



CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018





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, 2019 and 2018, and the related combined and consolidated statements of activities, cash flows, and functional expenses 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, 2019 and 2018, 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
October 23, 2020

BATTIS MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

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

ASSETS		December 31,	
		2019	2018
ASSETS			
Cash and cash equivalents		\$ 4,264,730	\$ 3,791,829
Property and equipment, net		3,470,814	3,408,891
Broadcast licenses, net		4,482,299	4,482,299
Other assets		209,536	161,564
Total assets		\$ 12,427,379	\$ 11,844,583
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses		\$ 74,257	\$ 68,754
Unearned revenue		9,520	36,780
Total liabilities		83,777	105,534
NET ASSETS			
Without donor restrictions		12,301,926	11,697,373
With donor restrictions		41,676	41,676
Total net assets		12,343,602	11,739,049
Total liabilities and net assets		\$ 12,427,379	\$ 11,844,583

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,	
	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support and revenue		
Contributions	\$ 5,051,827	\$ 4,493,817
Sponsorship revenue	908,839	1,085,337
Rental income	187,060	306,912
Concert, event, and other income	66,573	44,994
Total public support and revenue	6,214,299	5,931,060
Expenses		
Program activities	4,765,878	4,516,669
Supporting activities		
General and administrative	688,877	612,752
Fundraising	154,991	152,834
Total supporting activities	843,868	765,586
Total expenses	5,609,746	5,282,255
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	604,553	648,805
NET ASSETS - Beginning of year	11,739,049	11,090,244
NET ASSETS - End of year	\$ 12,343,602	\$ 11,739,049

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

	For The Years Ended	
	December 31,	
	2019	2018
OPERATING CASH FLOWS		
Cash received from contributors	\$ 5,051,827	\$ 4,493,817
Cash received from sponsorships, rent, concerts, events, and other activities	1,113,019	1,476,018
Cash paid for operating activities and costs	(5,390,306)	(5,053,967)
Net operating cash flows	774,540	915,868
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	(301,639)	(273,417)
Net investing cash flows	(301,639)	(273,417)
NET CHANGE IN CASH AND CASH EQUIVALENTS	472,901	642,451
CASH AND CASH EQUIVALENTS - Beginning of year	3,791,829	3,149,378
CASH AND CASH EQUIVALENTS - End of year	\$ 4,264,730	\$ 3,791,829
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET OPERATING CASH FLOWS		
Change in net assets without donor restrictions	\$ 604,553	\$ 648,805
Adjustments to reconcile change in net assets without donor restrictions to net operating cash flows		
Depreciation	239,716	200,497
Change in other assets	(47,972)	13,034
Change in accounts payable and accrued expenses	5,503	44,112
Change in unearned revenue	(27,260)	9,420
Net operating cash flows	\$ 774,540	\$ 915,868

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CENTRAL FLORIDA EDUCATIONAL FOUNDATION, INC. AND AFFILIATES
COMBINED AND CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2019

	Program activities	Supporting activities		Total supporting activities	Total expenses
		General and administrative	Fundraising		
Salaries and benefits	\$ 2,662,509	\$ 411,425	\$ 133,590	\$ 545,015	\$ 3,207,524
Postage, printing, and communications	853,371	13,936	16,260	30,196	883,567
Rent	231,969	64,977	—	64,977	296,946
Other	196,597	93,403	598	94,001	290,598
Depreciation	221,549	18,167	—	18,167	239,716
On-air programming	228,492	—	—	—	228,492
Insurance and general office	197,138	18,605	1,537	20,142	217,280
Leased and non-capitalized equipment	124,312	6,450	1,770	8,220	132,532
Professional services	29,237	52,871	—	52,871	82,108
Office and event supplies	6,168	9,043	1,236	10,279	16,447
Staff development	14,536	—	—	—	14,536
Total	\$ 4,765,878	\$ 688,877	\$ 154,991	\$ 843,868	\$ 5,609,746

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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

	Program activities	Supporting activities		Total supporting activities	Total expenses
		General and administrative	Fundraising		
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
Total	\$ 4,516,669	\$ 612,752	\$ 152,834	\$ 765,586	\$ 5,282,255

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. References to the Organization in these footnotes refer to the combined and consolidated entity, unless otherwise noted.

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 without or with 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

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions are restricted for the purchase of a vehicle.

Functional allocation of expenses

The combined and consolidated statements of functional expenses present 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.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the combined and consolidated statements of financial position are as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,264,730	\$ 3,791,829
Less:		
Amounts unavailable for general expenditure within one year due to donor-imposed purpose restrictions	(41,676)	(41,676)
Net financial assets available within one year	\$ 4,223,054	\$ 3,750,153

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

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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,	
	2019	2018
Land	\$ 1,430,825	\$ 1,430,825
Buildings and improvements	2,217,253	2,064,721
Broadcasting equipment	2,518,647	2,389,670
Office equipment	289,917	269,787
Vehicles	88,721	88,721
Total property and equipment	6,545,363	6,243,724
Less: Accumulated depreciation	(3,074,549)	(2,834,833)
Net property and equipment	\$ 3,470,814	\$ 3,408,891

Depreciation expense amounted to \$239,716 and \$200,497 during 2019 and 2018, 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, 2019 and 2018, 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 G – ADVERTISING COSTS

Z Ministries uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During 2019 and 2018, Z Ministries incurred advertising costs of approximately \$750,000 and \$495,000, respectively. Such amounts are included in “program activities” expense in the accompanying combined and consolidated statements of activities.

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

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, 2019:

<u>Year Ending December 31,</u>		
2020	\$	146,000
2021		144,000
2022		151,000
2023		158,000
Thereafter		<u>138,000</u>
Total	\$	<u>737,000</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, 2019:

<u>Year Ending December 31,</u>		
2020	\$	86,000
2021		86,000
2022		52,000
2023		<u>5,000</u>
Total	\$	<u>229,000</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 2019 and 2018 were approximately \$70,000 and \$68,000, respectively.

NOTE J – SUBSEQUENT EVENTS

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Organization’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Organization of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending December 31, 2020.

As of the date these combined and consolidated financial statements were available to be issued, the Organization has not sought federal government relief pursuant to the Paycheck Protection Program established by the CARES Act.

The Organization has evaluated for possible financial reporting and disclosure subsequent events through October 23, 2020, the date as of which the combined and consolidated financial statements were available to be issued.