

**THE ZAKAT FOUNDATION OF AMERICA  
REPORT ON THE AUDIT  
OF THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2014 AND 2013**

## 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 AND 2013**

**ASSETS**

	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 4,219,963	\$ 5,013,338
Due from Officer	0	3,307
Prepaid Expenses	2,700	6,432
	4,222,663	5,023,077
<b>TOTAL CURRENT ASSETS</b>		
<b>FIXED ASSETS</b>		
Buildings and Improvements	1,060,344	154,349
Land	198,217	0
Vehicles	73,358	22,564
Furniture and Equipment	67,771	51,409
	1,399,690	228,322
Less -- Accumulated Depreciation	84,347	51,749
	1,315,343	176,573
<b>TOTAL FIXED ASSETS</b>		
<b>OTHER ASSETS</b>		
Security Deposits	9,050	9,050
Investment - Land Held for Sale	6,000	6,000
	15,050	15,050
<b>TOTAL OTHER ASSETS</b>		
 <b>TOTAL ASSETS</b>	 <b>\$ 5,553,056</b>	 <b>\$ 5,214,700</b>

**LIABILITIES AND NET ASSETS**

	<b>2014</b>	<b>2013</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 71,020	\$ 137,764
Capital Lease Obligation	4,991	0
Accrued Payroll Liabilities	10,791	36,824
<b>TOTAL CURRENT LIABILITIES</b>	<u>86,802</u>	<u>174,588</u>
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligation	<u>37,188</u>	<u>0</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>37,188</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>123,990</u>	<u>174,588</u>
<b>NET ASSETS</b>		
Unrestricted	4,776,724	5,003,039
Temporarily Restricted	652,342	37,073
<b>TOTAL NET ASSETS</b>	<u>5,429,066</u>	<u>5,040,112</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,553,056</u></u>	<u><u>\$ 5,214,700</u></u>

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
<b>PUBLIC SUPPORT AND REVENUES</b>				
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
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>6,940,930</u>	<u>615,269</u>	<u>0</u>	<u>7,556,199</u>
<b>FUNCTIONAL EXPENSES</b>				
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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>7,167,245</u>	<u>0</u>	<u>0</u>	<u>7,167,245</u>
<b>CHANGE IN NET ASSETS</b>	(226,315)	615,269	0	388,954
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>5,003,039</u>	<u>37,073</u>	<u>0</u>	<u>5,040,112</u>
<b>END OF YEAR</b>	<u>\$ 4,776,724</u>	<u>\$ 652,342</u>	<u>\$ 0</u>	<u>\$ 5,429,066</u>

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

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>PUBLIC SUPPORT, REVENUES, AND GAINS</b>				
Contributions	\$ 3,983,604	\$ 3,643,903	\$ 0	\$ 7,627,507
In-Kind Donations	2,076,766	0	0	2,076,766
Gain on Sale of Fixed Asset	119,488	0	0	119,488
Miscellaneous	503	0	0	503
Net Assets Released from Restrictions	3,780,871	(3,780,871)	0	0
<b>TOTAL PUBLIC SUPPORT, REVENUES, AND GAINS</b>	<u>9,961,232</u>	<u>(136,968)</u>	<u>0</u>	<u>9,824,264</u>
<b>FUNCTIONAL EXPENSES</b>				
Program Services				
Emergency Aid	4,472,270	0	0	4,472,270
Seasonal Programs	1,240,293	0	0	1,240,293
Orphan Sponsorship	591,291	0	0	591,291
Education	471,914	0	0	471,914
Development	249,144	0	0	249,144
Other Program Support	227,182	0	0	227,182
Total Program Services	7,252,094	0	0	7,252,094
Management and General	417,929	0	0	417,929
Fundraising	223,127	0	0	223,127
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>7,893,150</u>	<u>0</u>	<u>0</u>	<u>7,893,150</u>
<b>CHANGE IN NET ASSETS</b>	2,068,082	(136,968)	0	1,931,114
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	1,782,020	1,326,978	0	3,108,998
<b>PRIOR PERIOD ADJUSTMENT</b>	1,152,937	(1,152,937)	0	0
<b>BEGINNING OF THE YEAR, RESTATED</b>	<u>2,934,957</u>	<u>174,041</u>	<u>0</u>	<u>3,108,998</u>
<b>END OF YEAR</b>	<u>\$ 5,003,039</u>	<u>\$ 37,073</u>	<u>\$ 0</u>	<u>\$ 5,040,112</u>

