

**THE ZAKAT FOUNDATION OF AMERICA  
REPORT ON THE AUDIT  
OF THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2017 AND 2016**

## THE ZAKAT FOUNDATION OF AMERICA

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Zakat Foundation of America

### Report on the Financial Statements

We have audited the accompanying financial statements of The Zakat Foundation of America (an Illinois not-for-profit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Zakat Foundation of America as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Knuttle & Associates, P.C.*

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 5,452,037	\$ 5,177,590
Investments	26,690	23,276
Employee Advances	0	150
Refundable Building Deposit	599,664	0
Prepaid Expenses	80,000	26,956
	<b>6,158,391</b>	<b>5,227,972</b>
<b>TOTAL CURRENT ASSETS</b>		
<b>FIXED ASSETS</b>		
Buildings and Improvements	1,799,161	1,482,006
Land	276,456	198,217
Furniture and Equipment	173,983	172,054
Vehicles	90,564	141,358
	2,340,164	1,993,635
Less -- Accumulated Depreciation and Amortization	281,448	252,371
	<b>2,058,716</b>	<b>1,741,264</b>
<b>TOTAL FIXED ASSETS</b>		
<b>OTHER ASSETS</b>		
Security Deposits	5,500	6,050
Investment - Land Held for Sale	6,000	6,000
	<b>11,500</b>	<b>12,050</b>
<b>TOTAL OTHER ASSETS</b>		
	<b>\$ 8,228,607</b>	<b>\$ 6,981,286</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,228,607</b>	<b>\$ 6,981,286</b>

## LIABILITIES AND NET ASSETS

	2017	2016
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 66,969	\$ 104,184
Capital Lease Obligation	0	31,062
Accrued Payroll Liabilities	30,934	28,416
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	97,903	163,662
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	97,903	163,662
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	8,130,704	6,817,624
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	8,130,704	6,817,624
	<hr/>	<hr/>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 8,228,607</u>	 <u>\$ 6,981,286</u>

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>PUBLIC SUPPORT AND REVENUES</b>				
Contributions	\$ 10,325,235	\$ 0	\$ 0	\$ 10,325,235
In-Kind Donations	2,431,383	0	0	2,431,383
Gain on Lease Cancellation	30,580	0	0	30,580
Interest Revenue	3,473	0	0	3,473
Miscellaneous	456	0	0	456
Net Assets Released from Restrictions	0	0	0	0
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>12,791,127</b>	<b>0</b>	<b>0</b>	<b>12,791,127</b>
<b>FUNCTIONAL EXPENSES</b>				
Program Services				
Emergency Relief	6,593,977	0	0	6,593,977
Seasonal Programs	1,632,211	0	0	1,632,211
Development	815,931	0	0	815,931
Orphan Sponsorship	443,133	0	0	443,133
Education	379,415	0	0	379,415
Other Program Support	280,052	0	0	280,052
Total Program Services	10,144,719	0	0	10,144,719
Management and General	850,021	0	0	850,021
Fundraising	483,307	0	0	483,307
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>11,478,047</b>	<b>0</b>	<b>0</b>	<b>11,478,047</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,313,080</b>	<b>0</b>	<b>0</b>	<b>1,313,080</b>
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<b>6,817,624</b>	<b>0</b>	<b>0</b>	<b>6,817,624</b>
<b>END OF YEAR</b>	<b>\$ 8,130,704</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,130,704</b>

