



Batts Morrison
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

Central Florida Educational Foundation, Inc. and Affiliates

Combined and Consolidated Financial Statements

For The Years Ended December 31, 2022 and 2021



Batts Morrison
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR

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

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Combined and Consolidated financial statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the combined and consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined and consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the combined and consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined and consolidated financial statements.

Batts Morrison Wales & Lee, P.A. • Certified Public Accountants

Offices | Orlando • Dallas
800.960.0803 • www.NonprofitCPA.com
Keeping Watch for Nonprofits Across the United States®

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the combined and consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined and consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of combined and consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
November 8, 2023

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

	December 31,	
	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 5,301,102	\$ 5,633,974
Property and equipment, net	3,521,308	3,576,234
Right-of-use assets	3,083,429	—
Broadcast licenses, net	4,872,923	4,482,299
Other assets	299,481	164,120
Total assets	\$ 17,078,243	\$ 13,856,627
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 122,783	\$ 133,079
Lease liabilities	3,187,218	—
Unearned revenue	18,480	7,680
Total liabilities	3,328,481	140,759
NET ASSETS		
Without donor restrictions	13,708,086	13,674,192
With donor restrictions	41,676	41,676
Total net assets	13,749,762	13,715,868
Total liabilities and net assets	\$ 17,078,243	\$ 13,856,627

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,	
	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support and revenue		
Contributions	\$ 5,938,703	\$ 5,764,972
Sponsorship revenue	533,104	477,133
Rental income	234,058	218,826
Concert, event, and other income	62,459	24,101
Total public support and revenue	6,768,324	6,485,032
Expenses		
Program activities	5,839,799	5,324,335
Supporting activities		
General and administrative	756,382	615,477
Fundraising	138,249	125,051
Total supporting activities	894,631	740,528
Total expenses	6,734,430	6,064,863
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	33,894	420,169
NET ASSETS - Beginning of year	13,715,868	13,295,699
NET ASSETS - End of year	\$ 13,749,762	\$ 13,715,868

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,	
	2022	2021
OPERATING CASH FLOWS		
Cash received from contributors	\$ 5,938,703	\$ 5,764,972
Cash received from sponsorships, rent, concerts, events, and other activities	710,341	640,976
Cash paid for operating activities and costs	(6,322,046)	(5,726,339)
Net operating cash flows	326,998	679,609
INVESTING CASH FLOWS		
Purchase of new broadcast license	(390,624)	—
Purchases of and improvements to property and equipment	(269,246)	(281,604)
Net investing cash flows	(659,870)	(281,604)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(332,872)	398,005
CASH AND CASH EQUIVALENTS - Beginning of year	5,633,974	5,235,969
CASH AND CASH EQUIVALENTS - End of year	\$ 5,301,102	\$ 5,633,974
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET OPERATING CASH FLOWS		
Change in net assets without donor restrictions	\$ 33,894	\$ 420,169
Adjustments to reconcile change in net assets without donor restrictions to net operating cash flows		
Depreciation	324,172	311,157
Amortization of right-of-use assets	181,129	—
Change in other assets	(135,361)	(34,526)
Change in accounts payable and accrued expenses	(10,296)	45,689
Change in lease liabilities	(77,340)	—
Change in unearned revenue	10,800	(62,880)
Net operating cash flows	\$ 326,998	\$ 679,609

SUPPLEMENTAL DISCLOSURE

As of January 1, 2022, the Organization recognized approximately \$3,265,000 of right-of-use assets in exchange for the same amount of lease liabilities. See Note H.

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

For The Year Ended December 31, 2022

	Program activities	Supporting activities			Total expenses
		General and administrative	Fundraising	Total supporting activities	
Salaries and benefits	\$ 2,402,168	\$ 351,463	\$ 115,198	\$ 466,661	\$ 2,868,829
Postage, printing, and communications	1,585,077	4,511	14,340	18,851	1,603,928
Rent	551,413	—	—	—	551,413
Professional services	288,992	130,479	—	130,479	419,471
Insurance and general office	133,792	208,059	1,762	209,821	343,613
Depreciation	291,926	32,246	—	32,246	324,172
Other	268,896	18,209	5,165	23,374	292,270
On-air programming	228,603	—	—	—	228,603
Leased and non-capitalized equipment	82,283	7,636	1,079	8,715	90,998
Staff development	6,358	2,669	—	2,669	9,027
Office and event supplies	291	1,110	705	1,815	2,106
Total	\$ 5,839,799	\$ 756,382	\$ 138,249	\$ 894,631	\$ 6,734,430

For The Year Ended December 31, 2021

	Program activities	Supporting activities			Total expenses
		General and administrative	Fundraising	Total supporting activities	
Salaries and benefits	\$ 2,502,645	\$ 278,164	\$ 112,201	\$ 390,365	\$ 2,893,010
Postage, printing, and communications	1,402,099	5,694	7,774	13,468	1,415,567
Insurance and general office	291,230	85,107	200	85,307	376,537
Rent	337,656	28,565	—	28,565	366,221
Depreciation	284,376	26,781	—	26,781	311,157
Professional services	169,245	119,654	300	119,954	289,199
On-air programming	218,527	—	—	—	218,527
Leased and non-capitalized equipment	49,043	52,911	1,749	54,660	103,703
Other	47,171	8,361	440	8,801	55,972
Office and event supplies	22,343	3,530	2,387	5,917	28,260
Staff development	—	6,710	—	6,710	6,710
Total	\$ 5,324,335	\$ 615,477	\$ 125,051	\$ 740,528	\$ 6,064,863

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 Central Florida Educational Foundation, Inc. and Affiliates (collectively referred to herein as “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.” There were no expirations of restrictions in 2022 or 2021.

