

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

ISLAMIC - AMERICAN ZAKAT FOUNDATION

4323 Rosedale Avenue, Bethesda, MD 20814 (301) 907-0997

2008 ANNUAL REPORT

(Dhul Qidah 28, 1430 A.H. = Nov. 15, 2009 C.E.)

Dear Brothers and Sisters:

This is our annual report for fiscal year that ended on Dec. 31, 2008. The Islamic-American Zakat Foundation, founded in 1987, had another year of healthy growth. We spent over \$100,000 on our charitable programs in the fiscal year reported here. Thanks to God's bounty, the generous donors year enabled the Zakat Foundation to help needy American families to meet various needs, especially to avoid homelessness. In addition we continued to support three Palestinian children and to spend moneys specifically designated for da`wa work for spreading the truth about Islam to Muslims and non-Muslims by various means, including the distribution of Qur'ans to prisoners and hospital patients.

Disbursements totaling \$95,685 were made to over 220 different poor or needy families for fuel, shelter, clothing, debt reduction, and emergency transportation. Qur'ans were distributed to shut-ins. We distributed aid totaling \$75,495 to 137 families to provide for shelter. In almost all cases these were payments of rent or mortgage to allow them to keep their current homes or security deposit payments to allow them to move into new homes. Thirteen recipients were given a total of \$5,045 for transportation needs. We made partial or full payment of utility bills, totaling \$6,482 for 20 families to restore service or prevent a cutoff. We assisted many of those families in making payment arrangements for any balance on their bills. \$2,630 was distributed to over five dozen poor families on the occasions of the Eid al-fitr so that they could celebrate the holiday feast in a proper fashion despite their poverty status. \$4,685 were used to pay medical expenses for eighteen needy families. In addition, we assisted people in obtaining food, furniture, and clothing and in other ways helping them to overcome problems preventing them from sustaining themselves. In some cases the aid was direct and in other cases we referred them to other social service agencies. In addition, we have helped many families through the efforts of our Field Coordinator to operate our "Medina program" aimed at assisting chronically needy American Muslims to achieve self-sufficiency.

Our audited financial statements are appended to this report.

As-salaamu `alaikum!



Imad A. Ahmad, Ph.D.
President

HISTORY AND MISSION OF THE ISLAMIC-AMERICAN ZAKAT FOUNDATION

The Islamic-American Zakat Foundation was founded in 1987 to provide help to Muslims in America in fulfilling their obligations to purify their wealth by helping the poor and needy and others in special circumstances. The Muslims are a single community and we are all brothers and sisters of perfect equality before God (Allah) except as our piety distinguishes one from another.

The Islamic-American Zakat Foundation has helped hundreds of poor and needy Muslims from coast to coast in times of difficulty.

We were the first Islamic charity to be accepted into the Combined Federal Campaign.

We were the first Islamic charity affiliated with Local Independent Charities of America.

We cooperate with other Islamic organizations like the Muslim Intercommunity Community Network, the Council of Muslim Women, the Minaret of Freedom Institute, and various mosques to maximize effectiveness.

We support three Palestinian children and help keep open a Women's clinic in the occupied territories.

Our MEDINA program provides counseling and referral services to help applicants to achieve self-sufficiency. Through these efforts some of our zakat recipients have been turned into zakat donors.

Our da'wa program provides Qur'ans to prisoners and hospital patients and promotes a better understanding of Islam.

And we do it without one cent of government money--ANY GOVERNMENT. We are completely independent so we can work with the entire Muslim community.

We do it with donations from people like you. Small donations and large donations. From Muslims who care about Muslims. From Muslims who seek to please Allah. We are told by contributors who give through their workplace campaigns that some of their non-Muslim coworkers donate to us through their workplace campaigns in order to entrust their charitable donations to a reliable institution.

