

Zakat Foundation of America

Sept 2025

In the Name of Allah, the Most Gracious, the Most Merciful

Preamble

Zakat is a foundational Pillar of Islam, an obligatory act of worship (*‘ibādah*), and a cornerstone of the socio-economic framework established by Allah for the flourishing of human society. It is neither a mere tax nor a discretionary act of charity; it is a divine prescription that purifies the wealth of the giver and affirms the divinely ordained right (*ḥaqq*) of those in need, as stated in the Holy Quran: “And in their wealth there was a rightful share for the beggar and the destitute” (51:19).

The Zakat Foundation of America acknowledges that all wealth is a trust from Allah (*amānah*). The portion of that wealth designated for Zakat is the exclusive property of its eligible recipients. The Foundation, therefore, acts as a conscientious steward (*wakīl*), charged with the sacred responsibility of collecting and distributing this trust with integrity, transparency, and precision. In regions where a formal state-based Zakat authority does not exist, the Foundation assumes the institutional role of administering this Pillar on behalf of the community.

This policy follows the principles of the Holy Quran and the Sunnah of the Prophet Muhammad (ﷺ), as understood by Islamic scholarship. It serves as a public covenant, outlining the principles that govern every aspect of the Foundation’s Zakat operations, ensuring that this duty is fulfilled in a manner that is both professionally sound and fully compliant with Islamic Law (*Sharī‘ah*).

This policy covers the following broad articles:

Article 1: Fund Management and Integrity

Article 2: Scholarly Oversight and Sharī‘ah Compliance

Article 3: Principles and Methodology of Distribution

Article 4: Administrative Costs

Article 5: Stewardship of Donor Designations

Article 6: Commitment to Excellence, Transparency, and Dignity

Article 1: Fund Management and Integrity

The Zakat Foundation of America mandates standards of financial management to preserve the sanctity of Zakat funds and ensure integrity.

1.1. The Sanctity of the Zakat Fund: Zakat funds are treated as a sacred trust owed to the poor and other eligible beneficiaries. These funds are never considered operational assets of the Foundation but are held in trust as a pass-through mechanism dedicated solely to their divinely appointed purpose.

1.2. Segregation of Funds: All funds received as Zakat are deposited into its own account. This account is segregated from all other sources of revenue, including *Sadaqah* (voluntary alms), institutional grants, *waqf* (endowment) proceeds, or general operational income. This segregation prevents the commingling of funds and guarantees that Zakat is used for Zakat-eligible expenditures.

1.3. Internal Controls and Accountability: The Foundation employs accounting standards and internal controls, including segregation of duties and periodic financial reconciliations, to track every Zakat dollar from receipt to final disbursement. This creates a clear audit trail, guaranteeing accountability to donors, beneficiaries, and, above all, to Allah.

Article 2: Scholarly Oversight and Sharī'ah Compliance

The Zakat Foundation of America operates under the guidance and authority of qualified Islamic scholarship to ensure all Zakat-related activities are in adherence to the principles of Islamic Law (*Sharī'ah*).

2.1. Mandate of the Scholarly Board: The Foundation maintains a council of qualified, independent scholars with specialization in Islamic jurisprudence (*fiqh*), particularly the jurisprudence of Zakat. This body is charged with providing oversight and ensuring the *Sharī'ah* compliance of all Zakat-related matters.

2.2. Scope of Oversight: The scholarly board's authority extends to all facets of Zakat administration. This includes but is not limited to: the review and approval of this Zakat Policy; the validation of *niṣāb* (minimum wealth threshold) calculation methodologies; the determination of Zakat eligibility for all programs; and the assessment of contemporary issues related to Zakat on modern financial assets.

2.3. Islamic Legal Opinions (*Fatāwā*): For novel or complex legal and ethical matters that arise during operations, the Foundation shall formally request and abide by the legal opinions (*fatāwā*) issued by its scholarly board. These rulings are considered binding upon the Foundation's management and staff, ensuring that all practices remain firmly within the bounds of the Islamic Ethos.

Article 3: Principles and Methodology of Distribution

In accordance with the Quran (Surat At-Tawbah, 9:60), the Zakat Foundation of America requires that Zakat funds be distributed among the eight categories of recipients designated by Allah.

3.1. The Eight Divinely Ordained Categories: The Poor (*al-fuqarā'*), The Needy (*al-masākīn*), The Administrators of Zakat (*'āmilīna 'alayhā*), Those Whose Hearts are to be Reconciled (*mu'allafati qulūbuhum*), To Free Captives (*fī al-riqāb*), The Debt-Ridden (*al-ghārimīn*), In the Cause of Allah (*fī sabīlillāh*), The Wayfarer (*ibn al-sabīl*)

3.2. Programmatic Implementation and Methodology: The Foundation translates these eight categories into a professional framework.

3.2.1. Translation into Impact Areas: The eight categories directly inform the Foundation's programmatic focus. Through needs assessments, the Foundation identifies and prioritizes the most critical areas of need, allowing for the timely allocation of Zakat funds to structured Impact Areas such as Poverty Alleviation, Food Security, Health & Well-being, Orphan & Widow Support, and Emergency & Disaster Relief.

