board meetings' productivity and effectiveness. A total of 53 board members rated a series of statements ranging from (1) Strongly disagree to (5) Strongly agree. The frequency distribution for this variable is provided in Figure 6.

**Figure 6: Perception of Board Meetings' Productivity and Effectiveness**



Ignoring the neutral category (14.5%), we found this distribution suggests that a majority of board members (75.7%) agreed that board meetings are informative and productive. Less than 10% (9.9%) perceived otherwise.

So, based on the descriptive analysis of survey questions, the overall picture supports respondents' belief that among U.S. Muslim nonprofit organizations (1) boards engage in inclusive decision-making, (2) respondents' perception of their own ability is high, and (3) board meetings are informative and productive. Results did indicate a low level of disagreement among board members and managers in terms of boards' activity levels.



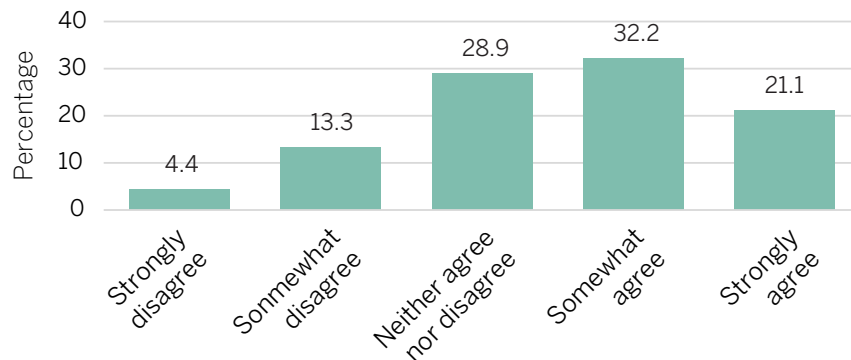
**Part 2B: Audit Practices and Financial Policies**

We asked a set of six questions to analyze the strengths and weaknesses of organizational financial practices and audit policies in order to answer the following research question:

**Research Question 2:**  
*Do U.S. Muslim nonprofits have proper/strong audit practices and financial policies?*

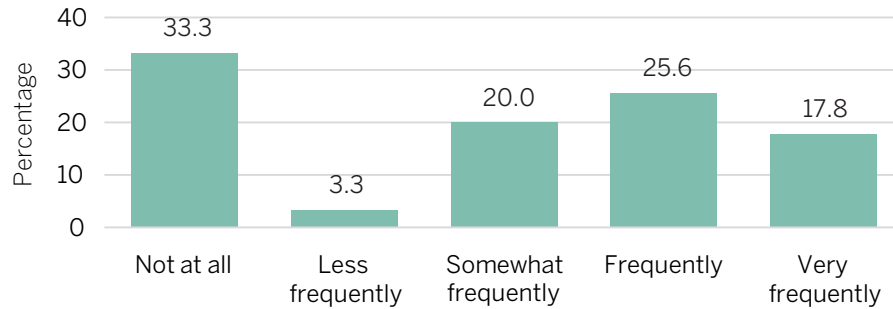
The first three questions were specific to board members only, and a total of 90 board members responded. The questions and their responses are presented in Figures 7, 8, and 9.

**Figure 7: The Board Makes Recommendations to the Executive Team Based on the Financial Reports of the Organization.**



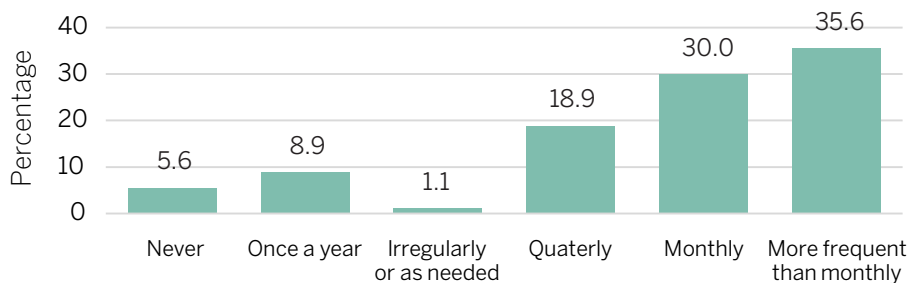
Ignoring the neutral category (which represents neither agreement nor disagreement), we found that the findings suggest a majority (53.3.0%) have boards that make financial report-based recommendations to the executive team and only a few (17.7%) have boards that do not follow this practice.

