

**THE ZAKAT FOUNDATION OF AMERICA
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

THE ZAKAT FOUNDATION OF AMERICA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Zakat Foundation of America

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 AND 2014**

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ 4,685,091	\$ 4,219,963
Investments	22,507	0
Employee Advances	3,288	0
Prepaid Expenses	76,007	2,700
	<u>4,786,893</u>	<u>4,222,663</u>
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Buildings and Improvements	1,215,680	1,060,344
Land	198,217	198,217
Furniture and Equipment	156,730	67,771
Vehicles	141,358	73,358
	<u>1,711,985</u>	<u>1,399,690</u>
Less -- Accumulated Depreciation	163,819	84,347
	<u>1,548,166</u>	<u>1,315,343</u>
TOTAL FIXED ASSETS		
OTHER ASSETS		
Security Deposits	5,610	9,050
Investment - Land Held for Sale	6,000	6,000
	<u>11,610</u>	<u>15,050</u>
TOTAL OTHER ASSETS		
TOTAL ASSETS	<u>\$ 6,346,669</u>	<u>\$ 5,553,056</u>

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts Payable	\$ 46,180	\$ 71,020
Capital Lease Obligation	7,093	4,991
Accrued Payroll Liabilities	50,111	10,791
TOTAL CURRENT LIABILITIES	<u>103,384</u>	<u>86,802</u>
LONG-TERM LIABILITIES		
Capital Lease Obligation	29,650	37,188
TOTAL LONG-TERM LIABILITIES	<u>29,650</u>	<u>37,188</u>
TOTAL LIABILITIES	<u>133,034</u>	<u>123,990</u>
NET ASSETS		
Unrestricted	5,155,928	4,776,724
Temporarily Restricted	1,057,707	652,342
TOTAL NET ASSETS	<u>6,213,635</u>	<u>5,429,066</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,346,669</u></u>	<u><u>\$ 5,553,056</u></u>

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 3,532,537	\$ 4,754,646	\$ 0	\$ 8,287,183
In-Kind Donations	222,507	0	0	222,507
Miscellaneous	11,282	0	0	11,282
Interest Revenue	117	0	0	117
Net Assets Released from Restrictions	4,349,281	(4,349,281)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	8,115,724	405,365	0	8,521,089
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
Seasonal Programs	2,310,960	0	0	2,310,960
Emergency Aid	2,061,972	0	0	2,061,972
Education	1,122,043	0	0	1,122,043
Orphan Sponsorship	681,618	0	0	681,618
Other Program Support	292,000	0	0	292,000
Development	163,387	0	0	163,387
Total Program Services	6,631,980	0	0	6,631,980
Management and General	712,119	0	0	712,119
Fundraising	387,150	0	0	387,150
Total Functional Expenses	7,731,249	0	0	7,731,249
Loss on Disposal of Fixed Asset	5,271	0	0	5,271
TOTAL EXPENSES AND LOSSES	7,736,520	0	0	7,736,520
CHANGE IN NET ASSETS	379,204	405,365	0	784,569
NET ASSETS,				
BEGINNING OF YEAR	4,776,724	652,342	0	5,429,066
END OF YEAR	\$ 5,155,928	\$ 1,057,707	\$ 0	\$ 6,213,635

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 3,234,524	\$ 3,641,639	\$ 0	\$ 6,876,163
In-Kind Donations	679,962	0	0	679,962
Interest Revenue	74	0	0	74
Net Assets Released from Restrictions	3,026,370	(3,026,370)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	6,940,930	615,269	0	7,556,199
FUNCTIONAL EXPENSES				
Program Services				
Emergency Aid	2,666,150	0	0	2,666,150
Seasonal Programs	1,538,343	0	0	1,538,343
Education	1,240,731	0	0	1,240,731
Orphan Sponsorship	343,473	0	0	343,473
Development	295,861	0	0	295,861
Other Program Support	268,106	0	0	268,106
Total Program Services	6,352,664	0	0	6,352,664
Management and General	552,628	0	0	552,628
Fundraising	261,953	0	0	261,953
TOTAL FUNCTIONAL EXPENSES	7,167,245	0	0	7,167,245
CHANGE IN NET ASSETS	(226,315)	615,269	0	388,954
NET ASSETS,				
BEGINNING OF YEAR	5,003,039	37,073	0	5,040,112
END OF YEAR	\$ 4,776,724	\$ 652,342	\$ 0	\$ 5,429,066

