

# **THE ZAKAT FOUNDATION OF AMERICA**

## **CONSOLIDATED FINANCIAL STATEMENTS**

*As of and for the Year Ended June 30, 2025*

*And Report of Independent Auditor*

**THE ZAKAT FOUNDATION OF AMERICA**  
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## Report of Independent Auditor

To the Board of Directors  
The Zakat Foundation of America  
Bridgeview, Illinois

### Opinion

We have audited the accompanying consolidated financial statements of The Zakat Foundation of America (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Cherry Bekaert LLP*

Orland Park, Illinois  
November 13, 2025

**THE ZAKAT FOUNDATION OF AMERICA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*JUNE 30, 2025*

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**ASSETS**

Cash and cash equivalents	\$ 28,034,090
Investments	194,354
Property and equipment, net	6,174,085
Right-of-use assets - operating leases, net	935,625
Other assets	<u>253,794</u>
<b>Total Assets</b>	<b><u>\$ 35,591,948</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$ 199,015
Accrued payroll	197,229
Accrued vacation	432,873
Obligations under operating leases	<u>724,010</u>
Total liabilities	<u>1,553,127</u>

Net Assets:

Without donor restrictions	<u>34,038,821</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 35,591,948</u></b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**THE ZAKAT FOUNDATION OF AMERICA**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2025*

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Support and Revenue:	
Contributions	\$ 34,340,413
In-kind contributions	602,550
Investment return, net	23,252
Miscellaneous income	53,289
Ertugrul USA cultural events	<u>471,365</u>
Total Support and Revenue	<u>35,490,869</u>
Expenses:	
Program services	34,444,174
Supporting Services:	
Management and general	1,198,626
Fundraising	<u>1,253,842</u>
Total Expenses Before Ertugrul USA Cultural Events Expenses	<u>36,896,642</u>
Ertugrul USA cultural events expenses	<u>1,179,781</u>
Change in net assets	(2,585,554)
Net assets without donor restrictions, beginning of year	<u>36,624,375</u>
Net assets without donor restrictions, end of year	<u>\$ 34,038,821</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**THE ZAKAT FOUNDATION OF AMERICA**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2025

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 182,665	\$ -	\$ 182,665
Advertising	1,491,122	-	372,780	1,863,902
Association dues	-	3,666	-	3,666
Automobile	87	44	15	146
Bank fees	306,270	91,881	214,389	612,540
Conferences and meetings	31,249	-	1,302	32,551
Depreciation	-	178,423	-	178,423
Direct assistance	24,061,037	-	-	24,061,037
Education and training	1,166	65	65	1,296
Fundraising events	-	-	156,515	156,515
Insurance	611,315	33,589	26,871	671,775
Legal	45,051	56,314	11,263	112,628
License and taxes	-	910	-	910
Meals and entertainment	51,773	2,408	6,020	60,201
Miscellaneous	167	2,704	598	3,469
Occupancy/rent	413,682	99,863	38,653	552,198
Office	186,057	44,782	17,365	248,204
Outside contract services	1,547,316	-	81,438	1,628,754
Payroll fees	7,414	315	158	7,887
Payroll taxes	325,602	13,855	6,928	346,385
Postage	66,476	8,309	8,309	83,094
Printing and copying	362,752	24,183	96,734	483,669
Real estate taxes	17,105	4,687	1,640	23,432
Repairs and maintenance	-	119,685	9,009	128,694
Retirement benefits	90,536	3,853	1,926	96,315
Retirement plan fees	705	30	15	750
Salaries and wages	4,043,193	247,724	132,709	4,423,626
Security	95,964	-	7,223	103,187
Subscriptions	9,078	-	683	9,761
Supplies	3,151	25,206	3,151	31,508
Telephone	33,503	1,861	1,861	37,225
Travel	322,399	18,529	29,646	370,574
Utilities	156,936	8,917	12,484	178,337
Website maintenance	163,068	24,158	14,092	201,318
<b>Total Expenses</b>	<b>\$ 34,444,174</b>	<b>\$ 1,198,626</b>	<b>\$ 1,253,842</b>	<b>\$ 36,896,642</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**THE ZAKAT FOUNDATION OF AMERICA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2025

**Cash flows from operating activities:**

Change in net assets	\$ (2,585,554)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	178,423
Donated investments	(50,035)
Net realized and unrealized gains on investments	(16,936)
Gain on sale of property and equipment	(6,313)
Amortization of right-of-use assets under operating leases	142,773
Changes in:	
Other assets	(210,000)
Accounts payable	(82,518)
Accrued payroll	44,310
Accrued vacation	76,306
Obligations under operating leases	(138,011)
Net cash flows from operating activities	<u>(2,647,555)</u>

**Cash flows from investing activities:**

Purchases of investments	(6,316)
Proceeds from sale of property and equipment	55,466
Purchases of property and equipment	<u>(2,358,513)</u>
Net cash flows from investing activities	<u>(2,309,363)</u>

Net change in cash and cash equivalents	(4,956,918)
Cash and cash equivalents, beginning of year	<u>32,991,008</u>
Cash and cash equivalents, end of year	<u>\$ 28,034,090</u>

**Noncash investing and financing transactions:**

Right-of-use asset obtained in exchange for lease liability	<u>\$ 160,470</u>
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The accompanying notes to the consolidated financial statements are an integral part of these statements.