**Figure 8: How Frequently Do the Board Members/Board-Finance-Committee and Finance Personnel Meet?**



In terms of board members and financial personnel interactions, most of the board members indicated a mixed trend. Only about two-fifths (43.4%) reported frequent and very frequent meetings while a third of the respondents (33.3%) reported no meetings at all between board members and finance personnel.

**Figure 9: How Often Does the Board Review the Financial Documents (Audit, Budget, Profit/Loss Statement, Account Balance, etc.) of the Organization?**

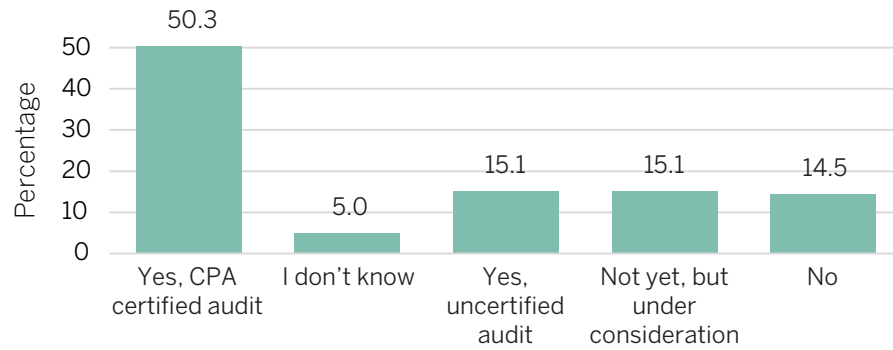


When asked how often the board members review financial documents, a vast majority (84.5%) indicated that the board reviews financial statements once or more than once every quarter.

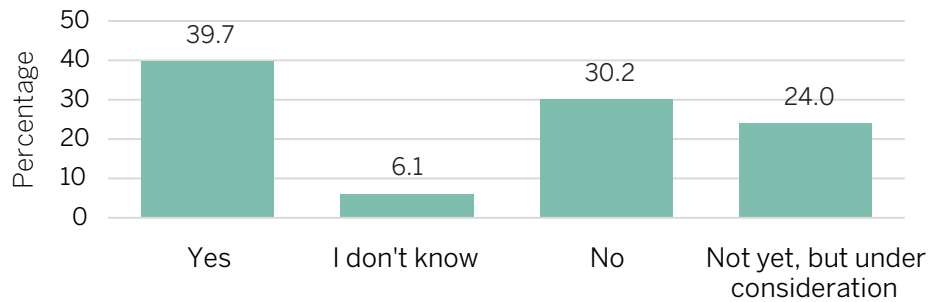
The remaining three questions in this category were asked of both members and managers, and a combined total of 179 responded. The questions and their respective responses are presented in Figures 10, 11, and 12.



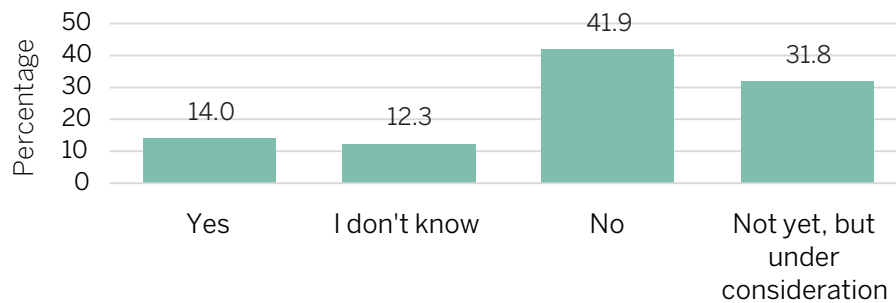
**Figure 10: Does the Organization have Financial Statements Prepared by an Independent Party?**



**Figure 11: Does the Organization Conduct an Independent Audit?**



**Figure 12: Does the Organization Consider Rotating Audit Firms and/or Lead Partners Every Five Years?**



Focusing on the Yes/No categories, the response patterns indicate that nearly two-thirds (65.4%) of the organizations either have a CPA-certified or an uncertified audit, about two-fifths (39.7%) conduct an independent audit, and only a minority (14.0%) consider rotating audit firms and/or lead partners every five years.

Overall, survey responses related to financial statements and audits support the assumption that U.S. Muslim nonprofit organizations have either proper or strong audit practices and financial policies. However, very few organizations consider rotating their audit firms and/or lead partners after a certain time period.

### Part 2C: Gift Acceptance Policies

To answer the third research question, both board members and managers were asked a set of three questions about official gift acceptance policies.

