



# MUELLER & CO., LLP

*Certified Public Accountants – Business & Financial Advisors*

ASSURANCE

**THE ZAKAT FOUNDATION OF AMERICA  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

MUELLER

Elgin/Orland Park/Chicago  
[www.muellercpa.com](http://www.muellercpa.com)  
847.888.8600 Phone  
847.888.0635 Fax

**THE ZAKAT FOUNDATION OF AMERICA  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



14300 Ravinia Avenue, Suite 200 ■ Orland Park, Illinois ■ 60462

Ph: 708.349.6999 ■ Fax: 708.349.6639 ■ www.muellercpa.com

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Zakat Foundation of America (an Illinois not-for-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

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

## 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, 2019, 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.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, for the year ended June 30, 2019, The Zakat Foundation of America adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Muller & Co., LLP

Orland Park, Illinois  
February 20, 2020

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

**ASSETS**

Cash	\$ 5,720,387
Investments	45,047
Property and equipment, net	2,016,619
Other assets	<u>14,561</u>
Total assets	<u>\$ 7,796,614</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 54,756
Accrued payroll	37,484
Accrued vacation	<u>95,588</u>
Total liabilities	187,828
Net assets:	
Without donor restrictions	<u>7,608,786</u>
Total liabilities and net assets	<u>\$ 7,796,614</u>

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

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Support and revenue:	
Contributions	\$ 9,804,256
Investment return	4,426
Miscellaneous income	<u>5,062</u>
Total support and revenue	<u>9,813,744</u>
Expenses:	
Program services	8,153,732
Supporting services:	
Management and general	1,253,566
Fundraising	<u>651,582</u>
Total expenses	<u>10,058,880</u>
Change in net assets	<u>(245,136)</u>
Net assets at beginning of year:	
As previously reported	7,934,509
Prior period adjustment	<u>(80,587)</u>
As restated	<u>7,853,922</u>
Net assets at end of year	<u>\$ 7,608,786</u>

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

**THE ZAKAT FOUNDATION OF AMERICA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Humanitarian Support</b>	<b>Management and General</b>	<b>Fundraising</b>	
Accounting	\$ -	\$ 62,612	\$ 4,713	\$ 67,325
Advertising	231,159	-	25,684	256,843
Association dues	-	16,608	-	16,608
Automobile	3,615	2,301	657	6,573
Bank fees	31,670	31,670	147,795	211,135
Conferences	22,004	-	917	22,921
Depreciation	-	78,191	-	78,191
Direct assistance	6,039,078	-	-	6,039,078
Education and training	14,715	818	818	16,351
Fundraising events	-	-	97,782	97,782
Insurance	145,361	39,825	13,939	199,125
Legal fees	158,823	151,604	50,535	360,962
Licenses	-	4,780	-	4,780
Meals and entertainment	9,357	402	302	10,061
Occupancy	88,721	24,307	8,508	121,536
Office expense	42,782	11,723	4,103	58,608
Outside contractor	195,827	2,019	4,038	201,884
Payroll fees	782	747	249	1,778
Payroll taxes	61,233	58,450	19,483	139,166
Postage	42,509	11,646	4,076	58,231
Printing and copying	82,569	11,076	7,049	100,694
Real estate taxes	12,896	3,533	1,237	17,666
Repairs and maintenance	-	22,333	1,681	24,014
Retirement match	15,026	14,343	4,781	34,150
Retirement plan fees	330	315	105	750
Salaries	734,810	687,968	235,534	1,658,312
Security	5,621	-	423	6,044
Subscriptions	27,822	-	2,094	29,916
Supplies	584	4,670	584	5,838
Telephone	17,293	961	961	19,215
Travel	93,182	5,294	7,412	105,888
Utilities	32,019	1,819	2,547	36,385
Vehicle lease expense	8,668	2,375	831	11,874
Website maintenance	35,276	1,176	2,744	39,196
Total expenses	<u>\$ 8,153,732</u>	<u>\$ 1,253,566</u>	<u>\$ 651,582</u>	<u>\$ 10,058,880</u>

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

**THE ZAKAT FOUNDATION OF AMERICA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

Cash flows from operating activities:	
Change in net assets	\$ (245,136)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	78,191
Unrealized gains on investments	(4,426)
Effects of changes in operating assets and liabilities:	
Accounts payable	(82,389)
Accrued payroll	(1,208)
Accrued vacation	<u>15,001</u>
Net cash used by operating activities	(239,967)
 Cash flows from investing activities:	
Purchases of property and equipment	<u>(60,339)</u>
 Net change in cash	(300,306)
 Cash at beginning of year	<u>6,020,693</u>
 Cash at end of year	<u><u>\$ 5,720,387</u></u>

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



**THE ZAKAT FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2019**

**NOTE 1. NATURE OF OPERATIONS**

The Zakat Foundation of America ("Foundation") is an Illinois not-for-profit corporation. Its mission is to foster charitable giving to alleviate poverty through meeting the immediate needs of affected communities and establishing long-term development projects that ensure sustainable economic growth and water and food security. The Foundation 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, and providing seasonal food distribution, including fresh meat, each through the support of community-based initiatives.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Cash**

For purposes of the statement of cash flows, the Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

The Foundation maintains its bank balances at financial institutions located in Illinois. The bank balances, at times, may exceed federally insured limits. The Foundation has not experienced any losses on these accounts.