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Accounting Fees	\$ 0	\$ 29,351	\$ 2,209	\$ 31,560
Advertising	354,591	0	39,399	393,990
Association Dues	0	14,667	0	14,667
Automobile	14,213	0	907	15,120
Bank Fees	85,286	23,366	8,178	116,830
Conference	15,301	0	638	15,939
Depreciation	0	79,508	0	79,508
Direct Assistance	4,685,312	0	0	4,685,312
Education and Training	7,531	0	0	7,531
Fundraising Events	0	0	123,571	123,571
Insurance	124,229	34,035	11,912	170,176
Interest	0	1,537	0	1,537
Legal Fees	4,375	1,199	419	5,993
License and Taxes	0	1,243	0	1,243
Miscellaneous	0	7,726	0	7,726
Occupancy	52,708	14,441	5,054	72,203
Office Expense	29,647	8,123	2,843	40,613
Outside Contract Services	179,900	39,836	3,515	223,251
Payroll Fees	0	1,323	0	1,323
Payroll Taxes	56,316	24,700	17,784	98,800
Penalties	0	4,206	0	4,206
Postage	54,322	14,883	5,209	74,414
Printing and Copying	81,503	10,933	6,958	99,394
Repairs and Maintenance	0	44,411	3,343	47,754
Salaries and Wages	704,393	331,963	140,388	1,176,744
Security	6,615	0	498	7,113
Subscriptions	1,643	0	124	1,767
Supplies	0	23,521	1,504	25,025
Telephone	20,654	1,147	1,147	22,948
Travel	88,546	0	6,665	95,211
Utilities	33,572	0	2,527	36,099
Website Maintenance	31,323	0	2,358	33,681
TOTAL FUNCTIONAL EXPENSES	\$ 6,631,980	\$ 712,119	\$ 387,150	\$ 7,731,249

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Accounting Fees	\$ 0	\$ 36,019	\$ 2,711	\$ 38,730
Advertising	449,481	0	49,942	499,423
Association Dues	0	8,698	0	8,698
Automobile	12,689	0	810	13,499
Bank Fees	77,745	21,300	7,455	106,500
Conference	3,962	0	165	4,127
Depreciation	0	32,598	0	32,598
Direct Assistance	4,566,258	0	0	4,566,258
Donation	171	0	0	171
Education and Training	24,890	0	0	24,890
Fundraising Events	0	0	33,517	33,517
Insurance	102,315	28,031	9,811	140,157
Interest	0	1,558	0	1,558
Legal Fees	6,708	1,838	643	9,189
License and Taxes	0	5,322	0	5,322
Occupancy	58,225	15,952	5,583	79,760
Office Expense	24,200	6,630	2,321	33,151
Outside Contract Services	55,685	82,388	7,145	145,218
Payroll Fees	0	753	0	753
Payroll Taxes	37,706	16,538	11,907	66,151
Penalties	0	391	0	391
Postage	90,017	24,662	8,632	123,311
Printing and Copying	91,845	12,321	7,840	112,006
Repairs and Maintenance	0	29,958	2,255	32,213
Salaries and Wages	497,513	217,903	91,947	807,363
Security	2,774	0	209	2,983
Subscriptions	321	0	24	345
Supplies	0	8,773	560	9,333
Telephone	17,914	995	995	19,904
Travel	150,807	0	11,351	162,158
Utilities	32,665	0	2,459	35,124
Website Maintenance	48,773	0	3,671	52,444
TOTAL FUNCTIONAL EXPENSES	\$ 6,352,664	\$ 552,628	\$ 261,953	\$ 7,167,245

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Donations	\$ 8,298,465	\$ 6,876,163
Interest Received	117	74
Paid to Suppliers and Employees	(7,508,879)	(6,538,865)
Interest Paid	(1,537)	(1,558)
Income Taxes Paid	0	0
	<u>788,166</u>	<u>335,814</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Fixed Assets	<u>(317,602)</u>	<u>(1,171,368)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(317,602)</u>	<u>(1,171,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Capital Lease Obligation	0	47,000
Principal Payments on Capital Lease Obligation	<u>(5,436)</u>	<u>(4,821)</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(5,436)</u>	<u>42,179</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	465,128	(793,375)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>4,219,963</u>	<u>5,013,338</u>
END OF YEAR	<u><u>\$ 4,685,091</u></u>	<u><u>\$ 4,219,963</u></u>
 NON-CASH OPERATING ACTIVITIES		
Donated Goods	\$ 200,000	\$ 679,962
Donated Securities	<u>22,507</u>	<u>0</u>
NON-CASH OPERATING ACTIVITIES	<u><u>\$ 222,507</u></u>	<u><u>\$ 679,962</u></u>

See Accompanying Notes To The Financial Statements.

**THE ZAKAT FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 784,569</u>	<u>\$ 388,954</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	79,508	32,598
Loss on Disposal of Fixed Asset	5,271	0
Donated Securities	(22,507)	0
Changes in Certain Assets and Liabilities:		
Due from Officer	0	3,307
Employee Advances	(3,288)	0
Prepaid Expenses	(73,307)	3,732
Security Deposits	3,440	0
Accounts Payable	(24,840)	(66,744)
Accrued Payroll Liabilities	39,320	(26,033)
Total Adjustments	<u>3,597</u>	<u>(53,140)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 788,166</u></u>	<u><u>\$ 335,814</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, 2015 AND 2014**

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 development, food distribution, orphan sponsorship, education, emergency aid, and health programs as follows:

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 Udhya.

Emergency Aid - Includes programs that assist in reviving the economies of communities devastated by natural and man-made disasters.

