

**THE ZAKAT FOUNDATION OF AMERICA
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 AND 2017**

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	\$ 6,020,693	\$ 5,452,037
Investments	40,621	26,690
Refundable Building Deposit	0	599,664
Prepaid Expenses	0	80,000
	<u>6,061,314</u>	<u>6,158,391</u>
FIXED ASSETS		
Buildings and Improvements	1,853,456	1,799,161
Land	276,456	276,456
Furniture and Equipment	173,983	173,983
Vehicles	90,564	90,564
	<u>2,394,459</u>	<u>2,340,164</u>
Less -- Accumulated Depreciation and Amortization	359,988	281,448
	<u>2,034,471</u>	<u>2,058,716</u>
OTHER ASSETS		
Security Deposits	8,561	5,500
Investment - Land Held for Sale	6,000	6,000
	<u>14,561</u>	<u>11,500</u>
TOTAL ASSETS	<u>\$ 8,110,346</u>	<u>\$ 8,228,607</u>

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts Payable	\$ 137,145	\$ 66,969
Accrued Payroll Liabilities	38,692	30,934
TOTAL CURRENT LIABILITIES	<u>175,837</u>	<u>97,903</u>
TOTAL LIABILITIES	<u>175,837</u>	<u>97,903</u>
NET ASSETS		
Unrestricted	<u>7,934,509</u>	<u>8,130,704</u>
TOTAL NET ASSETS	<u>7,934,509</u>	<u>8,130,704</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,110,346</u>	<u>\$ 8,228,607</u>

See The Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES AND GAINS				
Contributions	\$ 9,117,370	\$ 0	\$ 0	\$ 9,117,370
In-Kind Donations	126,425	0	0	126,425
Interest Revenue	2,990	0	0	2,990
Miscellaneous	1,126	0	0	1,126
Net Assets Released from Restrictions	0	0	0	0
TOTAL REVENUES AND GAINS	9,247,911	0	0	9,247,911
EXPENSES AND LOSSES				
Program Services				
Development	2,030,431	0	0	2,030,431
Seasonal Programs	1,705,954	0	0	1,705,954
Emergency Relief	1,493,675	0	0	1,493,675
Education	1,353,202	0	0	1,353,202
Orphan Sponsorship	1,119,350	0	0	1,119,350
Other Program Support	311,493	0	0	311,493
Total Program Services	8,014,105	0	0	8,014,105
Management and General	904,359	0	0	904,359
Fundraising	525,642	0	0	525,642
TOTAL EXPENSES AND LOSSES	9,444,106	0	0	9,444,106
CHANGE IN NET ASSETS	(196,195)	0	0	(196,195)
NET ASSETS,				
BEGINNING OF YEAR	8,130,704	0	0	8,130,704
END OF YEAR	\$ 7,934,509	\$ 0	\$ 0	\$ 7,934,509

See The 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
REVENUES AND GAINS				
Contributions	\$ 10,325,235	\$ 0	\$ 0	\$ 10,325,235
In-Kind Donations	2,431,383	0	0	2,431,383
Miscellaneous	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
TOTAL REVENUES AND GAINS	12,791,127	0	0	12,791,127
EXPENSES AND LOSSES				
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
TOTAL EXPENSES AND LOSSES	11,478,047	0	0	11,478,047
CHANGE IN NET ASSETS	1,313,080	0	0	1,313,080
NET ASSETS,				
BEGINNING OF YEAR	6,817,624	0	0	6,817,624
END OF YEAR	\$ 8,130,704	\$ 0	\$ 0	\$ 8,130,704

See The Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Accounting Fees	\$ 0	\$ 31,316	\$ 2,357	\$ 33,673
Advertising	448,678	0	49,853	498,531
Association Dues	0	15,191	0	15,191
Automobile	10,291	7,956	1,165	19,412
Bank Fees	116,422	31,897	11,164	159,483
Conference	10,334	0	431	10,765
Depreciation and Amortization	0	78,540	0	78,540
Direct Assistance	5,726,048	0	0	5,726,048
Donation	326	0	0	326
Education and Training	7,963	0	0	7,963
Fundraising Events	0	0	117,149	117,149
Insurance	111,133	30,448	10,657	152,238
Interest	0	24	0	24
Legal Fees	137,056	37,549	13,142	187,747
License and Taxes	0	16,275	0	16,275
Meals and Entertainment	11,175	0	0	11,175
Miscellaneous	0	2,308	0	2,308
Occupancy	63,272	17,335	6,067	86,674
Office	31,214	8,551	2,993	42,758
Outside Contract Services	246,592	385	6,250	253,227
Payroll Fees	0	1,594	0	1,594
Payroll Taxes	73,561	32,264	23,230	129,055
Postage	21,600	5,917	2,071	29,588
Printing and Copying	118,520	15,899	10,118	144,537
Repairs and Maintenance	0	10,801	813	11,614
Retirement Match	14,411	11,401	5,296	31,108
Salaries and Wages	674,971	533,925	248,063	1,456,959
Security	5,284	0	398	5,682
Subscriptions	13,312	0	1,002	14,314
Supplies	0	13,682	873	14,555
Telephone	19,831	1,101	1,102	22,034
Travel	96,630	0	7,273	103,903
Utilities	27,319	0	2,055	29,374
Website Maintenance	28,162	0	2,120	30,282
TOTAL FUNCTIONAL EXPENSES	\$ 8,014,105	\$ 904,359	\$ 525,642	\$ 9,444,106

See The Accompanying Notes To The Financial Statements.