**Investments**

Investments are reported at fair value in the statement of financial position. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Property and Equipment**

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Foundation capitalizes property and equipment over \$1,000 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**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.

**Revenue Recognition**

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended June 30, 2019.

**Functional Expenses**

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The 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, certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, office expense, and insurance, which are allocated on a square footage basis, as well as salaries and payroll taxes, which are allocated on the basis of estimates of time and effort.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**Advertising**

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2019 was \$256,843.

**Accounting Estimates**

The preparation of financial statements in accordance 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, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Income Taxes**

The Foundation operates as a nonprofit organization and has received exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's federal Return of Organization Exempt from Income Tax (Form 990) is subject to examination by the Internal Revenue Service, generally for three years after the date it was filed.

**Change in Accounting Principle - Financial Statement Presentation**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**Recent Accounting Pronouncements**

*ASU No. 2014-09*

In May, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The main principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU No. 2014-09 provides organizations with two implementation methods: (i) apply the standard retrospectively to each prior reporting period presented (full retrospective application); or (ii) apply the standard retrospectively with the cumulative effect of initially applying the

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

standard as an adjustment to the opening balance of net assets of the annual reporting period that includes the date of initial application (modified retrospective application). This guidance is effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact the pending adoption of ASU No. 2014-09 is expected to have on its financial statements.

*ASU No. 2018-08*

In June, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update improves the current guidance on determining whether transactions are contributions or exchange transactions. The update also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. ASU No. 2018-08 is effective for resource recipients for annual reporting periods beginning after December 15, 2018 and for resource providers for annual reporting periods beginning after December 15, 2019. The Foundation is currently evaluating the methods of adoption permitted by ASU No. 2018-08 and the effect that ASU No. 2018-08 is expected to have on its financial statements.

*ASU No. 2016-02*

In February, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2020 and early adoption is permitted. Under ASU No. 2016-02, lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Lessees and lessors may not apply a full retrospective transition approach. The Foundation is currently evaluating the impact the pending adoption of ASU No. 2016-02 is expected to have on its financial statements.

**Subsequent Events**

Management has evaluated subsequent events through February 20, 2020, which is the date the financial statements were available to be issued.

**Going Concern Evaluation**

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Foundation's ability to continue as a going concern for the one-year period from the date the financial statements were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Foundation's ability to continue as a going concern for the period from February 20, 2020 to February 20, 2021.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 3. LIQUIDITY AND AVAILABILITY**

Financial assets available at June 30, 2019 to meet the Foundation's cash needs for general expenditure within one year were comprised of the following:

Financial assets:	
Cash	\$ 5,720,387
Investments	<u>45,047</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,765,434</u>

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

**NOTE 4. FAIR VALUE MEASUREMENTS**

Accounting standards generally accepted in the United States of America establish 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 ZAKAT FOUNDATION OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

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, 2019.

Mutual funds are valued at the closing price as reported by the fund.

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, 2019 totaled \$45,047.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 was comprised of the following:

Buildings and improvements	\$ 1,899,910
Furniture and equipment	187,868
Land	276,456
Vehicles	<u>90,564</u>
Total	2,454,798
Less accumulated depreciation	<u>(438,179)</u>
Property and equipment, net	<u><u>\$ 2,016,619</u></u>

**NOTE 6. OPERATING LEASES**

The Foundation is obligated under certain operating leases for office space and vehicles that expire at various times through May, 2022. Rent expense under these leases for the year ended June 30, 2019 was \$133,410.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

Future minimum lease payments under these leases in years ending June 30 are as follows:

2020	\$	94,597
2021		48,748
2022		<u>7,469</u>
Total	\$	<u>150,814</u>

**NOTE 7. CONCENTRATION OF FOREIGN OPERATIONS**

Contributions are raised in the United States of America. Certain program activities funded by the Foundation are delivered in foreign countries affected by civil strife, war, famine, or nature catastrophe and are undertaken on behalf of the Foundation by its local regional offices, United Nations related bodies and/or locally licensed partner non-governmental organizations. It is considered reasonably possible that operations in one or more of these foreign countries could be disrupted due to political events within such country. This disruption could materially affect the operation of, and amount of contributions raised for, each such program. As of June 30, 2019, the Foundation has assets outside the United States of America with a carrying value of \$357,443.

**NOTE 8. RETIREMENT PLAN**

The Foundation sponsors a 401(k) defined contribution retirement plan for eligible employees. The Foundation matches employee contributions up to 3% of eligible salaries. The Foundation made matching contributions to the plan of \$34,150 for the year ended June 30, 2019.

**NOTE 9. RESTATEMENT**

Net assets at the beginning of the year have been restated to correct errors made in the reporting of the Foundation's accrued vacation liability in prior years. The effect of the restatement on the change in net assets for the year June 30, 2018 was not reasonably determinable.