



Muslim Strategic Initiative – Whitepaper

Leveraging Social Enterprise to generate alternate revenue for Mosques

Introduction

As Islamic Organizations have grown and evolved in the North American context, since their establishment almost 100 years ago, the current scope of work is radically different than it was when the organizations were first established. Where the primary function used to be the provision of prayer space for the most basic religious rituals, the Mosque now serves as the community hub for everything from events, to education to counseling and social support. As the scope has widened, so has the requirement for financial resources to support this. Religious organizations in general receive most of their funding from donations, but now, with donations on the downturn and service requirements going up, Mosques need to look at new ways of generating revenue to serve their purpose effectively. Social enterprise can go a long way to help relieve the burden of fundraising from the congregation and generate the capital required to serve the purpose now expected from Mosques.

Objective

The objective of this Briefing Note is to illustrate the need for Islamic Organizations to transition from relying on donations and charitable gifts as the primary source of revenue and to encourage the shift towards social enterprise as a means of revenue generation. The reason this is so important is that the change in context and scope of work, is beyond what gifts and charitable donations can sustain in the long run.

Origin and Context

In the Islamic tradition, the role of the Mosque, or place of worship, has always been one central to the community. Historically, the mosque has not only been a place of congregation and prayer, but also a place that served the communities needs. These needs have included religious instruction, education and counseling.

In Muslim run countries, these functions whether in the Mosque or as separate institutions, have all been administered, managed and financed by the government. In non-Muslim countries however, the establishment of these institutions has been left to the congregation themselves. And these congregations, even from their outset were generally lacking in their knowledge of how to manage such endeavors.¹

Though Mosques are supposed to serve a lot of different purposes, when Muslims first immigrated, they initially started with the most basic requirement: a place to pray. The management and financing of this requirement is straightforward and not very resource intensive. It was from this time that Mosques began relying heavily on donations only²

Over time, however, as the Muslim Community in North America has grown and adapted, from the second generation and onwards, Muslims not only required a place to pray and maintain their religion (like the first generation Muslims) but also required a place to now learn the religion (like Islamic schools, or Sunday schools). As the community continues to grow, the requirements continue to increase. Mosques now are expected to also handle counseling, religious marriage arrangements and other community requirements. However, the primary source of financing of all of these activities has remained donations.

The institution that is the Mosque in North America has gone from the most basic requirement of a prayer space to one that is required to help shape and support the identity of Muslims as minorities in North America.

¹ Howell, S. p44

² Howell, S. p44

Observations

One of the main drivers behind the increased requirements of the Mosque is the increased size of the congregation. In 1994 the average number of congregants served by each mosque was 485 and in 2011 that number has almost tripled to 1248 per mosque.³ It may seem like more congregants means more money available through donations but given the nature of the recent economy, donations are down across the board. In fact Canada alone has seen a decrease of nearly \$1-billion dollars in the last few years.⁴

In addition to that the increase in the number of congregants, the requirements of these congregants have also been changing. Muslims are one of the most rapidly growing minorities in America and research has shown that clergy are often the first line of mental health advice.⁵ Though research is being conducted, it is not known whether Imams are well prepared to identify, treat and refer members of the congregation with emotional, behavioral or psychiatric problems.⁶ This demand has increased substantially since September 11th, 2001.⁷ To be able to train Imams to handle the situations being presented to them (in the form of counseling and referrals) is not easy nor is it inexpensive.

Alongside the rapidly increasing and diversified demands of the Mosque, recent numbers suggest that Mosques (and religious organizations in general) have not done a good job in diversifying funding sources. Research indicates that more than 60% of funding for

³ Bigby, I. p9

⁴ Waldie, P. p1

⁵ Ali, O. p203

⁶ Ali, O. p203

⁷ Ali, O. p204

religious organizations comes from donations and charity.⁸ This indicates a severe lack of balance when it comes to the revenue stream of religious organizations.

Finally, the dynamics of the core value of the non-profit sector are also starting to have a significant role on the funding available to Mosques. Trust is one of the foundations upon which the non-profit sector is built. When an organization depends heavily on donations to further its cause, it is at the mercy of public perception. As organizations grow larger, some degree of problems and politics are expected. When trust erodes as a result of mismanagement (or even perceived mismanagement) all the organizations in the sector are effected. In recent years, these trust issues have come to the forefront. A recent example of this is an auditor's report that claimed the Islamic Society of North America (ISNA) was mismanaging its funds.⁹ This report was not only damaging to ISNA but affected the community as a whole. Thus, for precautionary sake, Mosques should have diversified avenues of revenue to protect against inevitable ups and downs in the attitude of donors.

