

**THE ZAKAT FOUNDATION OF AMERICA
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

THE ZAKAT FOUNDATION OF AMERICA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statement of Activities	
For The Year Ended June 30, 2016	5
For The Year Ended June 30, 2015	6
Statement of Functional Expenses	
For The Year Ended June 30, 2016	7
For The Year Ended June 30, 2015	8
Statements of Cash Flows	9 - 10
Notes to the Financial Statements	11 - 17

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 AND 2015**

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	\$ 5,177,590	\$ 4,685,091
Investments	23,276	22,507
Employee Advances	150	3,288
Prepaid Expenses	26,956	76,007
TOTAL CURRENT ASSETS	5,227,972	4,786,893
FIXED ASSETS		
Buildings and Improvements	1,482,006	1,215,680
Land	198,217	198,217
Furniture and Equipment	172,054	156,730
Vehicles	141,358	141,358
	1,993,635	1,711,985
Less -- Accumulated Depreciation	252,371	163,819
TOTAL FIXED ASSETS	1,741,264	1,548,166
OTHER ASSETS		
Security Deposits	6,050	5,610
Investment - Land Held for Sale	6,000	6,000
TOTAL OTHER ASSETS	12,050	11,610
 TOTAL ASSETS	 \$ 6,981,286	 \$ 6,346,669

LIABILITIES AND NET ASSETS

	2016	RESTATED 2015
CURRENT LIABILITIES		
Accounts Payable	\$ 104,184	\$ 46,180
Capital Lease Obligation	31,062	7,093
Accrued Payroll Liabilities	28,416	50,111
TOTAL CURRENT LIABILITIES	<u>163,662</u>	<u>103,384</u>
LONG-TERM LIABILITIES		
Capital Lease Obligation	0	29,650
TOTAL LONG-TERM LIABILITIES	<u>0</u>	<u>29,650</u>
TOTAL LIABILITIES	<u>163,662</u>	<u>133,034</u>
NET ASSETS		
Unrestricted	6,817,624	6,213,635
TOTAL NET ASSETS	<u>6,817,624</u>	<u>6,213,635</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 6,981,286</u></u>	 <u><u>\$ 6,346,669</u></u>

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
PUBLIC SUPPORT AND REVENUES				
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
TOTAL PUBLIC SUPPORT AND REVENUES	9,634,062	0	0	9,634,062
EXPENSES AND LOSSES				
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
TOTAL EXPENSES AND LOSSES	9,030,073	0	0	9,030,073
CHANGE IN NET ASSETS	603,989	0	0	603,989
NET ASSETS,				
BEGINNING OF YEAR	6,213,635	0	0	6,213,635
END OF YEAR	\$ 6,817,624	\$ 0	\$ 0	\$ 6,817,624

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, RESTATED				
Contributions	\$ 8,287,183	\$ 0	\$ 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	0	0	0	0
TOTAL PUBLIC SUPPORT AND REVENUES, RESTATED	8,521,089	0	0	8,521,089
EXPENSES AND LOSSES				
Functional Expenses				
Program Services				
Seasonal Programs	2,310,960	0	0	2,310,960
Emergency Relief	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	784,569	0	0	784,569
NET ASSETS RESTATED,				
BEGINNING OF YEAR, RESTATED	5,429,066	0	0	5,429,066
END OF YEAR, RESTATED	\$ 6,213,635	\$ 0	\$ 0	\$ 6,213,635

See Accompanying Notes To The Financial Statements.

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

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
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	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 Expense	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
TOTAL FUNCTIONAL EXPENSES	\$ 7,784,197	\$ 778,841	\$ 465,817	\$ 9,028,855

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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Donations	\$ 9,363,499	\$ 8,298,465
Interest Received	934	117
Paid to Suppliers and Employees	(8,580,730)	(7,508,879)
Interest Paid	(1,277)	(1,537)
Income Taxes Paid	0	0
	<u>782,426</u>	<u>788,166</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Fixed Assets	(283,477)	(317,602)
Payments for the Purchase of Investments	(769)	0
	<u>(284,246)</u>	<u>(317,602)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligation	(5,681)	(5,436)
	<u>(5,681)</u>	<u>(5,436)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE CASH AND CASH EQUIVALENTS	492,499	465,128
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>4,685,091</u>	<u>4,219,963</u>
END OF YEAR	<u><u>\$ 5,177,590</u></u>	<u><u>\$ 4,685,091</u></u>
 NON-CASH OPERATING ACTIVITIES		
Donated Goods	\$ 269,629	\$ 200,000
Donated Securities	0	22,507
	<u>269,629</u>	<u>222,507</u>
TOTAL NON-CASH OPERATING ACTIVITIES	<u><u>\$ 269,629</u></u>	<u><u>\$ 222,507</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, 2016 AND 2015**

	2016	2015
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 603,989</u>	<u>\$ 784,569</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	89,161	79,508
Loss on Disposal of Fixed Asset	1,218	5,271
Donated Securities	0	(22,507)
Changes in Certain Assets and Liabilities:		
Employee Advances	3,138	(3,288)
Prepaid Expenses	49,051	(73,307)
Security Deposits	(440)	3,440
Accounts Payable	58,004	(24,840)
Accrued Payroll Liabilities	<u>(21,695)</u>	<u>39,320</u>
Total Adjustments	<u>178,437</u>	<u>3,597</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 782,426</u></u>	<u><u>\$ 788,166</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, 2016 AND 2015**

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. 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, 2016 AND 2015**

**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.

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, 2016 AND 2015

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.

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, 2016 and 2015 amounts to \$89,161 and \$79,508, 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, 2016 and 2015, the Foundation has no costs associated with direct-response advertising. Advertising expense is \$464,329 and \$393,990 for the years ended June 30, 2016 and 2015, 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.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

C) Accounting Policies (Continued)

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, 2013 and prior. The Foundation had no income tax expense for the years ended June 30, 2016 and 2015, respectively.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Foundation has deposits at one financial institution in excess of federally insured limits of approximately \$4,600,000 and \$4,725,000 at June 30, 2016 and 2015, 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, 2016, the Foundation's investments are stated at fair value and consist of the following:

	Fair Value at June 30, 2016	Quoted Price in Active Markets for Identical Assets (Level 1)	Unobservable Inputs (Level 3)
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>

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 3 - INVESTMENTS (CONTINUED)

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)
Mutual Funds	\$ 22,507	\$ 22,507	\$ 0
Land	6,000	0	6,000
	<u>\$ 28,507</u>	<u>\$ 22,507</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 the unadjusted quoted prices of similar assets in the inactive real estate market.

NOTE 4 - CAPITAL LEASE OBLIGATION

The Foundation is the lessee of a vehicle under a capital lease which expired 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.

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 4 - CAPITAL LEASE OBLIGATION (CONTINUED)

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

For the Year Ended June 30, 2017	\$	31,160
Less: Amount Representing Interest		<u>(98)</u>
	\$	<u>31,062</u>

NOTE 5 - 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 \$269,629 and \$200,000 for the years ended June 30, 2016 and 2015, 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 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 in fiscal year 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 ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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, IL with minimum monthly payments of \$3,900 covering the period of January 1, 2016 through December 31, 2016.

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.

Rent expense for the years ended June 30, 2016 and 2015 amounts to \$62,976 and \$72,203, respectively.

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

For the Year Ended June 30, 2017 \$ 25,490

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 \$285,690 and \$300,910 as of June 30, 2016 and 2015, 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 - RESTATEMENT

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

**THE ZAKAT FOUNDATION OF AMERICA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 9 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is January 4, 2017, the date the financial statements were available to be issued.