



# CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017





## 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 consist of the combined and consolidated statements of financial position as of December 31, 2018 and 2017, the related combined and consolidated statements of activities and cash flows for the years then ended, and the related combined and consolidated statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

*Battis Morrison Wales & Lee, P.A.*

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida  
June 5, 2019

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

<b>ASSETS</b>		December 31,	
		2018	2017
<b>ASSETS</b>			
Cash and cash equivalents		\$ 3,791,829	\$ 3,149,378
Property and equipment, net		3,408,891	3,335,971
Broadcast licenses, net		4,482,299	4,482,299
Other assets		161,564	174,598
<b>Total assets</b>		<b>\$ 11,844,583</b>	<b>\$ 11,142,246</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses		\$ 68,754	\$ 24,642
Unearned revenue		36,780	27,360
<b>Total liabilities</b>		<b>105,534</b>	<b>52,002</b>
<b>NET ASSETS</b>			
Without donor restrictions		11,697,373	11,048,568
With donor restrictions		41,676	41,676
<b>Total net assets</b>		<b>11,739,049</b>	<b>11,090,244</b>
<b>Total liabilities and net assets</b>		<b>\$ 11,844,583</b>	<b>\$ 11,142,246</b>

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,	
	2018	2017
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Public support and revenue		
Contributions	\$ 4,493,817	\$ 4,207,705
Sponsorship revenue	1,085,337	744,380
Rental income	306,912	366,255
Concert, event, and other income	44,994	10,900
Total public support and revenue	5,931,060	5,329,240
Expenses		
Program activities	4,516,669	3,931,704
Supporting activities		
General and administrative	612,752	627,136
Fundraising	152,834	144,018
Total supporting activities	765,586	771,154
Total expenses	5,282,255	4,702,858
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>648,805</b>	<b>626,382</b>
<b>NET ASSETS - Beginning of year</b>	<b>11,090,244</b>	<b>10,463,862</b>
<b>NET ASSETS - End of year</b>	<b>\$ 11,739,049</b>	<b>\$ 11,090,244</b>

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

	For The Years Ended December 31,	
	2018	2017
<b>OPERATING CASH FLOWS</b>		
Cash received from contributors	\$ 4,493,817	\$ 4,207,705
Cash received from sponsorships, rent, concerts, events, and other activities	1,476,018	1,122,422
Cash paid for operating activities and costs	(5,053,967)	(4,551,734)
<b>Net operating cash flows</b>	<b>915,868</b>	<b>778,393</b>
<b>INVESTING CASH FLOWS</b>		
Purchases of and improvements to property and equipment	(273,417)	(74,098)
<b>Net investing cash flows</b>	<b>(273,417)</b>	<b>(74,098)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>642,451</b>	<b>704,295</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>3,149,378</b>	<b>2,445,083</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 3,791,829</b>	<b>\$ 3,149,378</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET OPERATING CASH FLOWS</b>		
Change in net assets	\$ 648,805	\$ 626,382
Adjustments to reconcile change in unrestricted net assets to net operating cash flows		
Depreciation	200,497	213,582
Change in other assets	13,034	(50,885)
Change in accounts payable and accrued expenses	44,112	(37,182)
Change in unearned revenue	9,420	26,496
<b>Net operating cash flows</b>	<b>\$ 915,868</b>	<b>\$ 778,393</b>

The Accompanying Notes are an Integral  
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**CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES**  
**COMBINED AND CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended December 31, 2018

	<u>Program activities</u>	<u>Supporting activities</u>		<u>Total supporting activities</u>	<u>Total expenses</u>
		<u>General and administrative</u>	<u>Fundraising</u>		
Salaries and benefits	\$ 2,772,138	\$ 305,990	\$ 134,798	\$ 440,788	\$ 3,212,926
Postage, printing, and communications	584,942	12,093	16,429	28,522	613,464
Other	193,613	72,865	1,497	74,362	267,975
Rent	188,277	67,216	—	67,216	255,493
Insurance and general office	185,856	65,955	—	65,955	251,811
On-air programming	202,731	—	—	—	202,731
Depreciation	184,731	15,766	—	15,766	200,497
Leased and non-capitalized equipment	127,592	25,197	—	25,197	152,789
Professional services	41,559	37,477	—	37,477	79,036
Staff development	30,203	1,805	—	1,805	32,008
Office and event supplies	5,027	8,388	110	8,498	13,525
<b>Total</b>	<b>\$ 4,516,669</b>	<b>\$ 612,752</b>	<b>\$ 152,834</b>	<b>\$ 765,586</b>	<b>\$ 5,282,255</b>

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**

**Revenue recognition**

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as with or without donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying 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.

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the purchase of a vehicle.

**Functional allocation of expenses**

The combined and consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time.

**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.

**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.

**Recently adopted accounting pronouncement**

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for the Organization’s combined and consolidated financial statements for the year ended December 31, 2018. The ASU requires various changes to the presentation of financial statements for not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity’s liquidity and availability of resources. The adoption of this ASU had no effect on combined and consolidated net assets as of December 31, 2017 or the combined and consolidated change in net assets for 2017. As allowed by applicable guidance, the Organization has chosen not to retrospectively apply the last two requirements of the ASU to the year ended December 31, 2017.

**Subsequent events**

The Organization has evaluated for possible financial reporting and disclosure subsequent events through June 5, 2019, the date as of which the combined and consolidated financial statements were available to be issued.



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

**NOTE C - LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available within one year of the date of the December 31, 2018 combined and consolidated statement of financial position for general expenditure are as follows:

Cash and cash equivalents	\$ 3,791,829
Less:	
Amounts unavailable for general expenditure within one year, due to donor-imposed purpose restrictions	(41,676)
Net financial assets available within one year	\$ 3,750,153

The Organization is primarily supported by contributions. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management believes the Organization has sufficient resources available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need.

**NOTE D - 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 E - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

Category	December 31,	
	2018	2017
Land	\$ 1,430,825	\$ 1,430,825
Buildings and improvements	2,064,721	2,039,422
Broadcasting equipment	2,389,670	2,167,318
Office equipment	269,787	242,520
Vehicles	88,721	88,721
Total property and equipment	6,243,724	5,968,806
Less: Accumulated depreciation	(2,834,833)	(2,632,835)
Net property and equipment	\$ 3,408,891	\$ 3,335,971

Depreciation expense amounted to \$200,497 and \$213,582 during 2018 and 2017, respectively.

**NOTE F - 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, 2018 and 2017, 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

# CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES

## NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE F – BROADCAST LICENSES (Continued)**

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 G – ADVERTISING COSTS**

Z Ministries uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During 2018 and 2017, Z Ministries incurred advertising costs of approximately \$495,000 and \$409,000, respectively. Such amounts are included in "program activities" expense in the accompanying combined and consolidated statements of activities.

### **NOTE H – 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, 2018:

<u>Year Ending December 31,</u>	
2019	\$ 148,000
2020	146,000
2021	144,000
2022	151,000
2023	158,000
Thereafter	<u>138,000</u>
Total	<u>\$ 885,000</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, 2018:

<u>Year Ending December 31,</u>	
2019	\$ 114,000
2020	86,000
2021	86,000
2022	52,000
2023	<u>5,000</u>
Total	<u>\$ 343,000</u>

### **NOTE I – 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 2018 and 2017 were approximately \$68,000 and \$60,000, respectively.