Sponsorship revenue

Sponsorship revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled for providing airtime and promotional services. Generally, the Organization bills customers throughout the contractual period as airtime or promotional services are provided. Revenue is recognized ratably throughout the contractual period.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sponsorship revenue (Continued)

Performance obligations for sponsorship revenue are determined based on the nature of services provided by the Organization. The Organization measures the performance obligation for sponsorship revenue from when a contract has been signed or the commencement of a period in which airtime or promotional services are provided, to the point when the Organization is no longer required to provide such services, which is generally at the completion of a contract.

The Organization determines the transaction price of sponsorship revenue based on contracts with each of its customers.

All other revenue is recognized when earned.

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. The Organization determined that there was no impairment to broadcast licenses in 2022 and 2021.

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 Boards 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.

Leases

The Organization leases certain real estate including tower space as further described in Note H. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the consolidated statements of financial position. Lease expense is recognized for those leases on a straight-line basis over the lease term.

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.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 present value of lease payments (including the lease terms and treasury rates), the useful lives of property and equipment, and the carrying value of the broadcast licenses. Actual results could differ from the estimates.

New accounting pronouncement

The Organization adopted Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842) which is effective for the Organization’s 2022 combined and consolidated financial statements. The Organization adopted the ASU using the modified retrospective approach, with January 1, 2022 as the date of initial adoption. The ASU applies to organizations who hold long-term leases (as lessee) and requires recognition of right-of-use assets and related lease liabilities in the combined and consolidated statement of financial position. The Organization elected practical expedients permitted under the transition guidance for the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. As a result of adopting the new standard effective January 1, 2022, the Organization recorded lease assets and liabilities of approximately \$3,265,000. The adoption of the ASU had no net effect on the Organization’s combined and consolidated net assets as of January 1, 2021 or the combined and consolidated change in net assets for 2021.

Subsequent events

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

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:

	December 31,	
	2022	2021
Financial assets available:		
Cash and cash equivalents	\$ 5,301,152	\$ 5,633,974
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	<u>\$ 5,259,476</u>	<u>\$ 5,592,298</u>

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.

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

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,	
	2022	2021
Land	\$ 1,430,825	\$ 1,430,825
Buildings and improvements	2,338,004	2,338,004
Broadcasting equipment	2,978,412	2,838,126
Office equipment	624,183	501,921
Vehicles	88,721	88,721
Total property and equipment	7,460,145	7,197,597
Less: Accumulated depreciation	(3,938,837)	(3,621,363)
Net property and equipment	\$ 3,521,308	\$ 3,576,234

Depreciation expense amounted to \$324,172 and \$311,157 during 2022 and 2021, 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. As of December 31, 2022 and 2021, the carrying amount of all broadcast licenses was \$4,872,923 and \$4,482,299, respectively. 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 (included in “postage, printing, and communications” on the combined and consolidated statements of functional expenses) to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. During 2022 and 2021, Z Ministries incurred advertising costs of approximately \$1,552,000 and \$1,366,000, respectively. Such amounts are included in “program activities” expense in the accompanying combined and consolidated statements of activities.

NOTE H – LEASES

CFEF and Z Ministries lease tower and office space to several companies under non-cancelable operating leases.

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

NOTE H – LEASES (Continued)

Following is a schedule by year of future minimum rentals to be received under the leases at December 31, 2022:

<u>Year Ending December 31,</u>		
2023	\$	189,000
2024		164,000
2025		<u>8,000</u>
Total	\$	<u>361,000</u>

The Organization is party to certain lease agreements granting it the right to use certain real estate, including tower space. All twelve lease agreements are collectively referred to herein as “the lease agreements.”

The lease agreements have terms from approximately 1 to 21 years. The Organization does not anticipate early termination of the lease agreements.

The Organization’s lease agreements are classified as operating leases. As of January 1, 2022, the assets and liabilities related to the lease agreements were recorded at the present value of the remaining lease payments and are calculated utilizing applicable risk free rates as the discount rates. As of December 31, 2022, the Organization's lease assets and lease liabilities totaled \$3,083,429 and \$3,187,218, respectively, which are included in the accompanying combined and consolidated statement of financial position as "right-of-use assets" and "lease liabilities."

Some of the lease agreements contain lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on the terms of the lease contracts. The non-lease components are not included in the recognition of the “right-of-use assets” and “lease liabilities,” and are expensed as incurred.

Total operating lease cost for 2022 related to the lease agreements amounted to approximately \$245,000.

The weighted average lease term of the lease agreements as of December 31, 2022 is 17.04 years.

The weighted average discount rate of the lease agreements as of December 31, 2022 is 1.98%.

Following is a schedule by years of future undiscounted payments required under the lease agreements reconciled to total lease liabilities as of December 31, 2022:

<u>Year Ending December 31,</u>		
2023	\$	186,519
2024		180,956
2025		189,139
2026		196,230
2027		203,610
Thereafter		<u>2,917,977</u>
Total undiscounted payments		3,874,431
Less: Effect of discount rate applied		<u>(687,213)</u>
Total lease liabilities	\$	<u>3,187,218</u>

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

NOTE 1 – 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 2022 and 2021 were approximately \$56,000 and \$57,000, respectively.