

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

ISLAMIC - AMERICAN ZAKAT FOUNDATION

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

2010 ANNUAL REPORT

(Zhul Hijjah 16, 1433 H. = Nov. 12, 2011 C.E.)

Dear Brothers and Sisters:

This is our annual report for fiscal year that ended on Dec. 31, 2010. Despite the severe economic crisis that flattened our normal income growth but spurred record demands on our services and resources, the Islamic-American Zakat Foundation, managed to survive the year solvent. We spent almost \$185,000 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 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 \$97,977 were made to over 250 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 \$66,638 to 307 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. Twenty-eight recipients were given a total of \$4,526 for transportation needs. We made partial or full payment of utility bills, totaling \$16,436 for 103 families to restore service or prevent a cutoff. We assisted many of those families in making payment arrangements for any balance on their bills. \$4,490 was distributed to almost twelve 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. \$1,798 were used to pay medical expenses for sixteen 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 Case Manager 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 Council on American-Islamic Relations, FAITH, the Minaret of Freedom Institute, and various mosques to maximize effectiveness.

We send money abroad through other 501(c)(3) organizations for emergency disaster relief.

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 2010:

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

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

Bassem Ahmed, Treasurer
821 Bluefield Sq.
Leesburg, VA 20176

Omar Atia, Secretary
7304 Hooking Road
McLean, VA 22101

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

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.

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

Financial Report
December 31, 2010

Islamic – American Zakat Foundation, Inc

Financial Report

December 31, 2010

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ACCOUNTING, TAX, AND FINANCIAL SERVICES, LLC

Independent Auditor's Report

November 4, 2011

To The Board of Directors
Islamic- American Zakat Foundation

We have audited the accompanying statement of financial position of Islamic-American Zakat Foundation, (a not-for profit organization) as of December 31, 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Islamic-American Zakat Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used in the United States of America and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Islamic-American Zakat Foundation as of December 31, 2010, and the changes in its net assets and its cash flows for the year, then ended in conformity with generally accepted accounting principles in the United States of America.



Tanzila Sheikh, CPA

10/15/11

Islamic -American Zakat Foundation

Statement of Financial Position

As of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>12/31/09</u>
Assets					
Current Assets					
Cash	\$ 34,901			\$ 34,901	\$ 79,051
Investment and Marketable Securities	3,609			3,609	3,113
Pledges Receivable		58,555		58,555	66,023
Allowance for Doubtful Accounts		(851)		(851)	(851)
Prepaid Expenses	928			928	1,752
Notes Receivable				-	-
Inventories For Use	960			960	995
Inventories for Sale	914			914	914
Total Current Assets	\$ 41,312	\$ 57,705	\$ -	\$ 99,017	\$ 150,998
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
Total Assets	\$ 42,812	\$ 57,705	\$ -	\$ 100,517	\$ 152,659
Liabilities					
Accounts Payables	\$ 3,208			\$ 3,208	\$ 4,129
Other Short Term Liabilities	1,227			1,227	796
Total Liabilities	\$ 4,435	\$ -	\$ -	\$ 4,435	\$ 4,925
Fund Balance					
	\$ 38,377	\$ 57,705	\$ -	\$ 96,082	\$ 147,734
Total Liabilities and Fund Balance	\$ 42,812	\$ 57,705	\$ -	\$ 100,517	\$ 152,659

