



CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013





REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying combined and consolidated financial statements of Central Florida Educational Foundation, Inc. and Affiliates (collectively referred to herein as “the Organization”), which comprise the combined and consolidated statements of financial position as of December 31, 2014 and 2013, and the related combined and consolidated statements of activities and cash flows for the years then ended, and the related notes to the combined and consolidated financial statements.

Management's Responsibility for the Combined and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these combined and consolidated 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 combined and consolidated 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined and consolidated 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 Organization'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 combined and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, the combined and consolidated changes in its net assets, and its combined and consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads 'Batts Morrison Wales & Lee, P.A.'.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
June 18, 2015

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

ASSETS		December 31,	
		2014	2013
ASSETS			
Cash and cash equivalents	\$	2,063,912	\$ 2,229,565
Property and equipment, net		3,459,821	2,875,731
Broadcast licenses, net		4,482,299	4,362,299
Other assets		221,603	45,966
Total assets		\$ 10,227,635	\$ 9,513,561
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$	27,480	\$ 37,886
Unearned revenue		117,809	85,000
Total liabilities		145,289	122,886
NET ASSETS			
Unrestricted		10,040,670	9,348,999
Temporarily restricted		41,676	41,676
Total net assets		10,082,346	9,390,675
Total liabilities and net assets		\$ 10,227,635	\$ 9,513,561

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,	
	2014	2013
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue		
Contributions	\$ 3,469,285	\$ 3,747,144
Sponsorship revenue	928,745	896,862
Rental income	356,147	361,087
Concert, event, and other income	16,938	12,278
Total public support and revenue	4,771,115	5,017,371
Expenses		
Program activities	3,406,158	3,235,435
Supporting activities		
General and administrative	549,280	508,954
Fundraising	124,006	124,402
Total supporting activities	673,286	633,356
Total expenses	4,079,444	3,868,791
CHANGE IN UNRESTRICTED NET ASSETS	691,671	1,148,580
NET ASSETS - Beginning of year	9,390,675	8,242,095
NET ASSETS - End of year	\$ 10,082,346	\$ 9,390,675

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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,	
	2014	2013
OPERATING CASH FLOWS		
Cash received from contributors	\$ 3,469,285	\$ 3,747,144
Cash received from sponsorships, rent, concerts, events, and other activities	1,157,480	1,335,775
Cash paid for operating activities and costs	<u>(3,882,065)</u>	<u>(3,696,138)</u>
Net operating cash flows	<u>744,700</u>	<u>1,386,781</u>
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	(790,353)	(177,012)
Purchase of broadcast license	<u>(120,000)</u>	<u>—</u>
Net investing cash flows	<u>(910,353)</u>	<u>(177,012)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(165,653)	1,209,769
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,229,565</u>	<u>1,019,796</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,063,912</u>	<u>\$ 2,229,565</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 691,671	\$ 1,148,580
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation	206,263	166,988
Change in other assets	(175,637)	467
Change in accounts payable and accrued expenses	(10,406)	5,198
Change in unearned revenue	<u>32,809</u>	<u>65,548</u>
Net operating cash flows	<u>\$ 744,700</u>	<u>\$ 1,386,781</u>

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

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 a previous year, CFEF transferred its operating assets and operating activities 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 Z Ministries. EM carries out its purposes primarily by pursuing and organizing Christian music events. CFEF has the authority to appoint members of EM’s governing body.
- 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, Z Ministries, and CMS.
- Charitable Ministry Support, Inc. (“CMS”) is a not-for-profit Florida corporation, whose purpose is to operate for the benefit of and to perform the functions of Z Ministries. CMS shares a common board of directors and operates under common management with CFEF, Z Ministries, and ESS.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Broadcast licenses

The Organization considers its broadcast licenses to be intangible assets with indefinite useful lives. Accordingly, the broadcast licenses are not subject to amortization. Management periodically assesses the carrying values of the broadcast licenses for impairment and adjusts the carrying value accordingly.

Unearned revenue

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

Temporarily restricted net assets

Temporarily restricted net assets were restricted for the purchase of a vehicle.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Each organization is exempt from federal income tax as an organization 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. Z Ministries and CMS engage in certain unrelated business activities. Income taxes (if any) are recognized as expenses when the related income is generated. 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. Federal and state tax authorities may generally examine the organizations' income tax positions or (if applicable) returns for periods of approximately three to six years.

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 carrying value of the broadcast licenses. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through June 18, 2015, the date as of which the combined and consolidated financial statements were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

Each organization maintains its 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:

<u>Category</u>	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,624,453	\$ 1,298,435
Buildings and improvements	1,660,757	1,634,917
Broadcasting equipment	1,678,031	1,549,130
Office equipment	250,042	236,089
Vehicles	51,122	40,812
Construction in progress	<u>252,498</u>	<u>—</u>
Total property and equipment	5,516,903	4,759,383
Less: Accumulated depreciation	<u>(2,057,082)</u>	<u>(1,883,652)</u>
Net property and equipment	<u>\$ 3,459,821</u>	<u>\$ 2,875,731</u>

Depreciation expense amounted to \$206,263 and \$166,988 during 2014 and 2013, 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, 2014 and 2013, the carrying amount of all broadcast licenses was \$4,482,299 and \$4,362,299, respectively. 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.

NOTE F – ADVERTISING COSTS

Z Ministries uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During 2014 and 2013, Z Ministries incurred advertising costs of approximately \$388,000 and \$401,000, respectively. Such amounts are included in “program activities” expense in the accompanying combined and consolidated statements of activities.

NOTE G – LEASES

CFEF, Z Ministries, and CMS lease tower and office space to several companies under non-cancelable operating leases. Following is a schedule by year of future minimum rentals to be received under the leases at December 31, 2014:

<u>Year Ending</u> <u>December 31.</u>	
2015	\$ 309,000
2016	113,000
2017	118,000
2018	124,000
2019	130,000
Thereafter	<u>727,000</u>
Total	<u>\$ 1,521,000</u>

NOTE H – RETIREMENT PLAN

The Organization offers a SIMPLE IRA retirement plan (“the Plan”) covering all employees. Employees may make tax-deferred contributions to the Plan. The Organization provides a matching contribution in an amount up to 3% of participant compensation. Total employer contributions made by the Organization to the Plan during 2014 and 2013 were approximately \$48,000 and \$45,000, respectively.

NOTE I – COMMITMENTS

During 2013, CFEF entered into a non-revolving line of credit with a bank up to \$1,190,000 for operating needs. The line of credit bears interest at 3.75% per annum. The interest rate adjusts at certain dates as described in the agreement. The line of credit required monthly payments of interest only until August 2014. Monthly payments of principal and interest began September 2014 and continue through maturity in February 2018. The line of credit is secured by a mortgage on certain property and contains certain financial and other covenants, the most restrictive of which requires CFEF to maintain a minimum debt service coverage ratio as defined in the agreement. As of December 31, 2014 and 2013, there were no amounts outstanding under this line of credit.

During 2014, CFEF entered into an agreement for certain tower improvements. As of December 31, 2014, approximately \$252,000 remained unpaid and will be paid as construction is completed.