#### **Research Question 3:**

*Do Muslim nonprofits have documented gift acceptance policies?*

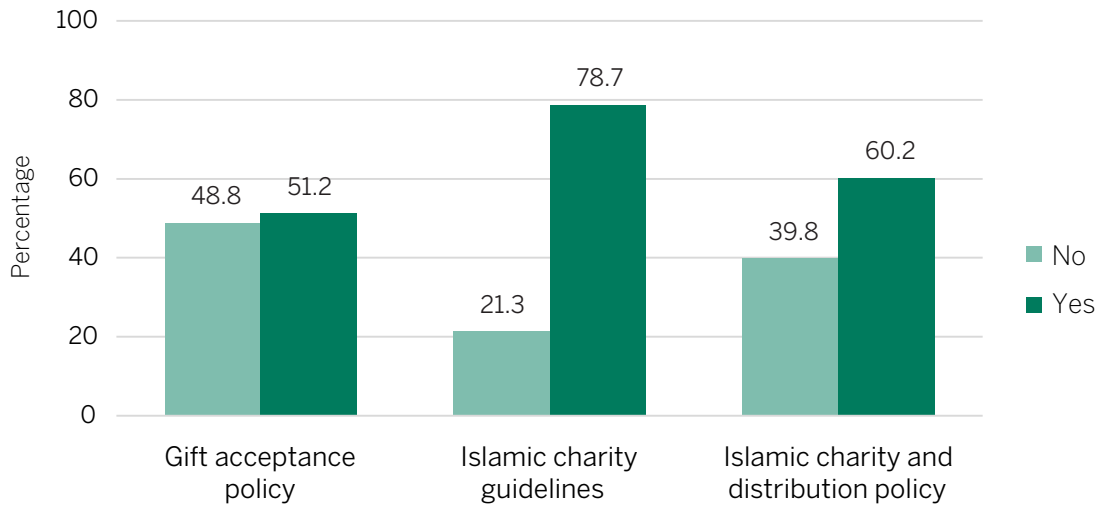
Total combined responses of 121, 47, and 133 were received for these questions, respectively, for the following three questions:

- Q1: Does the organization have a financial gift acceptance policy? (n = 121)
- Q2: Does the gift acceptance policy include guidelines for accepting mandatory Islamic charity (Zakat/Khums, etc.)? (n = 47)
- Q3: Does your organization have a policy for the receipts and distribution of mandatory Islamic charity (Zakat/Khums, etc.)? (n = 133)

The pattern of responses is presented in Figure 13. Results suggest that among those organizations that responded as Yes/No to this question,

- (1) about half (51.2%) of U.S. nonprofit organizations have a financial gift acceptance policy;
- (2) a majority (78.7%) have a gift acceptance policy that includes guidelines for accepting mandatory Islamic charity such as Zakat, Khums, etc.; and
- (3) a majority (60.2%) have a policy for receipts and distribution for mandatory Islamic charity.

**Figure 13: Gift Acceptance Policies**



**Part 2D: Insurance Policies**

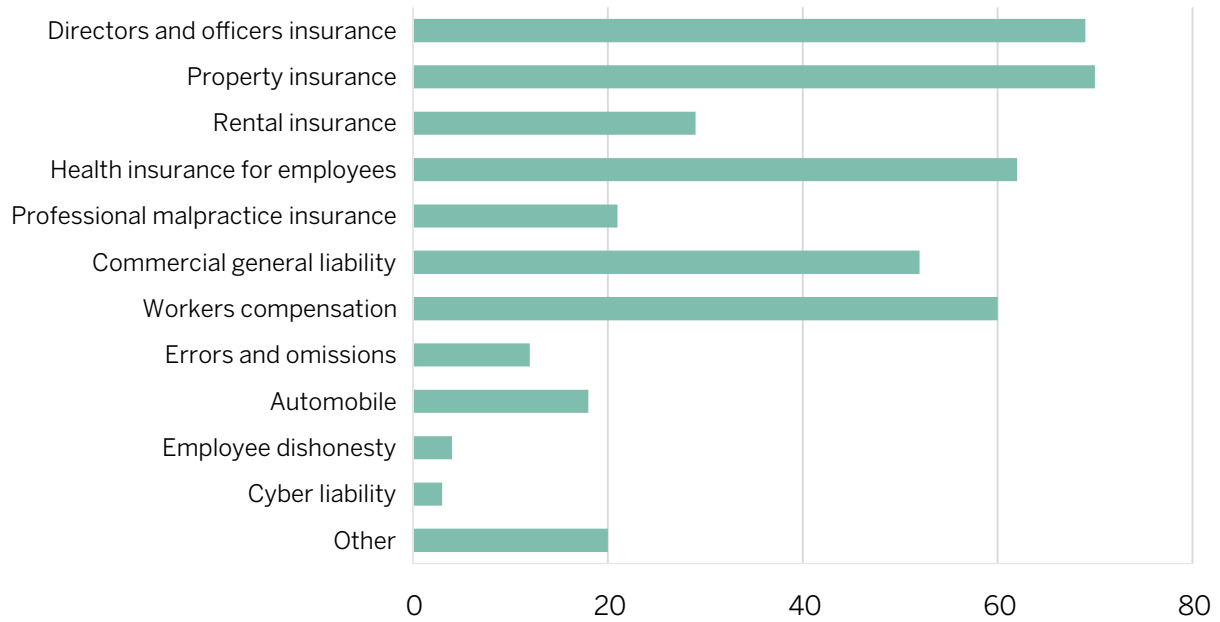
The fourth and final research question of this section focused on the types of insurance policies carried by Muslim American nonprofits.