# THE ZAKAT FOUNDATION OF AMERICA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025

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### Note 1—Nature of operations

The Zakat Foundation of America (“Zakat”) is a not-for-profit organization organized in Bridgeview, Illinois. Zakat’s mission is to foster charitable giving to alleviate poverty through the immediate needs of affected communities and establishing long-term development projects which ensure sustainable economic growth and water and food security. Zakat accomplishes this mission by bringing immediate relief during and after disasters, building and supporting schools, orphanages, and health clinics, delivering vocational training and childhood education, providing seasonal food distribution, including fresh meat, through the support of community-based initiatives, and by providing clothing and shelter in severe winter. Zakat provides support nationally and internationally. Zakat is supported primarily from contributions by the general public.

Ertugrul USA, LLC (“Ertugrul”), is a corporation organized in Bridgeview, Illinois and Zakat is the sole owner. The purpose of Ertugrul is to hold cultural events to help spread the word of Zakat’s mission. Ertugrul is primarily supported by fees to attend their cultural events.

### Note 2—Significant accounting policies

*Basis of Presentation* – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to not-for-profit organizations.

*Principles of Consolidation* – The accompanying consolidated financial statements include the accounts of Zakat and its subsidiary, Ertugrul. Inter-entity transactions and balances have been eliminated in consolidation. Zakat and Ertugrul will together be referred to as the Foundation.

*Cash and Cash Equivalents* – The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

*Concentration of Credit Risk* – The Foundation places its cash and cash equivalents on deposit with financial institutions primarily in the United States, which are insured by the Federal Deposit Insurance Corporation for up to \$250,000 for each institution. The Foundation’s cash balances at times may exceed federally insured limits. At June 30, 2025, the Foundation’s cash accounts exceeded federally insured limits by approximately \$22,000,000. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

*Investments* – Investments are recorded at cost if purchased or at fair value at the time of donation if received as a gift. Thereafter, investments are reported at fair value in the consolidated statement of financial position. Investment return (including realized and unrealized gains and losses, interest, and dividends) is reported net of external and direct internal investment expenses and is included in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

*Property and Equipment* – Property and equipment are recorded at cost if purchased or at fair value at the time of donation if received as a gift. The Foundation capitalizes property and equipment over \$2,500 that have a useful life of more than one year. Depreciation of property and equipment is computed on the straight-line basis over the estimated useful lives of the respective assets ranging from 5 to 39 years. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

# THE ZAKAT FOUNDATION OF AMERICA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025

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### Note 2—Significant accounting policies (continued)

*Net Assets* – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor-imposed restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. There were no net assets with donor restrictions as of June 30, 2025.

*Contributions* – The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional contributions as of June 30, 2025.

*In-Kind Contributions* – The Foundation receives in-kind contributions from members of the community and volunteers related to program and fundraising activities. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation recognizes in-kind contribution revenue in an amount approximating the estimated fair value at the time of the donation. The Foundation's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Foundation. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

*Functional Expenses* – The costs of program and supporting service activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include insurance, occupancy, office expense, telephone, and utilities, which are allocated on a square footage basis, as well as salaries, payroll taxes, retirement benefits, and website management, which are allocated on the basis of estimates of time and effort.

*Advertising* – Advertising costs are expensed as incurred. Advertising expense was \$1,863,902 for the year ended June 30, 2025.

*Income Taxes* – Zakat has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision has been made for either federal or state income taxes. Ertugrul is taxed as a C corporation.

The Foundation has evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal years are open and subject to examination by the Internal Revenue Service; however, the Foundation is not currently under audit nor has the Foundation been contacted by this jurisdiction.

**THE ZAKAT FOUNDATION OF AMERICA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

JUNE 30, 2025

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**Note 2—Significant accounting policies (continued)**

Based on the evaluation of the Foundation’s tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2025.