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>PUBLIC SUPPORT AND REVENUES</b>				
Contributions	\$ 9,344,265	\$ 0	\$ 0	\$ 9,344,265
In-Kind Donations	269,629	0	0	269,629
Miscellaneous	19,234	0	0	19,234
Interest Revenue	934	0	0	934
Net Assets Released from Restrictions	0	0	0	0
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>9,634,062</b>	<b>0</b>	<b>0</b>	<b>9,634,062</b>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services				
Emergency Relief	3,105,340	0	0	3,105,340
Seasonal Programs	2,219,353	0	0	2,219,353
Education	1,055,739	0	0	1,055,739
Development	671,891	0	0	671,891
Orphan Sponsorship	402,084	0	0	402,084
Other Program Support	329,790	0	0	329,790
Total Program Services	7,784,197	0	0	7,784,197
Management and General	778,841	0	0	778,841
Fundraising	465,817	0	0	465,817
Total Functional Expenses	9,028,855	0	0	9,028,855
Loss on Disposal of Fixed Asset	1,218	0	0	1,218
<b>TOTAL EXPENSES AND LOSSES</b>	<b>9,030,073</b>	<b>0</b>	<b>0</b>	<b>9,030,073</b>
<b>CHANGE IN NET ASSETS</b>	<b>603,989</b>	<b>0</b>	<b>0</b>	<b>603,989</b>
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<b>6,213,635</b>	<b>0</b>	<b>0</b>	<b>6,213,635</b>
<b>END OF YEAR</b>	<b>\$ 6,817,624</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,817,624</b>

**See Accompanying Notes To The Financial Statements.**



**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
<b>FUNCTIONAL EXPENSES</b>				
Accounting Fees	\$ 0	\$ 33,201	\$ 2,499	\$ 35,700
Advertising	256,242	0	28,471	284,713
Association Dues	0	12,635	0	12,635
Automobile	11,570	10,694	1,421	23,685
Bank Fees	132,332	36,255	12,689	181,276
Conference	19,697	0	821	20,518
Depreciation and Amortization	0	79,871	0	79,871
Direct Assistance	8,156,292	0	0	8,156,292
Education and Training	5,930	0	0	5,930
Fundraising Events	0	0	89,665	89,665
Insurance	139,718	38,279	13,398	191,395
Interest	0	102	0	102
Legal Fees	8,171	2,239	784	11,194
License and Taxes	0	7,462	0	7,462
Miscellaneous	0	9,958	0	9,958
Occupancy	29,382	8,050	2,817	40,249
Office	37,622	10,307	3,608	51,537
Outside Contract Services	131,160	0	16,886	148,046
Payroll Fees	0	1,813	0	1,813
Payroll Taxes	78,935	34,620	24,927	138,482
Penalties	0	1,280	0	1,280
Postage	107,473	29,445	10,306	147,224
Printing and Copying	62,345	8,363	5,322	76,030
Repairs and Maintenance	0	16,134	1,214	17,348
Retirement Match	1,696	1,076	551	3,323
Salaries and Wages	780,268	495,136	253,519	1,528,923
Security	5,500	0	414	5,914
Subscriptions	969	0	73	1,042
Supplies	0	12,102	772	12,874
Telephone	17,981	999	999	19,979
Travel	74,783	0	5,629	80,412
Utilities	23,672	0	1,782	25,454
Website Maintenance	62,981	0	4,740	67,721
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 10,144,719</b>	<b>\$ 850,021</b>	<b>\$ 483,307</b>	<b>\$ 11,478,047</b>

**See Accompanying Notes To The Financial Statements.**

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
<b>FUNCTIONAL EXPENSES</b>				
Accounting Fees	\$ 0	\$ 29,922	\$ 2,252	\$ 32,174
Advertising	417,896	0	46,433	464,329
Association Dues	0	9,390	0	9,390
Automobile	11,280	0	720	12,000
Bank Fees	109,995	30,136	10,547	150,678
Conference	16,552	0	690	17,242
Depreciation and Amortization	0	89,161	0	89,161
Direct Assistance	5,646,991	0	0	5,646,991
Education and Training	3,370	0	0	3,370
Fundraising Events	0	0	103,313	103,313
Insurance	102,194	27,997	9,799	139,990
Interest	0	1,277	0	1,277
Legal Fees	3,966	1,087	380	5,433
License and Taxes	0	6,779	0	6,779
Miscellaneous	0	341	0	341
Occupancy	45,973	12,595	4,408	62,976
Office	17,924	4,911	1,719	24,554
Outside Contract Services	206,789	12,738	11,235	230,762
Payroll Fees	0	1,653	0	1,653
Payroll Taxes	70,863	31,080	22,378	124,321
Penalties	0	525	0	525
Postage	75,011	20,551	7,193	102,755
Printing and Copying	71,337	9,570	6,090	86,997
Repairs and Maintenance	0	29,278	2,204	31,482
Salaries and Wages	728,491	440,369	216,468	1,385,328
Security	8,549	0	643	9,192
Subscriptions	185	0	14	199
Supplies	0	18,307	1,169	19,476
Telephone	21,126	1,174	1,174	23,474
Travel	85,671	0	6,448	92,119
Utilities	25,976	0	1,955	27,931
Website Maintenance	114,058	0	8,585	122,643
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 7,784,197</b>	<b>\$ 778,841</b>	<b>\$ 465,817</b>	<b>\$ 9,028,855</b>