**Research Question 4:**

*What types of insurance policies do U.S. Muslim nonprofits carry?*

A combined total of 133 board members and managers responded to the question. A list of the most popular 11 types of insurance is provided along with an “Other” option using the multiple selection option. The responses on organizational preference for insurance policies were presented earlier in Figure 12. The results suggest that the three most popular types included (1) property insurance, (2) directors and officers insurance, and (3) health insurance for employees. The least popular choices were (1) cyber liability insurance, (2) employee dishonesty insurance, and (3) errors and omissions insurance. Care should be taken when interpreting Figure 14, shown below, because categories are not mutually exclusive. Overall, 88% of the organizations that reported having insurance carried five or fewer types of insurance while very few organizations (12%) carried more than five types.

**Figure 14: Organizational Preference for Insurance Policies**





The third and final main component of this report addressed the important issue of diversity, equity, and inclusion (DEI) practices embodied by U.S. Muslim nonprofit organizations.

*How do U.S. Muslim nonprofit organizations embody diversity, equity, and inclusivity policies and practices?*

Three survey questions were used to explore how U.S. Muslim nonprofit organizations represent diversity, equity, and inclusivity policies and practices in their operations.

### 3A: DEI Policies and Leadership

The first question, which included a series of 15 statements, asked the survey participants to rate the statements on a five-point Likert scale, ranging from “Strongly disagree” to “Strongly agree” (see Table 5). All of these statements revolved around the participants’ perception of how leadership at their organization contributed to diversity, equity, and inclusivity in the workplace.

**Table 5: Leadership Perception Scales**

Item	Description
1.	Organizational leadership encourages diversity among staff/volunteers/etc. (backgrounds, beliefs, and/or experiences that are different from their own).
2.	Organizational leadership treats all employees fairly.
3.	The organization takes active measures to seek a diverse candidate pool when hiring.
4.	Employees of different backgrounds are encouraged to apply for higher positions.
5.	Employees of different backgrounds are treated fairly in the internal promotion process.
6.	The company’s policies or procedures encourage diversity, equity, and inclusion (DEI).
7.	I am aware of and understand the procedures for reporting incidents of discrimination in the workplace.
8.	I am aware of and understand the procedures for reporting incidents of bias in the workplace.
9.	I believe the organization will take appropriate action in response to incidents of discrimination and/or bias.
10.	Organizational leadership demonstrates a commitment to meeting the needs of employees with disabilities.
11.	Employees of different ages are valued equally by this organization.
12.	Racial, ethnic, sexual, and gender-based jokes or slurs are not tolerated at this organization.

