



CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016





REPORT OF INDEPENDENT AUDITOR

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, 2017 and 2016, 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.

Auditor's 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, 2017 and 2016, 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.

Batts Morrison Wales & Lee, P.A.
BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
April 19, 2018

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

ASSETS		December 31,	
		2017	2016
ASSETS			
Cash and cash equivalents	\$	3,149,378	\$ 2,445,083
Property and equipment, net		3,335,971	3,475,455
Broadcast licenses, net		4,482,299	4,482,299
Other assets		174,598	123,713
Total assets		\$ 11,142,246	\$ 10,526,550
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$	24,642	\$ 61,824
Unearned revenue		27,360	864
Total liabilities		52,002	62,688
NET ASSETS			
Unrestricted		11,048,568	10,422,186
Temporarily restricted		41,676	41,676
Total net assets		11,090,244	10,463,862
Total liabilities and net assets		\$ 11,142,246	\$ 10,526,550

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,	
	2017	2016
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue		
Contributions	\$ 4,207,705	\$ 3,930,046
Sponsorship revenue	744,380	752,404
Rental income	366,255	355,596
Concert, event, and other income	10,900	118
Total public support and revenue	5,329,240	5,038,164
Expenses		
Program activities	3,931,704	4,173,263
Supporting activities		
General and administrative	627,136	616,804
Fundraising	144,018	141,446
Total supporting activities	771,154	758,250
Total expenses	4,702,858	4,931,513
CHANGE IN UNRESTRICTED NET ASSETS	626,382	106,651
NET ASSETS - Beginning of year	10,463,862	10,357,211
NET ASSETS - End of year	\$ 11,090,244	\$ 10,463,862

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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,	
	2017	2016
OPERATING CASH FLOWS		
Cash received from contributors	\$ 4,207,705	\$ 3,930,046
Cash received from sponsorships, rent, concerts, events, and other activities	1,122,422	1,067,818
Cash paid for operating activities and costs	<u>(4,551,734)</u>	<u>(4,642,615)</u>
Net operating cash flows	<u>778,393</u>	<u>355,249</u>
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	<u>(74,098)</u>	<u>(96,508)</u>
Net investing cash flows	<u>(74,098)</u>	<u>(96,508)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	704,295	258,741
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,445,083</u>	<u>2,186,342</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 3,149,378</u>	<u>\$ 2,445,083</u>
RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 626,382	\$ 106,651
Adjustments to reconcile change in unrestricted net assets to net operating cash flows		
Depreciation	213,582	250,227
Change in other assets	(50,885)	21,748
Change in accounts payable and accrued expenses	(37,182)	15,814
Change in unearned revenue	<u>26,496</u>	<u>(39,191)</u>
Net operating cash flows	<u>\$ 778,393</u>	<u>\$ 355,249</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 (“GAAP”), 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 are 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 GAAP.

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 April 19, 2018, 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>2017</u>	<u>2016</u>
Land	\$ 1,430,825	\$ 1,430,825
Buildings and improvements	2,039,422	1,997,795
Broadcasting equipment	2,167,318	2,132,702
Office equipment	242,520	242,520
Vehicles	<u>88,721</u>	<u>88,721</u>
Total property and equipment	5,968,806	5,892,563
Less: Accumulated depreciation	<u>(2,632,835)</u>	<u>(2,417,108)</u>
Net property and equipment	<u>\$ 3,335,971</u>	<u>\$ 3,475,455</u>

Depreciation expense amounted to \$213,582 and \$250,227 during 2017 and 2016, 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, 2017 and 2016, the carrying amount of all broadcast licenses was \$4,482,299. During a prior year, CFEF changed its assessment as to whether its broadcast licenses have finite or indefinite lives in accordance with GAAP, 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 2017 and 2016, Z Ministries incurred advertising costs of approximately \$409,000 and \$671,000, 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, 2017:

<u>Year Ending December 31.</u>		
2018	\$	322,000
2019		148,000
2020		146,000
2021		144,000
2022		151,000
Thereafter		<u>296,000</u>
Total		<u>\$ 1,207,000</u>

CFEF and Z Ministries also lease tower space from several companies under non-cancelable operating leases. Following is a schedule by year of future minimum rent to be paid under the leases at December 31, 2017:

<u>Year Ending December 31.</u>		
2018	\$	102,000
2019		81,000
2020		68,000
2021		67,000
2022		<u>33,000</u>
Total		<u>\$ 351,000</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 2017 and 2016 were approximately \$60,000 and \$58,000, respectively.