The Zakat Foundation helps to assess and distribute zakat and sadaqa. We document the worthiness of recipients and distribute donations directly to the poor and needy or use the money towards paying their debts for fuel and housing, etc. Funds received in the past year have gone to feed the poor and homeless in the mid-Atlantic region, and elsewhere in America, to help to feed and clothe Palestinian children, to help orphans, to prevent unemployed families from losing their homes, and to relieve the difficulties of stranded travelers. We work cooperatively with mosques and with other agencies helping the poor and needy.

DIRECTORS AND CHIEF ADMINISTRATIVE PERSONNEL

Directors as of the end of 2008:

Imad A. Ahmad, Ph.D., President
4323 Rosedale Avenue
Bethesda, MD 20814

Asem Elgawhary, Vice President
11347 Albermyrtle Road
Potomac, MD 20854

M. Abdus-Salaam Ahmad, Treasurer
11240 Cherry Hill Road #302
Beltsville, MD 20705

Omar Atia, Secretary
7304 Hooking Road
McLean, VA 22101

Yusuf Saleem
5205 A Street SE
Washington, DC 20019

Abdullah Shamim
18404 Flower Hill Way
Gaithersburg, MD 20879

Malak Elrefai
1007 Challeden Road
Great Falls, VA 22066

Administrative Services are provided by:

Imad-ad-Dean, Inc.*
4323 Rosedale Avenue
Bethesda, MD 20814

(We have no paid employees to date.)

*Disclosure: Imad A. Ahmad, Ph.D. is President of Imad-ad-Dean, Inc. and owned 100% of the stock of the company throughout the period covered by this annual report and Bahijah Abdus-Salaam is a subcontractor to Imad-ad-Dean, Inc.

Islamic – American Zakat Foundation, Inc
4323 Rosedale Avenue
Bethesda, MD 20814

Financial Report

December 31, 2008

Islamic – American Zakat Foundation, Inc

Financial Report

December 31, 2008

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Islamic -American Zakat Foundation

Statement of Financial Position

As of December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>12/31/07</u>
Assets					
Current Assets					
Cash	\$ 58,689	\$ 15,000		\$ 73,689	\$ 123,180
Investment and Marketable Securities	2,416			2,416	4,028
Pledges Receivable		65,992		65,992	59,659
Allowance for Doubtful Accounts		(851)		(851)	(851)
Prepaid Expenses	1,882			1,882	793
Notes Receivable	-			-	170
Inventories For Use	769			769	-
Inventories for Sale	914			914	914
Total Current Assets	\$ 64,670	\$ 80,141	\$ -	\$ 144,811	\$ 187,894
Non-Current Assets					
Security Deposit	1,500			1,500	1,500
Other Assets	-			-	-
Total Non-Current Assets	\$ 1,500	\$ -	\$ -	\$ 1,500	\$ 1,500
Fixed Assets	161			161	992
Total Assets	\$ 66,331	\$ 80,141	\$ -	\$ 146,472	\$ 190,386
Liabilities					
Accounts Payables	\$ 5,933			\$ 5,933	\$ 783
Other Short Term Liabilities	356			356	165
Total Liabilities	\$ 6,289	\$ -	\$ -	\$ 6,289	\$ 1,081
Fund Balance	\$ 60,043	\$ 80,141	\$ -	\$ 140,184	\$ 189,305
Total Liabilities and Fund Balance	\$ 66,331	\$ 80,141	\$ -	\$ 146,472	\$ 190,386