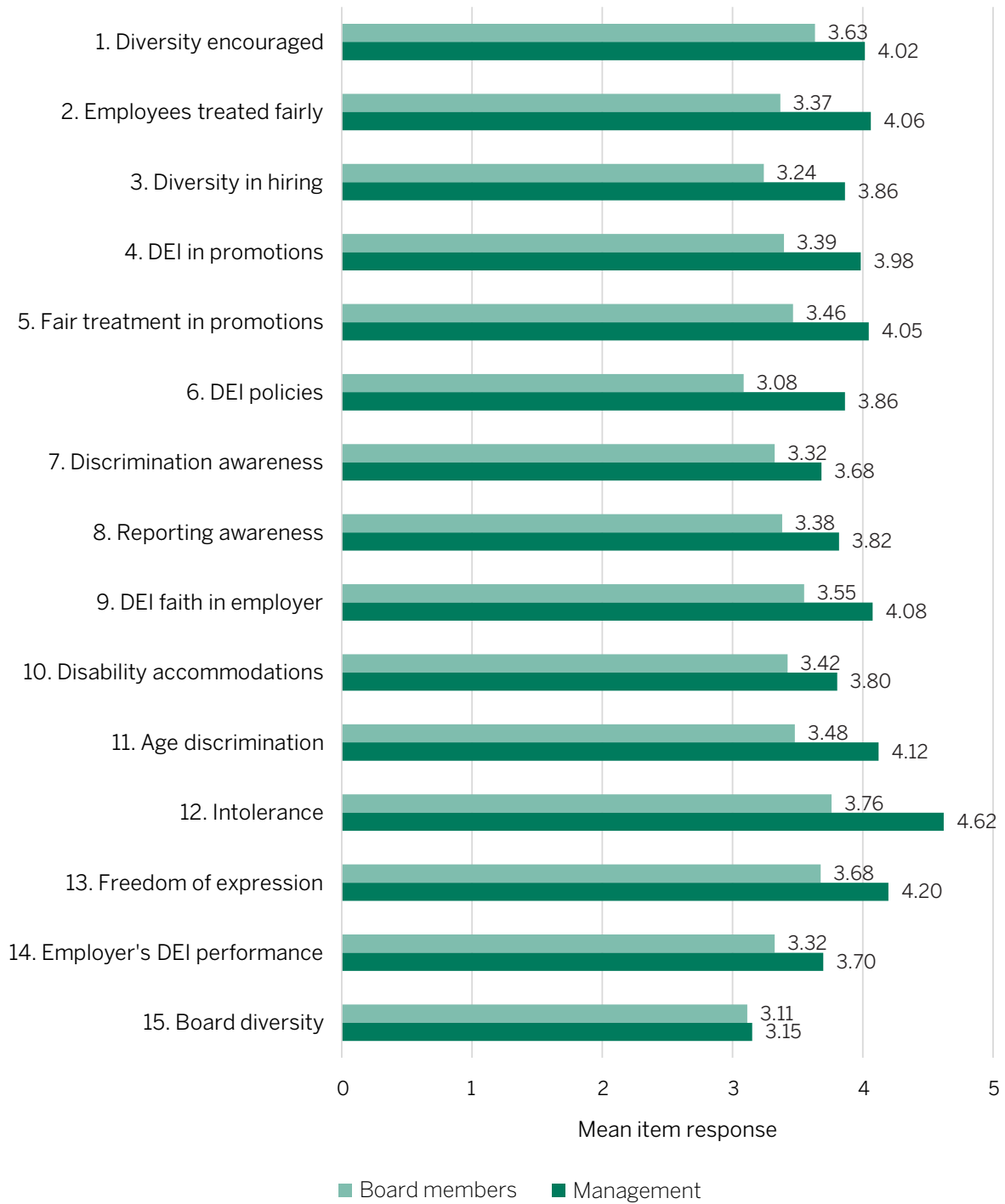
13. This organization provides an environment for the free and open expression of ideas, opinions, and beliefs.
14. This organization has done a good job providing educational programs that promote diversity, equity, and inclusion in our workplace.
15. The current board is diverse enough (race, religion, ethnic background, age, gender, body ability, etc.)

For this question, the sample size included 71 board members and 65 managers. Responses on all 15 items were averaged in order to produce a single score for each respondent. On average, the two groups had a significantly different perceptions of leadership at their organizations (Management,  $M = 3.93$ ; Board members,  $M = 3.41$ ;  $p = .007$ ). Further analysis suggested that this difference of opinion between board members and managers occurs at the item level with the average response being higher for managers on each of the 15 items measuring leadership perception (see Figure 15).<sup>4</sup> These findings provide very strong evidence of differences in board members' and managers' perceptions of how U.S. Muslim nonprofit organizations embody DEI policies and practices in their operations. Managers consistently showed relatively more favorable perceptions of these practices compared to board members.

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<sup>4</sup>Of the 16 board members vs. management mean comparisons, a total of 9 were statistically significant,  $p < .05$ .

**Figure 15: Mean Values for Leadership Perception Scales**



### 3B: Organizational Accommodations/Practices and Tools for Creating an Inclusive Workplace Environment

In addition to leadership perception items, we asked respondents about their beliefs regarding organizational accommodations or practices that made their workplace more inclusive (see Table 6) and organizational tools that contributed to workplace inclusivity while working remotely (see Table 7).