See Notes to Financial Statements

Islamic -American Zakat Foundation

Statement of Activities

As of December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>12/31/09</u>
Revenues and Support					
Direct Public Support	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions (Sadaqa)	23,374	155		23,529	52,183
Contributions (Zakat)	35,064			35,064	45,430
Contributions (Fitra)	1,720	1,553		3,273	2,400
Contributions (In-Kind)	260			260	191
Other Miscellaneous				-	1,421
Special Event Revenue	23,175			23,175	
Total Direct Public Support	83,593	1,708	-	85,301	101,625
Indirect Public Support					
Local Independent Charities		42,594	-	42,594	35,159
Maryland Charity Campaign		2,420		2,420	7,215
United Way Campaign		2,016		2,016	2,058
American Charities		16,907		16,907	6,370
International Monetary Fund		840		840	-
Help the Homeless Campaign				-	150
World Bank		10,252		10,252	550
Other				-	-
Total Indirect Public Support	\$ -	\$ 75,029	\$ -	\$ 75,029	\$ 51,502
Allowance for Unfilled Pledges	-		-	-	
Adjusted Indirect Public Support	\$ -		\$ -	\$ 75,029	\$ 51,502
Total Direct and Indirect Support	\$ 83,593	\$ 76,737	\$ -	\$ 160,330	\$ 153,127
Net Assets Released form Restrictions	51,502	(51,502)	-	-	-
Other Income					
Divident Income	1			1	
Realized Capital Gains (Losses)		-	-	-	1,071
Net Increase (Decrease) in Carrying Value of Investment	495		-	495	(352)
Total Support and Revenue	\$ 135,590	\$ 25,235	\$ -	\$ 160,825	\$ 153,846
Expenses					
Program Services					
Program Services	180,259	4,490		184,749	131,955
Grants to Other Organizations					
Total Program Services	\$ 180,259	\$ 4,490	\$ -	\$ 184,749	\$ 131,955
Supporting Services					
General and Administrative	11,565	-	-	11,565	11,083
Fundraising	7,907			7,907	3,943
Occupancy	8,093			8,093	7,645
Total Supporting Services	\$ 27,566	\$ -	\$ -	\$ 27,566	\$ 22,671
Losses Due to Uncollected Pledges	-	-	-	-	-
Total Expenses	\$ 207,824	\$ 4,490	\$ -	\$ 212,314	\$ 154,626
Excess of Revenue & Support Over Expenses	\$ (72,234)	\$ 20,745	\$ -	\$ (51,489)	\$ (780)
Net Assets					
Other Adjustments	(161)			(161)	
Beginning of the Year	110,772	36,962	-	147,733	189,304
End of the Year	\$ 38,376	\$ 57,707	\$ -	\$ 96,083	\$ 188,524

See Notes to Financial Statements

Islamic -American Zakat Foundation

Statement of Cash Flows

As of December 31, 2010

Cash Flows from Operating Activities

Increase in Net Assets	\$ (51,489)
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Unrealized (gain)loss in securities	(495)
Realized Capital Gain from Investment	
Charges in assets and liabilities affecting form operations	
Decrease (Increase) in current assets	
Prepaid Expenses	825
Pledges Receivable	7,468
Other Current Assets	35
Increase (Decrease) in liabilities	
Accounts Payable	(925)
Other Current liabilities	431
Net Cash Provided by Operating Activities	<u>\$ (44,150)</u>

Cash Flows from Investing Activities

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

	\$ -
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Net Increase in Cash

	<u>\$ (44,150)</u>
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Cash

Beginning of the year	\$ 79,051
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End of the Year	<u>\$ 34,901</u>
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See Notes to Financial Statements

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

For the Year ended December 31,2010

Program Services

Direct Support

Restricted

Food and clothing	\$ 4,490
Total	4,490

Unrestricted

Advertising Expense	\$ 1,523
Bad Debt Expense	21,786
Bank Charges	128
Computer Expense	190
Conferences, Conventions and Meetings	847
Corporate Expenses	300
Grants to Other Organizations	2,338
Insurance	250
Medical	1,798
Other Costs	1,743
Printing and Copying	961
Postage, Shipping and Delivery	1,405
Program Accounting Services	3,500
Secretarial Services	3,180
Services to a Particular Applicant	9,630
Shelter	66,638
Social Services, Counseling and	
Referrals - Medina Program	40,131
Supplies	521
Telephone	1,856
Transportation	4,526
Travel	539
Utilities	16,436
Tranining	32
Total	180,259

Total Program Services

184,749

Fundraising and Special Events

Advertising	\$ 4,259
Postage, Shipping and Delivery	854
Printing & Copying	301
Supplies	132
Conference & Meeting Expense	17
Special Event Costs	2,335
Travel	9
Total Fundraising	7,907