See Notes to Financial Statements

Islamic -American Zakat Foundation

Statement of Activities

As of December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>12/31/07</u>
Revenues and Support					
Direct Public Support	\$ 2,105	\$ 1,011	\$ -	\$ 3,116	\$ -
Contributions (Sadaqa)	29,777			29,777	88,065
Contributions (Zakat)	40,921	50		40,971	37,679
Contributions (Fitra)	945	8,961		9,906	2,235
Contributions (Da'wa)				-	647
Contributions (In-Kind)	89			89	
Foundation/Trust Grant				-	
Non-Profit Organization Grant	1,000	15,000		16,000	1,770
Other Miscellaneous					
Total Direct Public Support	74,838	25,022	-	99,860	130,396
Indirect Public Support					
Local Independent Charities		26,961	-	26,961	47,382
Maryland Charity Campaign		2,951		2,951	3,139
United Way Campaign		3,236		3,236	3,567
American Charities		7,243		7,243	6,131
International Monetary Fund				-	1,000
Help the Homeless Campaign		1,011		1,011	1,760
World Bank				-	-
Other		7,179		7,179	-
Total Indirect Public Support	\$ -	\$ 48,581	\$ -	\$ 48,581	\$ 62,979
Allowance for Unfilled Pledges	-			-	
Adjusted Indirect Public Support	\$ -	\$ -	\$ -	\$ 48,581	\$ 62,979
Total Direct and Indirect Support	\$ 74,838	\$ 73,603	\$ -	\$ 148,441	\$ 193,375
Net Assets Released form Restrictions	40	(40)	-	-	-
Other Income					
Realized Capital Gains (Losses)	79	-	-	79	7
Net Increase (Decrease) in Carrying Value of Investment	(1,691)			(1,691)	
Total Support and Revenue	\$ 73,266	\$ 73,563	\$ -	\$ 146,829	\$ 193,381
Expenses					
Program Services					
Program Services	165,991	3,641		169,632	
Grants to Other Organizations					
Total Program Services	\$ 165,991	\$ 3,641	\$ -	\$ 169,632	\$ -
Supporting Services					
General and Administrative	14,238	-	-	14,238	1,130
Fundraising	4,247			4,247	227
Occupancy	6,966			6,966	
Total Supporting Services	\$ 25,450	\$ -	\$ -	\$ 25,450	\$ 1,357
Losses Due to Uncollected Pledges	-	-	-	-	-
Total Expenses	\$ 191,441	\$ 3,641	\$ -	\$ 195,082	\$ 1,357
Excess of Revenue & Support Over Expenses	\$ (118,175)	\$ 69,922	\$ -	\$ (48,253)	\$ 192,025
Net Assets					
Beginning of the Year	189,054	250	-	189,304	(3,092)
End of the Year	\$ 70,879	\$ 70,172	\$ -	\$ 141,051	\$ 188,933

See Notes to Financial Statements

Islamic -American Zakat Foundation

Statement of Cash Flows

As of December 31, 2008

Cash Flows from Operating Activities

Increase in Net Assets	\$ (48,253)
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Unrealized (gain)loss in securities	1,611
Realized Capital Gain from Investment	
Charges in assets and liabilities affecting form operations	
Decrease (Increase) in current assets	
Prepaid Expenses	(1,089)
Pledges Receivable	(6,332)
Notes Receivable - Current	170
Other Current Assets	(769)
Increase (Decrease) in liabilities	
Accounts Payable	5,150
Other Current liabilities	191
Net Cash Provided by Operating Activities	<u>\$ (49,321)</u>

Cash Flows from Investing Activities

Furniture, Fixtures and Equipment	\$ 831
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Cash Flows from Financing Activities

Prior Year Adjustments	\$ (1,001)
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Net Increase in Cash \$ (49,491)

Cash

Beginning of the year	\$ 123,180
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End of the Year \$ 73,689

See Notes to Financial Statements

Islamic -American Zakat Foundation
Schedule of Functional, General and Administrative Expenses

For the Year ended December 31,2008

Program Services

Direct Support

Restricted

Shelter	\$ 1,011
Food and clothing	2,630
Utilities	
Grants to Other Organizations	
Total	3,641

Unrestricted

Advertising	624
Bank Charges	64
Computer Services	195
Conferences and Meetings	1,344
Corp Organizational Expense	250
Medical	4,685
Other Costs	1,348
Outside Computer Services	58
Postage, Shipping and Delivery	1,010
Printing & Copying	414
Program Accounting Services	4,500
Program Operational Costs	2,444
Secretarial Services	2,600
Services to a Particular Applicant	9,750
Shelter	74,484
Social Services, Counseling and Referrals - Medina Program	48,750
Supplies	258
Telephone	1,515
Transportation	5,045
Travel	172
Utilities	6,482
Total	165,991