#### 3B (i) Organizational Accommodations/Practices

A total of 58 board members and 53 managers responded to the question about Organizational Accommodations/Practices. Among Organizational Accommodations/Practices, the top choice was Prayer/Meditation room (25.6% of respondents) closely followed by staff training (25.2%) and informal get-togethers at work (24.0%), while the least popular choice (ignoring the Other category) was private nursing/lactation room (8.1%). The frequency for each individual accommodation/practice is presented in Figure 16. As shown, there is a slight difference of opinion among board members and managers in the top four categories. Managers strongly believe that having a Prayer/Meditation room, Staff training, and Informal get-togethers at work for employees have helped or help to create a more inclusive environment for employees; however, Wellbeing support initiatives are the second most prominent choice of board members followed by the availability of Prayer/meditation rooms.

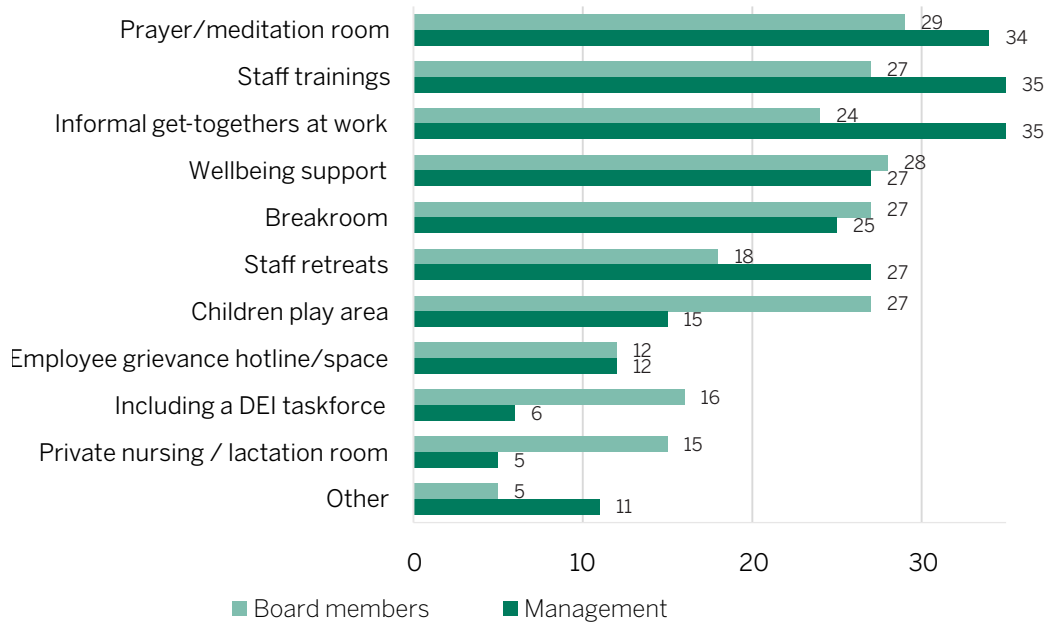
**Table 6: Organizational Accommodations/Practices**

1. Private Nursing / Lactation room
2. Children's play area
3. Informal get-togethers at work
4. Staff retreats
5. Staff training
6. Breakroom
7. Wellbeing support
8. Prayer/Meditation room
9. Including a DEI taskforce
10. Employee grievance Hotline / Space
11. Other

**Table 7: Organizational Tools**

1. Video Conferencing (Zoom, MS Teams, etc.)
2. WhatsApp
3. Other social media tools (Facebook, etc.)
4. Virtual teambuilding activities
5. Asynchronous option / flexible schedule
6. Online training and workshops
7. Employee survey feedback
8. Other