3.2.2. Prioritization of the Poor and Needy: In alignment with the primary objective of Zakat, the Foundation's programming gives priority to the first two categories—*al-fuqarā'* and *al-masākīn*—to alleviate poverty and uphold human dignity.

3.2.3. Empowerment and Sustainability: The Foundation seeks not only to provide immediate relief but also to fulfill the objective of eradicating poverty. In accordance with the principle of helping recipients become self-sufficient, Zakat may be disbursed as grants for education, vocational training, or the acquisition of tools and assets that enable individuals to establish a sustainable livelihood.

Article 4: Administrative Costs

The Zakat Foundation of America is committed to maximizing the impact of every Zakat donation through operational efficiency and transparency regarding administrative costs.

4.1. Capped Percentage: The Foundation caps its administrative and operational expense deduction from Zakat funds at a maximum of **12.5%**.

4.2. Quranic Justification: This deduction is not an overhead expense but a disbursement sanctioned within the Quranic framework under the third category, *'āmilīna 'alayhā* (the administrators of Zakat). It is a reimbursement for the direct costs incurred in the administration of the Zakat trust.

4.3. Scope of Administrative Costs: This allocation covers expenses related to the execution of Zakat programs, including the salaries of Zakat program staff, beneficiary vetting and needs assessment costs, project monitoring and evaluation, and the logistical costs of aid distribution. It does not cover general, non-Zakat-related fundraising or unrelated institutional overhead.

4.4. Third-Party Processing Fees: Fees charged by third-party financial institutions for the processing of donations (e.g., credit card fees) are direct transaction costs. These are passed through at cost and are separate from the Foundation's administrative cap, ensuring that the full Zakat donation, net of these external fees, is subject to the policies outlined herein.

Article 5: Stewardship of Donor Designations

The Zakat Foundation of America regards every Zakat donation as a trust (*amānah*) and is duty-bound to honor the specific designations of its donors.

5.1. Restricted Zakat: When a donor designates their Zakat for a specific, eligible Quranic category, a particular region, or a specific Zakat-eligible program, those funds are recorded as restricted and are disbursed for that stated purpose.

5.2. Unrestricted Zakat: Zakat donations that are not restricted by the donor are considered unrestricted (or general) Zakat. These funds provide the Foundation with the fiduciary discretion to allocate them to Zakat-eligible programs and beneficiaries facing the most urgent need, as identified by the Foundation's assessments.

5.3. Institutional Guarantee: In the rare event that a designated purpose becomes impossible or impractical to fulfill, the Foundation will proactively contact the donor for guidance

on reallocating the funds to a similar, eligible purpose. This protocol ensures the donor's intent is considered in the stewardship of their contribution.

Article 6: Commitment to Excellence, Transparency, and Dignity

The principles outlined in this policy represent our commitment to our donors, our beneficiaries, and the wider community, reflecting the highest standards of excellence (*ihsān*).

6.1. Verification and Needs Assessment: The professional fulfillment of the Zakat *amānah* requires precision. The Foundation and its field partners conduct needs assessments to identify and verify the eligibility of all potential Zakat beneficiaries. This due diligence ensures that aid is directed with certainty to those who qualify according to *Sharī'ah* criteria.

6.2. Independent Financial Audits and Reporting: The Foundation is subject to annual financial audits by independent, certified public accounting firms to verify compliance with this policy and all applicable regulations. The Foundation is committed to public transparency and makes its audited financial statements and annual reports readily available to all stakeholders.

6.3. Protection of Beneficiary Dignity (*Karāmah*): In accordance with the Islamic principle of preserving the dignity of every human being, the Foundation requires that all beneficiary data be handled with confidentiality. The dignity (*karāmah*) of every Zakat recipient shall be protected at all times. The use of names, stories, or images of beneficiaries is permissible only with their informed consent.

6.4. Stewardship of Implementing Partnerships: The Zakat Foundation of America extends its principles of accountability to all implementing partners. Any external organization tasked with distributing Zakat on the Foundation's behalf is subject to a vetting process. This due diligence ensures our partners share our commitment to *Sharī'ah* compliance, financial transparency, and the dignified treatment of beneficiaries, guaranteeing the integrity of Zakat funds from collection to the point of distribution.

6.5. Stakeholder Engagement and Feedback: In its commitment to transparency and continuous improvement, the Zakat Foundation of America maintains mechanisms for stakeholders, including donors and beneficiaries, to provide feedback or raise concerns regarding the Foundation's operations and adherence to this policy. All such feedback is reviewed seriously and addressed in a timely manner.

6.6. Policy Governance: This Zakat Policy is reviewed periodically by the Board of Directors and the Foundation's scholarly advisors to ensure its alignment with *Sharī'ah* principles and the highest standards of humanitarian governance. Detailed operational procedures support the implementation of this policy and are maintained separately to ensure consistent execution.

This policy has been formally reviewed and adopted by the Board of Directors of the Zakat Foundation of America.