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

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
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
TOTAL FUNCTIONAL EXPENSES	\$ 10,144,719	\$ 850,021	\$ 483,307	\$ 11,478,047

See The Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Donors	\$ 9,118,496	\$ 10,325,691
Interest Received	2,990	3,473
Paid to Suppliers and Employees	(8,484,580)	(9,653,396)
Interest Paid	(24)	(102)
Income Taxes Paid	0	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	636,882	675,666
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Fixed Assets	(54,295)	(397,323)
Payments for the Purchase of Investments	(13,931)	(3,414)
NET CASH USED IN INVESTING ACTIVITIES	(68,226)	(400,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligation	0	(482)
NET CASH USED IN FINANCING ACTIVITIES	0	(482)
NET INCREASE CASH AND CASH EQUIVALENTS	568,656	274,447
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	5,452,037	5,177,590
END OF YEAR	\$ 6,020,693	\$ 5,452,037
NON-CASH OPERATING ACTIVITIES		
Donated Goods	\$ 126,425	\$ 2,431,383
Gain on Lease Cancellation	0	30,580
TOTAL NON-CASH OPERATING ACTIVITIES	\$ 126,425	\$ 2,461,963

See The Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (196,195)</u>	<u>\$ 1,313,080</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	78,540	79,871
Gain on Lease Cancellation	0	(30,580)
Changes in Certain Assets and Liabilities:		
Employee Advances	0	150
Refundable Building Deposit	599,664	(599,664)
Prepaid Expenses	80,000	(53,044)
Security Deposits	(3,061)	550
Accounts Payable	70,176	(37,215)
Accrued Payroll Liabilities	<u>7,758</u>	<u>2,518</u>
Total Adjustments	<u>833,077</u>	<u>(637,414)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 636,882</u></u>	<u><u>\$ 675,666</u></u>

See The Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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, 2018 AND 2017**

**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, 2018 AND 2017

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, 2018 and 2017 amounts to \$78,540 and \$79,871, 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, 2018 and 2017, the Foundation has no costs associated with direct-response advertising. Advertising expense is \$498,530 and \$284,713 for the years ended June 30, 2018 and 2017, respectively.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**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, 2015 and prior. The Foundation had no income tax expense for the years ended June 30, 2018 and 2017, respectively.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Foundation has deposits at one financial institution in excess of federally insured limits of approximately \$5,520,000 and \$5,125,000 at June 30, 2018 and 2017, 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, 2018 and 2017, the Foundation's investments are stated at fair value and consist of the following:

	Fair Value at June 30, 2018	Quoted Price in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)
Mutual Funds	\$ 40,621	\$ 40,621	\$ 0
Land	6,000	0	6,000
	<u>\$ 46,621</u>	<u>\$ 40,621</u>	<u>\$ 6,000</u>

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 3 - INVESTMENTS (CONTINUED)

	Fair Value at June 30, 2017	Quoted Price in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)
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>

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.

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 was recognized for the year ended June 30, 2017.

THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 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 \$126,425 and \$2,431,383 for the years ended June 30, 2018 and 2017, 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 November 2015, the Foundation entered into a twelve month non-cancellable operating lease for office space in Bensenville, Illinois with minimum monthly payments of \$3,900 through December 2016. The lease was not renewed.

In April 2016, the Foundation entered into a month-to-month lease for office space in New York, New York. Monthly rent starts at \$2,300 per month with rent increases at 4% annually each April 1, if the agreement continues.

In May 2016, the Foundation entered into a twelve month non-cancellable operating lease for office space in Washington D.C. with minimum monthly payments of \$190 through May 31, 2017. The lease continued on a month-to-month basis until December 2017, when the lease was extended through November 30, 2018 with monthly rent increasing to \$1,600. The lease has currently been extended on a month-to-month basis.

In June 2017, the Foundation entered into a 36 month non-cancellable operating lease for a wellness clinic in Worth, Illinois with minimum monthly payments of \$3,200 through July 31, 2020.

In August 2017, the Foundation entered into a 36 month non-cancellable operating lease for office space in Newark, Delaware with minimum monthly payments of \$3,200. The lease contains two three-year renewal options with 3% annual rent increases.

THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

The company entered into a 38 month non-cancellable operating lease in Durham, North Carolina commencing on April 1, 2018. Monthly rent is \$2,421 with annual 3% increases. The company received an abatement of rent for a period of two months at the beginning of the lease term.

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, 2018 and 2017 amounts to \$86,674 and \$40,249, respectively.

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

For the Year Ended June 30, 2019	\$	113,929
		2020
		106,802
		2021
		34,649
		<hr/>
	\$	<u>255,380</u>

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 \$347,224 and \$272,521 as of June 30, 2018 and 2017, 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-Sahara 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 \$31,108 and \$3,323 for the years ended June 30, 2018 and 2017, respectively.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 9 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 7, 2019, the date the financial statements were available to be issued.