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Central Florida Educational Foundation, Inc. and Affiliates

Combined and Consolidated Financial Statements

For The Years Ended December 31, 2023 and 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 audits. 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.

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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
September 4, 2024

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

ASSETS

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,736,764	\$ 5,301,102
Property and equipment, net	3,433,904	3,521,308
Right-of-use assets	3,750,646	3,083,429
Broadcast licenses, net	4,872,923	4,872,923
Other assets	282,253	299,481
Total assets	\$ 18,076,490	\$ 17,078,243

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 129,815	\$ 122,783
Lease liabilities	3,908,879	3,187,218
Unearned revenue	4,200	18,480
Total liabilities	4,042,894	3,328,481
NET ASSETS		
Without donor restrictions	13,991,920	13,708,086
With donor restrictions	41,676	41,676
Total net assets	14,033,596	13,749,762
Total liabilities and net assets	\$ 18,076,490	\$ 17,078,243

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

	For The Years Ended December 31,	
	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support and revenue		
Contributions	\$ 6,200,119	\$ 5,938,703
Sponsorship revenue	626,338	533,104
Rental income	260,741	234,058
Concert, event, and other income	92,531	62,459
Total public support and revenue	7,179,729	6,768,324
Expenses		
Program activities	5,781,941	5,839,799
Supporting activities		
General and administrative	948,800	756,382
Fundraising	165,154	138,249
Total supporting activities	1,113,954	894,631
Total expenses	6,895,895	6,734,430
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	283,834	33,894
NET ASSETS - Beginning of year	13,749,762	13,715,868
NET ASSETS - End of year	\$ 14,033,596	\$ 13,749,762

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,	
	2023	2022
OPERATING CASH FLOWS		
Cash received from contributors	\$ 6,200,119	\$ 5,938,703
Cash received from sponsorships, rent, concerts, events, and other activities	1,127,482	710,341
Cash paid for operating activities and costs	(6,617,543)	(6,322,046)
Net operating cash flows	710,058	326,998
INVESTING CASH FLOWS		
Purchase of new broadcast license	—	(390,624)
Purchases of and improvements to property and equipment	(274,396)	(269,246)
Net investing cash flows	(274,396)	(659,870)
NET CHANGE IN CASH AND CASH EQUIVALENTS	435,662	(332,872)
CASH AND CASH EQUIVALENTS - Beginning of year	5,301,102	5,633,974
CASH AND CASH EQUIVALENTS - End of year	\$ 5,736,764	\$ 5,301,102
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET OPERATING CASH FLOWS		
Change in net assets without donor restrictions	\$ 283,834	\$ 33,894
Adjustments to reconcile change in net assets without donor restrictions to net operating cash flows		
Depreciation	361,800	324,172
Amortization of right-of-use assets	198,505	181,129
Change in other assets	17,228	(135,361)
Change in accounts payable and accrued expenses	7,032	(10,296)
Change in lease liabilities	(144,061)	(77,340)
Change in unearned revenue	(14,280)	10,800
Net operating cash flows	\$ 710,058	\$ 326,998

SUPPLEMENTAL DISCLOSURES

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.

During 2023, the Organization recognized approximately \$866,000 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, 2023

	Supporting activities				Total expenses
	Program activities	General and administrative	Fundraising	Total supporting activities	
Salaries and benefits	\$ 2,453,086	\$ 450,555	\$ 122,392	\$ 572,947	\$ 3,026,033
Postage, printing, and communications	1,637,070	475	13,001	13,476	1,650,546
Rent	553,504	—	—	—	553,504
Insurance and general office	166,408	257,743	280	258,023	424,431
Depreciation	327,017	34,783	—	34,783	361,800
On-air programming	279,633	—	—	—	279,633
Other	149,272	68,850	24,132	92,982	242,254
Professional services	102,268	134,496	3,000	137,496	239,764
Leased and non-capitalized equipment	68,931	47	70	117	69,048
Staff development	31,516	—	—	—	31,516
Office and event supplies	13,236	1,851	2,279	4,130	17,366
Total	\$ 5,781,941	\$ 948,800	\$ 165,154	\$ 1,113,954	\$ 6,895,895

For The Year Ended December 31, 2022

	Supporting activities				Total expenses
	Program activities	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

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 2023 or 2022.

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 2023 and 2022.

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 discount rates), 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 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:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets available:		
Cash and cash equivalents	\$ 5,736,764	\$ 5,301,152
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	\$ 5,695,088	\$ 5,259,476

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.

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

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	December 31,	
	2023	2022
Land	\$ 1,430,825	\$ 1,430,825
Buildings and improvements	2,338,004	2,338,004
Broadcasting equipment	3,237,305	2,978,412
Office equipment	629,258	624,183
Vehicles	95,521	88,721
Total property and equipment	7,730,913	7,460,145
Less: Accumulated depreciation	(4,297,009)	(3,938,837)
Net property and equipment	\$ 3,433,904	\$ 3,521,308

Depreciation expense amounted to \$361,800 and \$324,172 during 2023 and 2022, 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, 2023 and 2022, the carrying amount of all broadcast licenses was \$4,872,923. 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 2023 and 2022, Z Ministries incurred advertising costs of approximately \$1,589,000 and \$1,552,000, 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

Z Ministries leases tower space to a certain tenant under a non-cancelable operating lease. Following is a schedule by year of future minimum rentals to be received under the lease at December 31, 2023 (after considering the extension of the lease subsequent to December 31, 2023):

<u>Year Ending</u> <u>December 31,</u>		
2024	\$	166,000
2025		175,000
2026		183,000
2027		192,000
2028		202,000
Thereafter		<u>1,408,000</u>
Total	\$	<u>2,326,000</u>

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

The lease agreements have terms from approximately 4 to 20 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, approximately \$3,265,000 of assets and liabilities related to the lease agreements were recorded at the present value of the remaining lease payments and were calculated utilizing applicable risk free rates as the discount rates. During 2023, the Organization recognized approximately \$866,000 of right-of-use assets in exchange for the same amount of lease liabilities for a certain new lease.

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.

Leases are recognized in the accompanying combined and consolidated statements of financial position as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Right-of-use assets	<u>\$ 3,750,646</u>	<u>\$ 3,083,429</u>
Lease liabilities	<u>\$ 3,908,879</u>	<u>\$ 3,187,218</u>

The weighted average lease term of the lease agreements is 14.72 years and 17.04 years as of December 31, 2023 and 2022, respectively.

The weighted average discount rate of the lease agreements is 2.39% and 1.98% as of December 31, 2023 and 2022, respectively.

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

NOTE H – LEASES (Continued)

Following is a schedule by years of future undiscounted payments required under the lease agreements reconciled to total lease liabilities as of December 31, 2023:

<u>Year Ending December 31,</u>		
2024	\$	288,956
2025		297,139
2026		304,230
2027		311,610
2028		309,475
Thereafter		<u>3,202,504</u>
Total undiscounted payments		4,713,914
Less: Effect of discount rate applied		<u>(805,035)</u>
Total lease liabilities	\$	<u><u>3,908,879</u></u>

Total operating lease cost related to the lease agreements amounted to approximately \$295,000 and \$245,000 for 2023 and 2022, respectively.

Total amortization expense amounted to \$198,505 and \$181,129 for 2023 and 2022, respectively.

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 2023 and 2022 were approximately \$60,000 and \$56,000, respectively.