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.

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 - Includes health care programs that improve individual and community health through education, immunization and other preventive measures; including operation or funding of clinics, hospitals and other health care institutions; improvement, rehabilitation and renovation of the existing health care infrastructure; and the provision of medicines, medical supplies and medical equipment to health care facilities. Includes Sadaqa Jariya programs providing for needy individuals and their communities to sustain themselves and to improve their quality of life, programs providing shelter, agricultural resources and necessary household and personal items. Also includes microcredit and other development programs.

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

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

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.

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.

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 is computed on the straight-line method over various useful lives. Depreciation expense for the years ended June 30, 2015 and 2014 amounts to \$79,508 and \$32,598, respectively.

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

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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

C) Accounting Policies (Continued)

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, 2015 and 2014, the Foundation has no costs associated with direct-response advertising. Advertising expense is \$393,990 and \$499,423 for the years ended June 30, 2015 and 2014, respectively.

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, 2012 and prior. The Foundation had no income tax expense for the years ended June 30, 2015 and 2014, respectively.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Foundation has deposits at one financial institution in excess of federally insured limits of approximately \$4,725,000 and \$4,190,000 at June 30, 2015 and 2014, 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.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 3 - INVESTMENTS

At June 30, 2015, the Foundation's investments are stated at fair value and consist of the following:

	Fair Value at June 30, 2015	Quoted Price in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)	Cost	Accumulated Unrealized Appreciation
Mutual Fund					
Large Blend	\$ 22,507	\$ 22,507	\$ 0	\$ 22,507	\$ 0
Land	6,000	0	6,000	6,000	0
	<u>\$ 28,507</u>	<u>\$ 22,507</u>	<u>\$ 6,000</u>	<u>\$ 28,507</u>	<u>\$ 0</u>

At June 30, 2014, the Foundation's investment is stated at fair value and consists of land as follows:

	Fair Value at June 30, 2014	Unobservable Inputs (Level 3)	Cost	Accumulated Unrealized Appreciation
Land	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 0</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 the unadjusted quoted prices of similar assets in the inactive real estate market.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 4 - CAPITAL LEASE OBLIGATION

The Foundation is the lessee of a vehicle under a capital lease which expires on July 2016. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of its related lease term or its estimated productive life. The cost of the asset under the capital lease is \$50,794. Depreciation of the asset under the capital lease is included in depreciation expense.

Minimum future lease payments under the capital lease are as follows:

For the Year Ended June 30, 2016	\$	6,495
2017		31,740
		<u>38,235</u>
Less: Amount Representing Interest		<u>(1,492)</u>
	<u>\$</u>	<u>36,743</u>

NOTE 5 - NET ASSET RESTRICTIONS

Temporarily restricted net assets are available for the following purposes or period:

	2015	2014
Orphan Sponsorship	\$ 674,143	\$ 371,305
Development	383,564	0
Seasonal Programs	0	281,037
	<u>\$ 1,057,707</u>	<u>\$ 652,342</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during the year ended June 30:

	2015	2014
Purpose Restriction Accomplished:		
Emergency Aid	\$ 1,782,862	\$ 1,183,409
Seasonal Programs	1,630,848	1,553,012
Orphan Sponsorship	681,618	289,949
Development	163,387	0
Education	90,566	0
	<u>\$ 4,349,281</u>	<u>\$ 3,026,370</u>

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 6 - IN-KIND DONATIONS

Donated Goods - Donated goods are recorded at fair value on the date of receipt. The Foundation received donations of clothing, food, and supplies to benefit refugees with a fair value of \$200,000 and \$679,962 for the years ended June 30, 2015 and 2014, respectively. These amounts are included in In-Kind Donations Revenue and Program Service Expense in the Statements of Activities.

Donated Securities - Donated securities are recorded at fair value at the date of the donation. The Foundation received \$22,507 of donated securities during the year ended June 30, 2015. The amount is shown as In-Kind Donations Revenue on the Statement 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 7 - 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.

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. Subsequent to June 30, 2015 and after the end of the lease, 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 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 is currently leasing the space on a month-to-month basis.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7 - LEASE COMMITMENTS (CONTINUED)

The Foundation entered into a lease for office space in Bridgeview, Illinois covering the period February 1, 2007 through February 28, 2011. The Foundation signed three one year extensions through February 28, 2014. In 2014, the Foundation did not extend the lease because it purchased office space. Under this lease, the Foundation was obligated for minimum annual rents and its pro rata share of increases in operating expenses and real estate taxes during the term.

Rent expense for the years ended June 30, 2015 and 2014 amounts to \$51,980 and \$79,760, respectively.

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

For the Year Ended June 30, 2016	\$	34,650
2017		<u>15,000</u>
	\$	<u><u>49,650</u></u>

NOTE 8 - CONCENTRATION OF FOREIGN OPERATIONS RISK

Contributions are raised in the U.S. 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 \$300,910. 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 9 - RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current year presentation.

NOTE 10 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is February 19, 2016, the date the financial statements were available to be issued.