See Accompanying Notes To The Financial Statements.



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

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
<b>FUNCTIONAL EXPENSES</b>				
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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 6,352,664</b>	<b>\$ 552,628</b>	<b>\$ 261,953</b>	<b>\$ 7,167,245</b>

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

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
<b>FUNCTIONAL EXPENSES</b>				
Accounting Fees	\$ 0	\$ 30,395	\$ 2,288	\$ 32,683
Advertising	384,117	0	42,680	426,797
Association Dues	0	7,100	0	7,100
Automobile	13,261	0	846	14,107
Bank Fees	20,785	5,694	1,993	28,472
Conference	5,313	0	221	5,534
Depreciation	0	24,816	0	24,816
Direct Assistance	5,737,550	0	0	5,737,550
Donation	275	0	18	293
Education and Training	11,997	0	0	11,997
Fundraising Events	0	0	22,814	22,814
Insurance	83,201	22,795	7,978	113,974
Legal Fees	26,727	0	2,012	28,739
License and Taxes	0	49,200	0	49,200
Occupancy	57,409	15,728	5,505	78,642
Office Expense	15,190	4,162	1,457	20,809
Outside Contract Services	205,985	57,098	0	263,083
Payroll Fees	0	532	0	532
Payroll Taxes	26,183	11,484	8,268	45,935
Penalty	0	3,360	0	3,360
Postage	71,665	19,634	6,872	98,171
Printing and Copying	60,564	8,124	5,170	73,858
Repairs and Maintenance	0	10,089	759	10,848
Salaries and Wages	306,890	134,601	96,913	538,404
Security	1,670	0	126	1,796
Subscriptions	533	0	40	573
Supplies	0	12,072	770	12,842
Telephone	18,811	1,045	1,045	20,901
Travel	87,075	0	6,554	93,629
Utilities	18,723	0	1,409	20,132
Website Maintenance	98,170	0	7,389	105,559
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 7,252,094</b>	<b>\$ 417,929</b>	<b>\$ 223,127</b>	<b>\$ 7,893,150</b>

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

**THE ZAKAT FOUNDATION OF AMERICA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Donations	\$ 6,876,163	\$ 7,628,010
Interest Received	74	0
Paid to Suppliers and Employees	(6,538,865)	(5,663,207)
Interest Paid	(1,558)	0
Income Taxes Paid	0	0
	<u>335,814</u>	<u>1,964,803</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Fixed Asset	0	875,970
Payments for the Purchase of Fixed Assets	(1,171,368)	(77,851)
	<u>(1,171,368)</u>	<u>798,119</u>
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Capital Lease Obligation	47,000	0
Principal Payments on Capital Lease Obligation	(4,821)	0
	<u>42,179</u>	<u>0</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(793,375)</u>	<u>2,762,922</u>
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	<u>5,013,338</u>	<u>2,250,416</u>
<b>END OF YEAR</b>	<u><u>\$ 4,219,963</u></u>	<u><u>\$ 5,013,338</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, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 388,954</u>	<u>\$ 1,931,114</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	32,598	24,816
Gain on Sale of Fixed Asset	0	(119,488)
Changes in Certain Assets and Liabilities:		
Due from Officer	3,307	(3,307)
Prepaid Expenses	3,732	(145)
Accounts Payable	(66,744)	99,668
Accrued Payroll Liabilities	<u>(26,033)</u>	<u>32,145</u>
Total Adjustments	<u>(53,140)</u>	<u>33,689</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 335,814</u></u>	<u><u>\$ 1,964,803</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, 2014 AND 2013**

**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:

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

*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.