Total Program Services

169,632

Fundraising

Advertising	2,546
Postage, Shipping and Delivery	800
Printing & Copying	127
Conferences and Meetings	9
Telephone	706
Travel	1
Outside Computer Services	58
Total Fundraising	4,247

Islamic -American Zakat Foundation
Schedule of Functional, General and Administrative Expenses

For the Year ended December 31,2008

Administrative	
Administrative and Accounting Fees	10,196
Corporate Organizational Expense	250
Bank Charges	
Computer Expense	195
Insurance	250
Postage	217
Printing and Publications	187
Secretarial	1,170
Bad Debt Expense	1,055
Telephone	699
Travel & Meeting Expense	18
Total Administrative	<u>14,238</u>
Occupancy	6,966
Total Expenses	<u>\$ 195,082</u>

Islamic -American Zakat Foundation

Reconciliation of Statement of Activities - Audited Financial Statement to Form 990

Revenue and Support - Audited Financial Statements	\$ 146,829
Uncollectible Contributions	
Unrealized Capital Gain on Investment	1,691
Revenue and Support - Form 990	<u>148,520</u>
Expenses - Audited Financial Statements	195,082
Uncollectible Contributions Expense	(1,055)
Expenses - Form 990	<u>\$ 194,027</u>

See Notes to the Financial Statement

Islamic – American Zakat Foundation
Notes to Financial Statements
For the Year ended December 31, 2008

NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Islamic-American Zakat Foundation (the “Foundation”) is an exempt organization under the Internal Revenue Code Section 501(c) (3). The Foundation was established on November 12, 1986 with a mission to provide food, shelter, clothing, and transportation assistance for the poor and needy, orphans, wayfarers, and other persons needing and deserving of charity under Islamic law. The Foundation collects and distributes obligatory and voluntary charity called zakat and sadaqa, donated by Muslims throughout the country. The Foundation’s primary objective is to serve poor and needy Muslims in the United States, eligible non-Muslims around the country are also helped, while some aid might be sent abroad to help poor and/or needy orphans and other children.

B. Summary of Significant Accounting Policies

1) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Management has elected not to record accounts payable balances for services and fees rendered by other organizations until the bill has been received by the Foundation. Although GAAP requires expenses to be recorded as incurred, the Foundation has determined that variance between amounts incurred versus invoiced is not material to warrant an adjustment. Similarly, certain insurance premiums pre-paid in advances in the fiscal year were not accrued due to the lack of materiality of the differences.

2) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary.

3) Cash

For purposes of the statement of cash flows, the Foundation considers actual cash held in the petty cash account and actual checking account balances as cash. The Foundation does not retain any liquid investments. The Foundation does not maintain a separate checking account to designate and apportion funds provided by other indirect organization support. However, the Foundation does maintain a separate general ledger cash account to track the receipts and disbursements made on behalf of Help the Homeless Program (of the Fannie Mae Foundation). During this audit period, the Foundation received a grant of \$1,011.0 from the Help the Homeless Program and has expensed \$1,011.0 based on the conditions set forth by the Help the Homeless Program

Guidelines. With regard to other indirect support, the Foundation does not maintain any general ledger accounts to track the expenditures for pledges from Local Independent Charities and Maryland Charity Campaign.

4) Pledges Receivable

The Foundation maintains a Pledges Receivable accounts from various indirect support organizations. The numbers provided below are based on figures provided by these organizations, which collect pledges based on direct and undesignated funds predetermined by various employees and retirees who participate in various campaigns. The contributions receivable balances are periodically adjusted based on the amount of pledges received and indirect support organization's periodic write-offs, calculated by these organizations. Verification of these balances and assumptions behind them were not within the scope of the audit and thus the auditor does not express an opinion on these balances. The Foundation's contribution receivable transactions as of December 31, 2008 are as follows:

As of 12/31/08

	<u>Year End Balance</u>	<u>Payment Received</u>	<u>Direct Write-off of Uncollectible</u>	<u>Unfilled Pledges Allowance</u>	<u>Current Year Pledges Recognized</u>
Help the Homeless	0.00	650.00	0.00	0.00	650.00
America's Charities	3,975.73	3,598.52	0.00	0.00	2,951.08
Local Independent Charities	57,484.15	20,030.10	277.15	0.00	26,961.05
Maryland Charities Campaign	1,103.41	5,880.44	777.91	0.00	7,242.93
Network for the Good	354.35	6,608.41	0.00	0.00	4,677.34
All Other	2,223.57	1,0063.22	1,055.06	0.00	6,098.92

5) Property and Equipment

The Foundation has signed an agreement to lease office space in Bethesda, Maryland. The office lease is for a term of 36 months commencing on May 1, 2005 at \$500 per month, with annual increment of 3% for FY 2006-2007, and 8.49% increase for 2008... Equipment and furniture needed to furnish the office space has been obtained through purchases by the Foundation, donated for Foundation use, or contributions by the Foundation's donors, which will then be considered property and equipment belonging to the Foundation. Furniture donated for Foundation use belongs to the donors and is not included in Foundation's financial statements. Total amount spent on fixed asset purchases for FY 2008 fiscal year was \$0.00.

6) Investments

The Foundation maintains 424 shares of the Iman Fund, previously called Dow Jones Islamic Index Fund, of which 424 shares were acquired for \$3,248.83 on February 21, 2001. The Foundation participates in a “DRIP” dividend reinvestment program. The investment is valued at \$2,416.19 as of December 31, 2008. The Foundation values these mutual funds at fair value based on readily determinable market values. As such, the Foundation recognized capital distribution receivable of \$79.19 for the audit period ending December 31, 2008.

7) Loans

The Foundation, has in the past occasionally, extended loans, instead of grants, to needy individuals and organizations. However, the current policy, in effect for the audit period was to extend no loans. Notes Receivable balance as of December 31, 2008 was \$ 0.00.

8) Revenue Recognition

The Foundation recognizes contributions from direct public support or individuals when funds are actually received since contributors are under no obligation to continue their support. These contributions are made by donors for Zakat-al-mal; Zakat-al-fitr (sadaqat-al-fitr, fitr), and sadaqa. It is the understanding of the donor and the Foundation that the amounts designated by the donors are neither conditional nor restricted funds but unrestricted.

Zakat-al-mal or Zakat must be paid by all Muslims whose net worth for the preceding year has remained above the exemption called nisab. Nisab has been estimated at \$2,400. Zakat may be paid anytime within the Islamic year.

Zakat-al-fitr (sadaqat-al-fitr) is a flat amount per household member paid by the head of the household for himself and his dependents. It has been estimated at approximately \$7.00 per person.

Sadaqa is a voluntary charity which may be made at any time. It can be of any amount “beyond your need”. It can also be a non-monetary contribution.

The Foundation, however, does recognize pledges receivable and accompanying revenues when the obligations by indirect public sources are incurred. These indirect public organizations collect pledges based on direct and undesignated funds predetermined by various employees and retirees who participate in these campaigns. These intermediary agencies, such as the Local Independent Charities and Maryland Charity Campaign, provide the revenue figure for that period and accordingly provided contribution receivable balances.

9) Financial Statement Presentation

The Foundation follows Statement of Financial Accounting Standards No.117 (SFAS 117, Financial Statement of Not-for-Profit Organizations. SFAS 117 provides standards for the external financial reporting for not for profit organizations. SFAS requires that resources be classified for accounting reporting purposes into three net asset categories according to the existence or absence of externally (donor) imposed restrictions. The net assets classes are unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2008 the Foundation's net assets were classified as temporarily restricted and unrestricted net assets. The temporarily restricted net assets consist of the following:

Cash	Non-Profit Organization Grant	\$15,000.00
Pledge Receivable	Local Independent Charities	\$57,484.16
Pledge Receivable	Maryland Charities	\$1,103.40
Pledge Receivable	America's Charities	\$3,975.75
Pledge Receivable	World Bank	\$2,230.50
Pledge Receivable	Network for Good	\$2,285.42

10) Occupancy Expense

The Foundation has rented an office at 4641 Montgomery Ave, Bethesda, MD at a monthly rate of \$500 from the Institute. Total occupancy expenses for the period covered by this report were \$6,965.78, including office rent of \$530/month for January to April 2008 and \$575/month for May 2008 to December 2008.