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

For the Year ended December 31,2010

Administrative		
Administrative and Accounting Fees	\$	9,955
Corporate Organizational Expense		200
Computer Expense		180
Postage		132
Printing and Publications		114
Secretarial		930
Telephone		55
Total Administrative		<u>11,565</u>
Occupancy	\$	8,093
Total Expenses	<u>\$</u>	<u>212,314</u>

Islamic -American Zakat Foundation

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

Revenue and Support - Audited Financial Statements	\$ 160,825
Uncollectible Contributions	
Unrealized Capital Gain on Investment	(495)
Special Event Expense - Presented as Net Revenue	(2,335)
Revenue and Support - Form 990	<u>157,996</u>
Expenses - Audited Financial Statements	212,314
Uncollectible Contributions Expense	(21,786)
Special Event Expense - Presented as Net Revenue	(2,335)
Expenses - Form 990	<u>\$ 188,193</u>

See Notes to the Financial Statements

Islamic – American Zakat Foundation
Notes to Financial Statements
For the Year ended December 31, 2010

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 mostly 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 accompanying 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.

2) 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, 2010 the Foundation’s net assets were classified as temporarily restricted and unrestricted net assets. The temporarily restricted net assets consist of the following:

Pledge Receivable	Local Independent Charities	\$43,596
Pledge Receivable	Maryland Charities	\$2,558
Pledge Receivable	America's Charities	\$9,954
Pledge Receivable	Network for Good	\$1,998
Pledge Receivable	Other	\$449
	Total	\$58,555

3) 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.

4) 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. 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.

5) 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, 2010 are as follows:

As of 12/31/10

	<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>
World Bank Community	405	11,683	1823	0.00	10,250
America's Charities	9,954	12,139	0.00	0.00	16,907
Local Independent Charities	43,596	55,528	19,604	0.00	42,594
Maryland Charities Campaign	2,420	2,488	0.00	0.00	2,558
Network for the Good	2,000	6,355	0.00	0.00	6,128
All Other	182	4,611	359	0.00	6,902
Total	\$58,557	\$92,804	21,786	\$ 0	\$85,339

6) 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 2006-2008, and a 3% increase for 2010. 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 2010 fiscal year was \$0.00.

7) Investments

The Foundation has acquired 149.53 shares of Amana Growth Fund, with Saturna Capital. The Foundation participates in a "DRIP" dividend reinvestment program. The Foundation values these mutual funds at fair value, based on readily determinable market values. As such, the Foundation recognized capital distribution of unrealized capital gain of \$495 for the audit period ending December 31, 2010.

8) 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, 2010 was \$ 0.00.

9) 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 \$10.00 per person.

Sadaqa is a voluntary charity which may 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) Occupancy Expense

The Foundation has rented an office at 4641 Montgomery Ave, Bethesda, MD at a monthly rate of \$592 from the Institute. Total occupancy expenses for the period covered by this report were \$8,093, including office rent of \$592/month for January to April 2010 and \$610/month for May 2010 to December 2010.

10) Subsequent Events

The organization has evaluated its December 31, 2010 financial statements for subsequent events through October 15, 2011 the date the financial statements were available to be issued. The organization is not aware of any subsequent events which would require additional recognition or disclosure in the financial statements.

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 on October 1, 2010 as follows:

The Foundation shall pay a flat base fee of \$6,460 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	\$960	\$0
Clerical	\$400	\$100
Madina Program	\$4,000	\$0
Total	\$5,563.00	\$ 897.00

Total payment to IAD, including the charges above and various reimbursement expenses for the period ending December 31, 2010 were \$70,894.

Furthermore, Imad A. Ahmad is an acting President and Board member 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 \$ 41,502 during the same audit period of 2010. 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 received payments of \$22,925 from the Institute relating to accounting, program services, and various general administrative fees for the same audit period.

With regards to transactions between the Foundation and the Institute, the Foundation has paid \$ 8,093 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, 2010, IAD received \$614.75 from the Endowment.

For the audit period ending December 31, 2010, the Foundation received a contribution of \$ 1,438.57, 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 [Malak Elrefai](#) 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.