



Guidance Title	Unrestricted Funds Allocation Guidance
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Approved By: (endorsed by)	Leadership Team
Guidance Owner	Head of Income Generation and Marketing
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(This guidance will be reviewed as per the regulatory and legal requirements as and when required)

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UNRESTRICTED FUNDS ALLOCATION GUIDAANCE

1. Introduction & Background

- 1.1. Muslim Aid is a registered charity (CIO No. 1176462), hereafter referred to as 'the Charity'. The Charity is overseen and administered by the Board of Trustees, hereafter referred to as 'the Board'.
- 1.2. The Board has a duty to ensure that funds donated to the Charity are spent effectively and efficiently in accordance with the Objects of the Charity, charity law and the wishes of donors where applicable.
- 1.3. The proper administration and use of individual charitable funds is essential if the Board are to avoid acting in breach of trust. In broad terms there are two primary classes of funds: those that are unrestricted in their use, which can be spent for any charitable purposes of a charity; and those that are restricted in use, which can only be lawfully used for a specific charitable purpose.
- 1.4. Historically the Charity has had a deficit of unrestricted funds, while holding significant surplus of restricted funds. As a consequence of the unrestricted deficit the organisation is unable to hold reserves to help the charity operate effectively.
- 1.5. This guidance sets out the Charity's approach and process for ensuring that donated funds are appropriately classified as **unrestricted** and **restricted**.

2. Scope of Code

- 2.1. This guidance applies to the Charities Finance and Accounts Dept, Income Generation and Marketing Dept and International Programmes Dept. and anyone who acts to allocate funds whether restricted or unrestricted.

3. Income and Fundraising

- 3.1. The Charity generates income through a) donations, legacies and fundraising activities b) grants from institutions and other major donors.
- 3.2. The funds provided to the Charity will usually fall into two categories:
 - Restricted funds
 - Unrestricted funds
- 3.3. Within these categories The Charity has three faith-based categories of funds
 - Zakat
 - Sadaqah
 - General Donations
- 3.4. **Sadaqah Income Funds**

Sadaqah is an Arabic word and refers to the voluntary giving of charity, General Donations are the English equivalent of Sadaqah.
- 3.5. Sadaqah funds which come from Need is Greatest, Fight Poverty, Global Emergency and Regular Giving will be spent in whichever way the charity sees fit, in accordance with stated objectives, annual plans and budgets. These funds are unrestricted and can cover direct and indirect costs.

3.6. Zakat Income Funds

Zakat is a religious obligation for all Muslims who meet the necessary criteria of wealth. It is a mandatory charitable contribution, a right to the poor and needy and those falling within the categories of Zakat eligibility.

- 3.7. Funds received as Zakat can be used for any purpose that meet the charitable objectives of the Charity and that meet the criteria of zakat and as a collector of zakat, as described in The Charities [“Muslim Aid End to End Zakah Guide](#)

4. Classification of donations at point of receipt

- 4.1. Donations are received in many different ways, with donors expressing the terms of their donations using a variety of different formulae. Donations to the Charity should be presumed to be unrestricted unless the donor places an unequivocal restriction on it, for example by saying it ‘must be used’ or ‘can only be used’ for a specified purpose, or by giving to a specific explicitly restricted fundraising cause.

5. Unrestricted Income

- 5.1. In the absence of evidence that funds are restricted they are to be classified as unrestricted.
- 5.2. The Charity will utilise marketing terminology “Need is Greatest”, “Global Emergency” and “Fight Poverty” to indicate funds raised from these themes are unrestricted and available for the general purposes of the Charity. These funds will be spent at the discretion of the Board, in furtherance of the objectives of The Charity.
- 5.3. These themes will also include disclaimers stipulating donations will “Enable Muslim Aid to deliver all its activities”, or words to that effect.

6. Restricted Income

- 6.1. Restricted Funds must be used for specific purposes (where this is set out by the donor(s) for example, at the point of donation, or by the terms of a public appeal or by the terms of a grant). The Charities Restricted funds are categorized as follows:
- Country specific funds such as Save Yemen. Where funds raised cannot be spent for this specific cause or the amount raised exceeds project plans, funds will be allocated to other projects within the country or where people from this country reside as refugees.
 - Safe Water – these funds are applicable to safe drinking, adequate sanitation and hygiene charitable activities (including indirect/support costs).
 - Medical Aid - these funds are applicable to any medical support to beneficiaries charitable activities (including indirect/support costs).
 - Education – These funds are applicable to any educational programmes (including indirect/support costs).
 - Child Sponsorship - – these funds are applicable to child beneficiaries (including indirect/support costs)

7. Destination Codes

- 7.1. The Finance Destination/Fund codes for Need is Greatest, Fight Poverty, and Global Emergency will be changed to unrestricted (including for existing and new Regular Giving).
 - 7.1.1. Existing direct debits will be informed of this guidance document.

8. Guidance Approval and Review

- 8.1. This guidance has been approved by the Leadership Team (LT).
- 8.2. This guidance will be reviewed by the Leadership Team (LT) annually and otherwise if circumstance suggest that such a review is necessary