**See Accompanying Notes To The Financial Statements.**

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Donors	\$10,325,691	\$ 9,363,499
Interest Received	3,473	934
Paid to Suppliers and Employees	(9,653,396)	(8,580,730)
Interest Paid	(102)	(1,277)
Income Taxes Paid	0	0
	<u>675,666</u>	<u>782,426</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the Purchase of Fixed Assets	(397,323)	(283,477)
Payments for the Purchase of Investments	(3,414)	(769)
	<u>(400,737)</u>	<u>(284,246)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligation	(482)	(5,681)
	<u>(482)</u>	<u>(5,681)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE CASH AND CASH EQUIVALENTS</b>	274,447	492,499
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	<u>5,177,590</u>	<u>4,685,091</u>
<b>END OF YEAR</b>	<u><u>\$ 5,452,037</u></u>	<u><u>\$ 5,177,590</u></u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Donated Goods	\$ 2,431,383	\$ 269,629
Gain on Lease Cancellation	30,580	0
	<u>\$ 2,461,963</u>	<u>\$ 269,629</u>
<b>TOTAL NON-CASH OPERATING ACTIVITIES</b>		

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 1,313,080</u>	<u>\$ 603,989</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	79,871	89,161
Loss on Disposal of Fixed Asset	0	1,218
Gain on Lease Cancellation	(30,580)	0
Changes in Certain Assets and Liabilities:		
Employee Advances	150	3,138
Refundable Building Deposit	(599,664)	0
Prepaid Expenses	(53,044)	49,051
Security Deposits	550	(440)
Accounts Payable	(37,215)	58,004
Accrued Payroll Liabilities	2,518	(21,695)
Total Adjustments	<u>(637,414)</u>	<u>178,437</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 675,666</u></u>	<u><u>\$ 782,426</u></u>

**See Accompanying Notes To The Financial Statements.**

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

A) Organization and Nature of Activities

The Zakat Foundation of America (the "Foundation") was incorporated in the state of Illinois on July 24, 2001. The Foundation is involved in the relief and development for individuals and communities in various third world countries, providing emergency aid, food distribution, education, development, health programs, and orphan sponsorship as follows:

*Emergency Relief* - Includes programs that assist in reviving the economies of communities devastated by natural and man-made disasters. These services are provided by the Foundation and sometimes through the Foundation's partners and the United Nations agencies to provide relief to refugees and other affected people.

*Seasonal Programs* - Includes programs providing food to needy individuals around the world for immediate and long-term sustenance, as well as two extensive seasonal food distribution programs, Ramadan and Udhiya (Food Security). The Foundation also distributes heavy jackets, blankets, comforters, and other items under the winterization program.

*Education* - Includes programs that address a lack of education among children and adult literacy by providing funds for materials, supplies, support and construction of schools, and provide higher education for teachers.

*Development* - The Foundation offers various programs under development:

a) *Health and Wellbeing*: Healthcare programs that improve individual and community health through education, immunization, and other preventative measures; including operations of funding of clinics, hospitals, and other healthcare institutions; improvement, rehabilitation and renovation of the existing healthcare infrastructure; and the provision of medicines, medical supplies, and medical equipment to healthcare facilities.

b) *Sadaqa Jariya (Continuous Charity)*: Providing destitute communities with ongoing assistance by building water wells and hand pumps for drinking and small agricultural irrigation, providing shelter, and building mosques and other amenities.

c) *Animal Husbandry*: For sustainable economic development, the Foundation provides needy individuals and their communities cows, sheep, and other animals as an income source to sustain their livelihood.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

A) Organization and Nature of Activities (Continued)

*Development* (Continued)

d) *Vocational Training*: Providing less fortunate individuals, families, and communities (such as refugees, widows, and orphans) vocational training in sewing and making small saleable items such as hand bags, leather wallets, shoes, and other items. The Foundation also distributes sewing machines and equipment to individuals to earn income for themselves.

e) *Micro Financing*: Providing small micro financing programs for improving economic and social conditions to destitute families.