**Figure 16: Respondents' Preference for Organizational Accommodations**



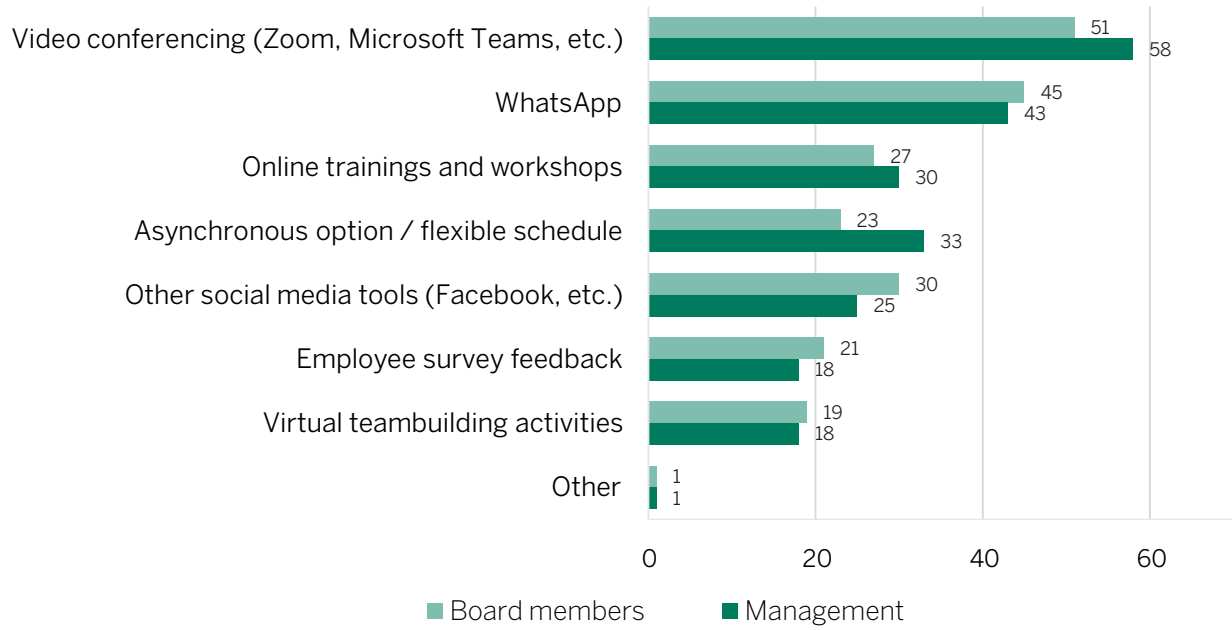
Note: The categories are not mutually exclusive in Figures 15 and 16.

**3B (ii) Organizational Tools Availability While Working Remotely**

A total of 66 board members and 63 managers responded to the question on organizational tools that created an inclusive work environment while working remotely. The top choice was videoconferencing (44.3% of respondents) followed by WhatsApp (35.8%) and online training and workshops (23.2%), while the least popular choice (ignoring the Other category) was virtual teambuilding activities (15.0%). The response frequency for each individual tool is presented in Figure 17. The pattern shows very little difference of opinion between the board and management in the case of organization tools.



**Figure 17: Respondents' Preference for Organizational Tools**



## CONCLUSION

The role of the board and effective board meetings is crucial for any nonprofit organization's success in terms of accountability and service delivery. Overall, the majority of the survey participants, both management and board members, expressed satisfaction with their board's decision-making process and activity level. The consensus approach, majority rule, and Shira process are the most preferred and applied decision-making processes. A majority of the board activities were rated high by both board members and managers, especially the board's role in financial oversight and efforts to uphold Islamic values. However, a notable negative opinion about the board's role in influencing public policy matters and enforcing interfaith collaborations was observed by management. In addition, a vast majority of survey participants found board meetings to be productive in addition to highly rating their ability to participate in different matters of the board meeting.

It is equally necessary that the boards are well-informed and that they participate in the auditing and financial processes of the organization. In terms of audit and financial policies, approximately 80% of boards indicated that they review financial statements once or more every month and nearly the same percentage of boards make financial report-based recommendations to the executive team. Nearly two-thirds of survey participants indicated that they have a CPA-certified or uncertified audit. Nearly half of the participants indicated that there is enough interaction between the board members and the finance team. In addition, a small minority either consider rotating audit firms or lead partners every five years.

Well-documented gift acceptance policies are tied to organizational accountability and transparency. The findings suggest that nearly half of U.S. Muslim nonprofit organizations have a financial gift acceptance policy. Nearly two-thirds of them reported having gift acceptance policies that include guidelines for accepting mandatory Islamic charities such as Zakat and Khums. A vast majority, nearly 80%, have a policy for the receipt and distribution of mandatory Islamic charities.

Carrying several types of mandatory and optional insurance policies by Muslim nonprofits is often considered a controversial topic. This is due to divided opinions by Islamic scholars on insurance policies in general. We found that nearly two-thirds to three-quarters of Muslim nonprofits do carry director and official insurance, property insurance, workers' compensation insurance, and commercial general liability insurance, in addition to health insurance policies for their employees. Less than one-fourth of them carry professional malpractice and automobile insurance (vehicles used for business purposes) policies. However, a vast majority of these nonprofits lack other conventional business insurance, such as cyber liability, error and emissions, and employee dishonesty insurance.