*Accounting Estimates* – The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Leases* – The Foundation leases office space and vehicles. The determination of whether an arrangement is a lease is made at the lease’s inception by management. Under Accounting Standards Codification 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Right-of-use (“ROU”) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the Foundation. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation uses the implicit rate when it is readily determinable. Since most of the Foundation’s leases do not provide an implicit rate to determine the present value of lease payments, management uses the Foundation’s risk free rate based on the information available at lease commencement. Lease assets are amortized over the lease term. The Foundation has elected the practical expedient not to recognize leases with terms of twelve months or less on the consolidated statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease.

*Subsequent Events* – Management has evaluated subsequent events through November 13, 2025, the date that the consolidated financial statements were available to be issued.

**Note 3—Liquidity and availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2025 consist of the following:

Financial assets at year-end:

Cash	\$ 28,034,090
Investments	<u>194,354</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 28,228,444</u></u>

The Foundation’s goal is to maintain available financial assets sufficient to meet its general operating expenditures, liabilities, and other obligations as they become due.

# THE ZAKAT FOUNDATION OF AMERICA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025

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### Note 4—Fair value measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2025.

*Mutual Funds* – Valued at the closing price as reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation's mutual funds measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1) at June 30, 2025 totaled \$194,354.

For the year ended June 30, 2025, there were no transfers into or out of Level 3.

**THE ZAKAT FOUNDATION OF AMERICA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2025*

**Note 5—Property and equipment**

Property and equipment at June 30, 2025 consisted of the following:

Buildings and improvements	\$ 5,560,738
Furniture and equipment	161,539
Land and land improvements	1,048,729
Vehicles	<u>303,778</u>
Total property and equipment	7,074,784
Less accumulated depreciation	<u>(900,699)</u>
Property and equipment, net	<u><u>\$ 6,174,085</u></u>

**Note 6—Leases**

The Foundation leases certain office space and vehicles at various terms under long-term noncancelable operating lease agreements. The leases expire at various dates through December 2030. All of the Foundation's leases include fixed payments. The leases provide for increases in future minimum rental payments.

Lease expense for the year ended June 30, 2025 was as follows.

Operating leases:	
Fixed rent expense	\$ 377,488
Short-term lease expense	<u>174,710</u>
Total operating lease expense	<u><u>\$ 552,198</u></u>

Aggregate future minimum lease payments and the present value of net future minimum payments at June 30, 2025 are as follows:

2026	\$ 329,960
2027	203,705
2028	115,998
2029	69,839
2030	37,143
Thereafter	<u>18,571</u>
Total minimum lease payments	775,216
Less interest	<u>(51,206)</u>
Present value of minimum lease payments	<u><u>\$ 724,010</u></u>

As of June 30, 2025, the weighted-average remaining lease term for all operating leases is 3.13 years.

Because the Foundation generally does not have access to the rate implicit in the lease, the Foundation utilizes its risk free rate as the discount rate. The weighted-average discount rate associated with operating leases as of June 30, 2025 is 4.57%.

**THE ZAKAT FOUNDATION OF AMERICA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*JUNE 30, 2025*

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**Note 7—Foreign activity concentration**

The Foundation implements programs domestically and internationally to the victims of natural and human-caused catastrophes. Donations are primarily raised in the United States of America and are used to fund programs undertaken on behalf of the Foundation by its local regional offices, United Nations related bodies, and/or licensed partner non-governmental organizations overseas. It is considered possible that program activity in one or more of these countries could be disrupted due to political and/or other events within such countries. This disruption could materially affect the operation of, and the amount of contributions for, each such program. As of June 30, 2025, the carrying value of assets held outside of the United States is as follows:

Cash	\$ 706,192
Buildings	113,117
Land	94,350
Total	<u>\$ 913,659</u>

**Note 8—In-kind contributions**

The Foundation received the following in-kind contributions for the year ended June 30, 2025:

Food	\$ 227,571
Health and educational supplies, clothing and development	296,337
Rent	78,642
Total in-kind contributions	<u>\$ 602,550</u>

The Foundation received packages of food to distribute to needy families. Based on current market rates for these items, the Foundation would have paid \$227,571 for the year ended June 30, 2025.

The Foundation received health and educational supplies, and clothing to distribute to needy families. Based on current market rates for these items, the Foundation would have paid \$296,337 for the year ended June 30, 2025.

The Foundation received free rent from its lessor at one of its program locations. Based on current market rates for similar types of property, the Foundation would have paid \$78,642 for the year ended June 30, 2025.

All in-kind contributions received by the Foundation for the year ended June 30, 2025 were without donor restrictions and were able to be used by the Foundation as determined by the Board of Directors and management. All in-kind expenses are included within direct assistance on the consolidated statement of functional expenses.

**Note 9—Retirement plan**

The Foundation provides a 401(k) defined contribution plan for eligible employees. The Foundation expenses contributions to the plan as incurred. The Foundation made contributions to the plan of \$96,315 for the year ended June 30, 2025.