*Orphan Sponsorship* – Includes locating and providing single-parent or orphaned children with daily care, clothing, healthcare, and education by assisting single-parents or caretaker/guardians, or by enrolling children in orphanages run by the Foundation or their partner organizations.

*Other Program Support* - Includes all ancillary program services needed to maintain and enhance specific program sectors.

B) Method of Accounting

The Foundation's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Expenses are recorded when incurred.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation does not use fund accounting.

**THE ZAKAT FOUNDATION OF AMERICA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

C) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in the change in net assets.

Refundable Building Deposit - The Foundation paid a \$599,664 deposit for the purchase of a building. The transaction was cancelled by the seller in July 2017 and the Foundation was subsequently refunded the full deposit amount.

Fixed Assets - Fixed assets are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. The Foundation capitalizes assets with an original cost of \$1,000 or greater. Depreciation and amortization is computed on the straight-line or double-declining balance methods over various useful lives. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 amounts to \$79,871 and \$89,161, respectively.

Revenue - Contributions are reported as temporarily restricted support if they are received with donor stipulations limiting the use of the donated asset.

Advertising - Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. At June 30, 2017 and 2016, the Foundation has no costs associated with direct-response advertising. Advertising expense is \$284,713 and \$464,329 for the years ended June 30, 2017 and 2016, respectively.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

C) Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, a provision for income taxes has not been made on the financial statements. The Foundation files its tax returns with U.S. federal and various state and local tax jurisdictions. With few exceptions, the Foundation is no longer subject to examinations by major tax jurisdictions for the years ended June 30, 2014 and prior. The Foundation had no income tax expense for the years ended June 30, 2017 and 2016, respectively.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Foundation has deposits at one financial institution in excess of federally insured limits of approximately \$5,125,000 and \$4,600,000 at June 30, 2017 and 2016, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 3 - INVESTMENTS**

At June 30, 2017, the Foundation's investments are stated at fair value and consist of the following:

	<b>Fair Value at June 30, 2017</b>	<b>Quoted Price in Active Markets for Identical Assets (Level 1)</b>	<b>Unobservable Inputs (Level 3)</b>
Mutual Funds	\$ 26,690	\$ 26,690	\$ 0
Land	6,000	0	6,000
	<u>\$ 32,690</u>	<u>\$ 26,690</u>	<u>\$ 6,000</u>



**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - INVESTMENTS (CONTINUED)**

At June 30, 2016, the Foundation's investments are stated at fair value and consist of the following:

	<b>Fair Value at June 30, 2016</b>	<b>Quoted Price in Active Markets for Identical Assets (Level 1)</b>	<b>Unobservable Inputs (Level 3)</b>
Mutual Funds	\$ 23,276	\$ 23,276	\$ 0
Land	6,000	0	6,000
	<u>\$ 29,276</u>	<u>\$ 23,276</u>	<u>\$ 6,000</u>

Generally accepted accounting principles provide the definition of fair value for financial reporting, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and require disclosure about the use of fair value measurements. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. When no Level 1 or 2 inputs were available to the Foundation, one investment was valued using Level 3 inputs.

**Level 1 Fair Value Measurements**

The fair value of mutual funds is based on unadjusted quoted market prices in active markets for identical assets.

**Level 3 Fair Value Measurements**

The fair value of land is based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 - CAPITAL LEASE OBLIGATION**

The Foundation was the lessee of a vehicle under a capital lease which expired on July 2016. The asset and liability under the capital lease was recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset was depreciated over the lower of its related lease term or its estimated productive life. The cost of the asset under the capital lease was \$50,794. Depreciation of the asset under the capital lease was included in depreciation expense. The asset was returned at the termination of the lease. The lease liability was extinguished in full on July 17, 2016. A corresponding gain on cancellation of lease of \$30,580 has been recognized for the year ended June 30, 2017.