Finally, ensuring effective diversity, equity, and inclusion policies and practices is the core of success for any organization. The participants self-reported having mostly a diverse board and employee pool in terms of race and education. A vast majority, nearly three-fourths, expressed a strong positive opinion about organizational leadership encouraging diversity and treating employees fairly. In addition, the majority of U.S. Muslim nonprofits claimed to have stronger DEI policies to ensure a safe and inclusive environment for employees of different racial, ethnic, and gender backgrounds as well as for people with disabilities. Most of the participants also reported having procedures for reporting incidents of discrimination in the workplace as well as understanding the procedures for reporting incidents of bias in the workplace. The leaders also overwhelmingly expressed the need and availability of an environment for free and open expression of ideas, opinions, and beliefs. They also ensured the provision of enough training and educational opportunities for employees to understand and implement DEI policies beyond documents.

Our findings further indicate that the top four tools that contribute to workplace inclusivity are prayer/meditation rooms, staff training, and informal get-togethers at work. Interestingly, the least popular choice was the availability of a private nursing/lactation room. Among organizational tools, the top choices were offering video conferencing, group chat options (WhatsApp), and online training and workshops. The least popular choice was virtual teambuilding activities.

This report has its own limitations. However, it is among the few empirical, in-depth studies examining some of the most crucial aspects of legal compliance, governance, financial matters, and DEI policies and implications for the U.S. Muslim nonprofit subsector. By providing data and evidence-based insights into their experiences, challenges, and needs, this study can surely help us better understand marginalized communities. In addition, building on this research project, future mixed-method studies can help gain a deeper understanding of the factors contributing to marginalization and disadvantage, which is required to develop more effective interventions and policies to address the challenges faced by these communities and promote greater equality and social justice.



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### Sample Description and Inclusion Criteria

The inclusion criteria were satisfied when all three of the following conditions were simultaneously true:

1. The organization is a nonprofit based in the United States.
2. Any of the following conditions was met:
  - a. My organization identifies as a Muslim nonprofit organization.
  - b. My organization was founded by a Muslim.
  - c. My organization is primarily funded by Muslim donors.
  - d. The majority of my organization's board of directors consists of individuals who identify as Muslims.
  - e. My organization primarily serves Muslims.
3. The respondent held any of the following job titles (paid or unpaid):
  - a. Executive Director/Chief Executive Officer/President
  - b. Chief Operating Officer/Administrative Manager/HR Manager
  - c. Chief Financial Officer/Finance Director
  - d. Management Team Member (e.g., Development Director, Program Director, Office Manager, etc.)
  - e. Director of Communications
  - f. Board Member
  - g. Founder (holding no position)/Advisory Council Member (no governance or fiduciary responsibility)

In addition to sample attrition related to inclusion criteria, additional observations had to be discarded for some analyses because of missing and incomplete item responses. For most bivariate analyses, the final available sample size was 136. However, depending on the number and combination of variables involved, for individual analyses, this number ranged between 92 and 156.

**Individual demographic characteristics.** These included respondent age and religiosity where age was the actual reported age and religiosity was the average response regarding the importance of four practices measured on a 1–5 Likert scale: Salat/Prayers, Soum/Fast, Hajj/Pilgrimage, and Zakat/obligated charity. Both age and religiosity were operationalized as numeric variables (refer to Table 1). Individual categorical factors included education, experience, gender, race, sect, religiosity, income, and religion. Categories of these variables and group sizes are shown in Table 2.

**Organizational demographic characteristics.** Organizational factors included the distribution of percentage of organizational income among four categories: contributions and grants, program service revenue, investment income, and other income. Organizational categorical factors included three variables that measured the size of organizational workforce (full-time, part-time, and volunteers), annual revenue, annual expenditure, state (geographical location), government funding status, cause/area, years of existence, registration status, and international scope. The distributions of these variables are shown in Table 2.

### **Analytical Approach**

The main content of this report is descriptive with survey results summarized by means of methods such as frequency distributions, averages, and univariate and bivariate charts. Where necessary, the descriptive statistics were supplemented by basic tests of inference such as t-tests and ANOVA in support of exploratory research questions. For missing data handling, we used pairwise deletion in order to maximize the number of observations available for a given analysis. Given the pattern of missing values, some of the bivariate analyses would have been impossible to perform with a more restrictive method such as listwise deletion.

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