*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, 2014 AND 2013**

**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. As permitted by the statement, 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.

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. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the years ended June 30, 2014 and 2013 amounts to \$32,598 and \$24,816, 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, 2014 AND 2013**

**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.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Foundation has deposits at one financial institution in excess of federally insured limits of approximately \$4,190,000 and \$4,790,000 at June 30, 2014 and 2013, 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 - INVESTMENT**

The Foundation's investment is stated at fair value and consists of land as follows:

At June 30, 2014, investments are stated at fair value and consist of the following:

	<b>Fair Value at June 30, 2014</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Cost</b>	<b>Accumulated Unrealized Appreciation</b>
Land	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 0</u>

At June 30, 2013, investments are stated at fair value and consist of the following:

	<b>Fair Value at June 30, 2013</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Cost</b>	<b>Accumulated Unrealized Appreciation</b>
Land	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 0</u>

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 3 - INVESTMENT (CONTINUED)**

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. No Level 1 or 2 inputs were available to the Foundation, therefore the investment was valued using Level 3 inputs.

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 Organization 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, 2015	\$	6,378
2016		6,958
2017		31,740
		45,076
Less: Amount Representing Interest		(2,897)
	<b>\$</b>	<b>42,179</b>



**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 5 - NET ASSET RESTRICTIONS**

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

	<b>2014</b>	<b>2013</b>
Emergency Aid	<u>\$ 652,342</u>	<u>\$ 37,073</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:

	<b>2014</b>	<b>2013</b>
Purpose Restriction Accomplished:		
Emergency Aid	<u>\$ 3,026,370</u>	<u>\$ 3,780,871</u>

**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 \$679,962 and \$2,076,766 for the years ended June 30, 2014 and 2013, respectively. These amounts are included in In-Kind Donations Revenue and Program Service Expense in the Statements of Activities.

**NOTE 7 - LEASE COMMITMENTS**

The Foundation entered into a lease for office space in Bridgeview, IL 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 it's pro rata share of increases in operating expenses and real estate taxes during the term.

In 2010, the Foundation began leasing additional office space in Delaware on a month-to-month basis.

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.

Rent expense for the years ended June 30, 2014 and 2013 amounts to \$79,760 and \$78,642, respectively.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 7 - LEASE COMMITMENTS (CONTINUED)**

The minimum future lease commitment under the operating leases is as follows:

For the Year Ended June 30, 2015	\$	18,000
2016		18,000
2017		15,000
		<u>51,000</u>
	\$	<u>51,000</u>

**NOTE 8 - CONCENTRATION OF 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.

**NOTE 9 - DUE FROM OFFICER**

At June 30, 2013, an officer owed the Foundation \$3,307 for operational advances. The amount was non-interest bearing and due on demand. The amount was paid in full in 2014.

**NOTE 10 - RESTATEMENT OF NET ASSETS**

Net assets at June 30, 2013 have been restated to correct an error in the classification of unrestricted net assets as temporarily restricted net assets. The effect of the restatement was to increase unrestricted, and decrease temporarily restricted net assets as of June 30, 2013 by \$1,152,937.

**NOTE 11 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

The Foundation files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for the years ended June 30, 2011 and prior. The Foundation had no income tax expense for the years ended June 30, 2014 and 2013, respectively.

**THE ZAKAT FOUNDATION OF AMERICA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 11 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS (CONTINUED)**

The Foundation includes accrued interest and penalties related to unrecognized tax benefits in operating expenses. The expense for the interest and penalties related to unrecognized tax benefits amounts to \$0 for the years ended June 30, 2014 and 2013, respectively.

**NOTE 12 - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is January 22, 2015, the date the financial statements were available to be issued.