**NOTE 5 - IN-KIND DONATIONS**

Donated Goods - Donated goods are recorded at fair value on the date of receipt. The Foundation received donations of medical supplies and equipment, clothing, food, and supplies to benefit refugees with a fair value of \$2,431,383 and \$269,629 for the years ended June 30, 2017 and 2016, respectively. These amounts are included in In-Kind Donations Revenue and Program Service Expense in the Statements of Activities.

Donated Services - Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Foundation receives donated services from a variety of unpaid volunteers assisting the Foundation in its programs. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied.

**NOTE 6 - LEASE COMMITMENTS**

In 2012, the Foundation entered into a lease for a community center space in Chicago with minimum monthly payments of \$1,500 covering the period May 1, 2012 through April 30, 2017. The lease allows for two five year extensions. The Foundation cancelled the lease during the year ended June 30, 2016.

In April 2014, the Foundation entered into a lease for additional office space in Washington D.C. with minimum monthly payments of \$1,842 plus fees covering the period April 21, 2014 through April 30, 2015. The Foundation did not renew this lease and leased the space on a month-to-month basis until May 1, 2016. On that date, the Foundation entered into a lease agreement with minimum monthly payments of \$190 covering the period from May 1, 2016 through May 31, 2017. The lease was extended through November 30, 2018.

**THE ZAKAT FOUNDATION OF AMERICA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 6 - LEASE COMMITMENTS (CONTINUED)**

In October 2014, the Foundation entered into a lease for additional office space in Delaware with minimum monthly payments of \$2,760 covering the period December 1, 2014 through January 1, 2016. The Foundation did not renew this lease. Prior to this lease, the Foundation leased its office space in Delaware on a month-to-month basis.

In November 2015, the Foundation entered into a lease for additional office space in Bensenville, Illinois with minimum monthly payments of \$3,900 covering the period of January 1, 2016 through December 31, 2016. The lease was not renewed.

In April 2016, the Foundation entered into a lease for additional office space in New York, New York with minimum monthly payments of \$2,300 on a month-to-month basis.

In June 2017, the Foundation entered into a lease for a wellness clinic in Worth, Illinois with minimum monthly payments of \$3,200 covering the period of August 1, 2017 through July 31, 2020.

In July 2016, the Foundation entered into a lease for a vehicle with 36 minimum monthly payments of \$663 through June 2019.

Rent expense for the years ended June 30, 2017 and 2016 amounts to \$40,249 and \$62,976, respectively.

Future minimum lease commitments under these operating leases are as follows:

For the Year Ended June 30, 2018	\$	52,756	
		2019	54,356
		2020	38,400
		2021	3,200
			<u>          </u>
	\$	<u>148,712</u>	

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 7 - CONCENTRATION OF FOREIGN OPERATIONS RISK**

Contributions are raised in the United States of America. Major program activities funded by the Foundation occur in foreign countries torn by war, famine, or natural catastrophe and are undertaken on behalf of the Foundation by local authorities and organizations. It is considered reasonably possible that operations outside the U.S. could be disrupted due to political events. This disruption could materially affect the amount of contributions raised in the U.S. or result in a loss of funds transferred overseas that were intended to operate these programs. The Foundation has assets outside the U.S. with a carrying value of \$272,521 and \$285,690 as of June 30, 2017 and 2016, respectively. The Foundation operates in the following regions: Central America, East Asia and the Pacific, Europe, Middle East and Northern Africa, South America, South Asia, and Sub-Saharan Africa.

**NOTE 8 - RETIREMENT PLAN**

Beginning in fiscal year 2017, the Foundation maintains a 401(k) defined contribution plan. Employees over the age of 21 with over three months of service are eligible to participate in the plan. The Foundation matches contributions dollar for dollar up to 3% of gross wages. Foundation matching contributions are \$3,323 and \$0 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 9 - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 5, 2018, the date the financial statements were available to be issued.