



INDEPENDENT AUDITORS' REPORT

The Boards of Directors
Central Florida Educational Foundation, Inc. and Affiliates
Altamonte Springs, Florida

We have audited the accompanying combined and consolidated statements of Central Florida Educational Foundation, Inc. and Affiliates (collectively referred to herein as "the Organization") as of December 31, 2010 and 2009, and the related combined and consolidated statements of activities and cash flows for the years then ended. These combined and consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined and consolidated 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 combined and consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined and consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined and consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined and consolidated financial statements referred to above present fairly, in all material respects, the combined and consolidated financial position of Central Florida Educational Foundation, Inc. and Affiliates as of December 31, 2010 and 2009, the combined and consolidated changes in its net assets and its combined and consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
October 10, 2011

CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
 COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| ASSETS | | December 31, | |
|---|--|---------------------|---------------------|
| | | 2010 | 2009 |
| ASSETS | | | |
| Cash and cash equivalents | | \$ 1,151,943 | \$ 1,650,224 |
| Property and equipment, net | | 1,235,007 | 1,257,408 |
| Broadcast licenses, net | | 4,362,299 | 4,362,299 |
| Other assets | | 27,196 | 18,995 |
| Total assets | | \$ 6,776,445 | \$ 7,288,926 |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | | \$ 67,101 | \$ 56,198 |
| Unearned revenue | | 29,095 | 41,646 |
| Note payable | | — | 955,786 |
| Total liabilities | | 96,196 | 1,053,630 |
| NET ASSETS | | | |
| Unrestricted | | 6,609,990 | 6,165,037 |
| Temporarily restricted | | 70,259 | 70,259 |
| Total net assets | | 6,680,249 | 6,235,296 |
| Total liabilities and net assets | | \$ 6,776,445 | \$ 7,288,926 |

The Accompanying Notes are an Integral
 Part of These Combined and Consolidated Financial Statements

CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
COMBINED AND CONSOLIDATED STATEMENTS OF ACTIVITIES

| | For The Years Ended December 31, | |
|--|-------------------------------------|---------------------|
| | 2010 | 2009 |
| CHANGE IN UNRESTRICTED NET ASSETS | | |
| Public support and revenue: | | |
| Contributions | \$ 3,273,870 | \$ 3,468,329 |
| Sponsorship revenue | 416,251 | 413,035 |
| Concert, event and other income | 9,546 | 62,418 |
| Rental income | 49,000 | 36,000 |
| Total public support and revenue | 3,748,667 | 3,979,782 |
| Expenses: | | |
| Program activities | 2,698,203 | 2,613,621 |
| Supporting activities: | | |
| General and administrative | 515,186 | 464,298 |
| Fundraising | 90,325 | 80,673 |
| Total supporting expenses | 605,511 | 544,971 |
| Total expenses | 3,303,714 | 3,158,592 |
| Change in unrestricted net assets | 444,953 | 821,190 |
| NET ASSETS - Beginning of year | 6,235,296 | 5,414,106 |
| NET ASSETS - End of year | \$ 6,680,249 | \$ 6,235,296 |

The Accompanying Notes are an Integral
Part of These Combined and Consolidated Financial Statements

CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For The Years Ended | |
|---|---------------------|---------------------|
| | December 31, | |
| | 2010 | 2009 |
| OPERATING CASH FLOWS | | |
| Change in unrestricted net assets | \$ 444,953 | \$ 821,190 |
| Adjustments to reconcile change in unrestricted net assets to net operating cash flows: | | |
| Depreciation | 147,442 | 150,483 |
| Change in other assets | (8,201) | 1,561 |
| Change in accounts payable and accrued expenses | 10,903 | 6,690 |
| Change in unearned revenue | (12,551) | 11,565 |
| Net operating cash flows | 582,546 | 991,489 |
| INVESTING CASH FLOWS | | |
| Purchases of and improvements to property and equipment | (125,041) | (70,489) |
| Net investing cash flows | (125,041) | (70,489) |
| FINANCING CASH FLOWS | | |
| Repayments of note payable | (955,786) | (38,161) |
| Net financing cash flows | (955,786) | (38,161) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (498,281) | 882,839 |
| CASH AND CASH EQUIVALENTS - Beginning of year | 1,650,224 | 767,385 |
| CASH AND CASH EQUIVALENTS - End of year | \$ 1,151,943 | \$ 1,650,224 |

SUPPLEMENTAL DISCLOSURE:

Interest paid during 2010 and 2009 amounted to approximately \$49,000 and \$73,000, respectively.

CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Central Florida Educational Foundation, Inc. (“CFEF”) is a not-for-profit Florida corporation. During 2010, CFEF transferred its operating assets and operating activities over to Z Ministries, Inc. d/b/a Z88.3 (“Z Ministries”) in accordance with a corporate restructure. CFEF retained the broadcast license rights. Z Ministries, Inc. is a not-for-profit Florida corporation. CFEF and Z Ministries are dedicated to promoting the Christian life by playing positive Christian music, expounding Christian beliefs, and promoting edifying activities twenty-four hours per day. CFEF and Z Ministries serve to uplift the body of Christ and be a light for the lost by sharing the saving knowledge of Jesus Christ. Z Ministries broadcasts to substantially all of Central Florida and is based in Altamonte Springs, Florida. The accompanying combined and consolidated financial statements include the accounts of CFEF and Z Ministries which have common boards of directors and operate under common management.

In conformity with accounting principles generally accepted in the United States, the combined and consolidated financial statements of the Organization also include the accounts of the following organizations, which are separate legal entities:

- Event Ministries, Inc. (“EM”) is a not-for-profit Florida corporation, whose purposes and activities include the operation of Christian musical concerts and special events related to the broadcasting of the Organization. EM carries out its purposes primarily by pursuing and organizing Christian music events. CFEF controls the appointment of EM’s board of directors.
- Easter Sunrise Service, Inc. (“ESS”) is a not-for-profit Florida corporation, whose purposes and activities include advancing the Christian faith through an annual Easter worship service. ESS shares a common board of directors and operates under common management with CFEF and Z Ministries.

All significant interorganization balances and transactions have been eliminated in combination and consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a 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 combined and consolidated statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using either a straight line or an accelerated method over the estimated useful lives of the related assets.

Unearned revenue

Unearned revenue consists primarily of sponsorship fees collected in advance of the related airtime.

Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2010 and 2009, were restricted for the purchase of certain equipment.

CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
 NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

CFEF, Z Ministries, EM and ESS are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The organizations are further classified as public charities and not private foundations for federal tax purposes. The organizations have not incurred any unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying combined and consolidated financial statements. The organizations have not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing these combined and consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these combined and consolidated financial statements include those used in determining the useful lives of property and equipment and the determination of the useful lives of broadcast licenses. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through October 10, 2011, the date as of which the combined and consolidated financial statements were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

CFEF, Z Ministries, EM and ESS maintain their cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The organizations have not experienced any losses in such accounts, and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| Category | December 31, | |
|---|--------------|--------------|
| | 2010 | 2009 |
| Land | \$ 250,000 | \$ 250,000 |
| Buildings and improvements | 1,086,700 | 1,086,700 |
| Broadcasting equipment | 1,171,280 | 1,106,198 |
| Office equipment | 234,205 | 192,882 |
| Vehicles | 12,229 | 143,020 |
| Total property and equipment | 2,754,414 | 2,778,800 |
| Less: Accumulated depreciation and amortization | (1,519,407) | (1,521,392) |
| Net property and equipment | \$ 1,235,007 | \$ 1,257,408 |

Depreciation expense on property and equipment amounted to \$147,442 and \$150,483 during 2010 and 2009, respectively.

CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – BROADCAST LICENSES

CFEF has purchased the broadcast license rights for various non-commercial radio broadcast licenses and construction permits, granted by the Federal Communications Commission (“the FCC”). As of December 31, 2010 and 2009, the gross carrying amount of all broadcast licenses was \$4,362,299. During a prior year, CFEF changed its assessment as to whether its broadcast licenses have finite or indefinite lives in accordance with accounting principles generally accepted in the United States, concluding that the licenses have indefinite lives. This change in accounting estimate was accounted for on a prospective basis. Accordingly, the net book value at the time of the change became the carrying amount of the licenses, which are no longer subject to amortization. The Organization’s future cash flows could be materially impacted by CFEF’s ability to extend or renew agreements related to its broadcast licenses which are due for renewal on February 1, 2012.

NOTE F – NOTE PAYABLE

During 2008, CFEF entered into a \$1,000,000 note payable to a financial institution to fund a certain broadcast license acquisition. The note was secured by a mortgage agreement and an assignment of rents on certain real property. The note was payable in monthly installments of approximately \$9,000, including interest at a fixed rate of 7.35% per annum. The outstanding balance of the note was paid during 2010.

During 2010 and 2009, CFEF incurred interest expense of approximately \$49,000 and \$73,000, respectively.

NOTE G – ADVERTISING COSTS

CFEF and Z Ministries use advertising to promote their programs among the audiences they serve. Advertising costs are expensed as incurred. During 2010 and 2009, CFEF and Z Ministries incurred total advertising costs of approximately \$480,000 and \$492,000, respectively. Such amounts are included in “program activities” expense in the accompanying combined and consolidated statements of activities.

NOTE H – COMMITMENTS

As of December 31, 2010, Z Ministries was obligated under various noncancellable contracts for advertising and promotions in the approximate amount of \$144,000.