Solutions

The first step to rectifying the issues at hand is for the Board of Directors to take a look at what services the community needs and figure out how best to address them. This analysis leads reinforces the fact that the current framework of donations cannot account for all of the services required. As such, steps need to be taken to move towards better, more stable sources of revenue growth.

The most promising solution is the move towards social enterprise in order to support the services required of Mosques. Social enterprise is the application of business models for social good. In this case, using business plans and models to generate revenue that can be used to support the Mosque. The reasoning behind this solution is the fact that most of the services

⁸ Imagine Canada NSNVO Factsheet p1

⁹ McLean, J. p1

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are expensive and cannot be covered by communities' donations even if they want to support these services.

Investing in social enterprise would allow for the generation of consistent revenue stream, which could in turn outline the budget for certain social programs.

One of the best options of social enterprise that would help a Mosque would be an Islamic bookstore. A bookstore catering to the needs of the community and carrying an assortment of religious books and also religious items could serve as a means of revenue for the institution. There are Islamic bookstores in most communities – proving that the concept in and of itself is viable – putting the bookstore in the Mosque would create a competitive advantage as it makes it convenient for congregants to access the products they would need to buy elsewhere.

An extension of this idea is to setup a more general store beside or very near the Mosque. A general store with items specific to the demographic make up of the congregation (like certain ethnic foods and spices, or even a butcher shop with Halal meat) would also draw attention from congregants who would already go elsewhere for these products. These side business which can be profitable on their own, should be setup to support the Mosque as the target demographic for these services overlaps with the demographics of the congregation.

This same idea of selling food and related items to the community could also expand to include a small restaurant or open café. Mosques (especially those that are purpose built) like to have a kitchen space, this space could be expanded and used as an outward facing restaurant as well.

Another avenue of social enterprise that should be considered is the fee for service model. Some of the services offered by the Mosque should incur small, but consistent fees. This is already partially in place in many Mosques where there is a nominal fee for the evening

and weekend education programs for children. This concept can be expanded to other services as well. Capitalizing on the demographics, immigration services could be offered by the Mosque. A mosque could hire an immigration consultant (at a discount on the basis that their time is being partially donated) and then charge a small premium for the service.

Further building on the education most Mosques aim to provide, a Mosque could open a full fledge private school to provide the religious education that is already in its mandate and couple it with secular education and reasonable tuition fees. The model could generate another added revenue stream that teaching only religious education would not be able to provide.

Taking a more financial angle, Mosques could take the funds they collect and instead of immediately divesting them on programs could invest them. Creating an investment strategy could bring long term revenue to the Mosque which immediate divestment would not allow. To expand on this, the Mosque could perhaps leverage the congregation if they open the option for investment up to the public as a larger investment vehicle. This way, some donated money can be paired with private equity and allow the Mosque to leverage better investment opportunities and get a better return on investment.

Finally, one last consideration for social enterprise is the notion of designing and building mosques that serve multi-functions. If you create a mosque that is not only a prayer hall, rather a multi function hall that can be used for prayer, or as a banquet hall or as a gymnasium, this leads to ability to rent out portions of the facility as a supplementary revenue stream. If after hours the mosque hall could double as a basketball gym rented to a local league, the revenue from the league could cover a large portion of the buildings inherent expenses. Expenses that would exist regardless of how many hours a day the premises are being used.

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The concept of rental fees can even extend directly to the congregation. Parking is an issue every Mosque faces and many people who attend prayer from work want to be able to leave quickly to get back on time. A section of the parking lot could be reserved for paying congregants who want priority access parking year-round.

Conclusion

The scope of work required by Mosques in North America is changing, but the primary method of financing that scope has not changed. As such, organizations will continue to face difficulty in meeting the needs of their congregation and society at large if they do not consider alternate ways to secure revenue. The best option for Mosques is to take on social enterprise. By investing in social enterprise mosques will be able to expand and diversify their revenue stream. The strategies outlined above provide easy to start options that have proven results. This will allow mosques to meet the needs of the expanding Muslim community in North America.

Sources

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