C. Related Parties/Self Dealing Transactions

The Foundation has entered into a contract for program and general administrative services obligating the Foundation to pay certain fees and compensation for services rendered by Imad-ad-Dean, Inc. (IAD), a 100% owned company of Imad A. Ahmad, the current President and Board Member of the Foundation. For the most part, the contract obligates the Foundation in the following manner:

The contract with IAD was modified in 2007 pursuant to a contribution of \$50,000 from Prince Waleed, Kingdom Foundation. The contribution stipulates the hiring of a case manager for the Madina program as well as a separate office space. The following contract with IAD was in effect from January 2008 to September 2008 as follows:

- Payment of a monthly base fee of \$30 for Computer usage

- Payment of \$595 per month for Accounting services
- Payment of \$375 per month for Administrative services
- Payment of \$750 per month for Program Operations
- Payment of \$200 per month for Clerical services
- Payment of \$3,750 per month for Madina program operations.

The contract with IAD was modified on October 1, 2008 as follows:

The Foundation shall pay a flat base fee of \$5790 per month, which shall be allocated as follows:

Service Description	Program Cost	General Overhead
Computer Services	\$15	\$15
Accounting/Bookkeeping	\$0	\$595
Program Administration	\$188	\$187
Program Operation	\$750	\$0
Clerical	\$200	\$90
Madina Program	\$3,750	\$0
Total	\$4,903.00	\$ 887.00

Total payment to IAD, including the charges above and various reimbursement expenses for the period ending December 31, 2008 were \$ 73,009.43.

Furthermore, Imad A. Ahmad is an acting President and Board of two additional not-for-profit organizations Minaret of Freedom Institute, (the “Institute”) and Syed Mohamed and Sharifah Zaitum Albukhary Waqf, Inc (the “Endowment”). The Institute is an Islamic policy research institute, a 501(c) (3) organization that received contributions of \$118,593.29 during the same audit period of 2008. Dr. Ahmad’s company IAD also has a contractual arrangement with the Institute to provide services based on similar terms nearly identical to the Foundation. IAD has received payments of \$72,521.13 from the Institute relating to accounting, program services, and various general administrative fees.

With regards to transactions between the Foundation and the Institute, the Foundation has paid \$7,350.58 to the Institute for office space and an internet connection shared by both organizations.

The Endowment, where Dr. Ahmad is the acting President and Board member, is a 501(c) (3) organization that retains an endowment of approximately \$77,096.61, the principal of which is permanently restricted. The profits and dividends generated by the Endowment are to be utilized exclusively for the benefit of the Foundation and the Institute. Dr. Ahmad’s company, IAD, also has a contractual arrangement similar to that of the Foundation, to provide similar services for the management of the endowment. For the audit period ending December 31, 2008, IAD received \$ 471.40 from the Endowment.

For the audit period ending December 31, 2008, the Foundation received a contribution of \$ 0.00, in accord with the Bylaws of the Endowment, which require a portion of any gains during the year be divided between the Institute and the Foundation.

The Institute and the Endowment operate from the same office space, utilizing the same resources used by the Foundation.

Asem Elgawhary, Omer Atia, and Behija Abdus-Salaam serve as board members of the Foundation as well as the Endowment.

The Institute and the Foundation operate from the same office suite, sharing a conference room and reception area

D. Income Taxes

The Foundation is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code, except to the extent of any unrelated business income. Foundation has no unrelated business income for the audit period.