

**The Florida Endowment Foundation  
for Vocational Rehabilitation, Inc.  
d/b/a The Able Trust**

**Financial Statements  
and Additional Information**

**Years ended June 30, 2019 and 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

Commissioner of Education, Florida Department of Education  
and Management, The Florida Endowment Foundation  
for Vocational Rehabilitation, Inc.  
d/b/a The Able Trust

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust (the Foundation), a component unit of the State of Florida, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in fund net position, and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust, as of June 30, 2019 and 2018, and the changes in fund net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The budgetary comparison schedules, included on pages 25 and 26, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Commissioner of Education, Florida Department of Education  
and Management, The Florida Endowment Foundation  
for Vocational Rehabilitation, Inc.  
d/b/a The Able Trust  
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The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



**LAW, REDD, CRONA & MUNROE, P.A.**  
Tallahassee, Florida  
December 5, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Foundation's management discussion and analysis presents an overview of its financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Foundation's financial statements. This section of the report is intended to provide a brief, objective, and easily readable analysis of the Foundation's financial performance for the year and its financial position at fiscal year end June 30, 2019.

### Overview of the Financial Statements

The Foundation is considered an enterprise fund and utilizes the accrual basis of accounting. The basic financial statements for an enterprise fund include: statement of net position; statement of revenues, expenses and changes in fund net position; and a statement of cash flows. The basic financial statements provide readers with a broad view of the Foundation's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### Financial Analysis

A comparison summary of the statement of net position is presented below:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
Current Assets	\$ 22,071,531	\$ 23,440,970	(6%)
Restricted Assets	-	2,928,225	(100%)
Other Assets	815,511	841,441	(3%)
Capital Assets	<u>123,633</u>	<u>128,523</u>	<u>(4%)</u>
 Total Assets	 <u>\$ 23,010,675</u>	 <u>\$ 27,339,159</u>	 <u>(16%)</u>
Current Liabilities	<u>\$ 142,632</u>	<u>\$ 46,002</u>	<u>210%</u>
 Total Liabilities	 <u>142,632</u>	 <u>46,002</u>	 <u>210%</u>
Deferred Inflows of Resources	<u>745,970</u>	<u>746,641</u>	<u>0%</u>
Net Position			
Invested in Capital Assets, Net	123,633	128,523	(4%)
Nonexpendable Contributions	-	2,928,225	(100%)
Unrestricted	<u>21,998,440</u>	<u>23,489,768</u>	<u>(6%)</u>
 Total Net Position	 <u>22,122,073</u>	 <u>26,546,516</u>	 <u>(16%)</u>
Total Liabilities and Net Position	<u>\$ 23,010,675</u>	<u>\$ 27,339,159</u>	<u>(16%)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Current assets comprised primarily of cash, investments, and funds receivable from state agencies decreased by \$1,369,439 from the prior year.

Restricted assets decreased by \$2,928,225 from the prior year due to the transfer of endowment cash and investments to the Able Charitable Foundation.

Other assets are comprised of contributions receivable from deferred gifts, the long-term portion of the annuity receivable and premium advances on a life insurance policy of a former executive.

A comparative summary of changes in fund net position is presented below:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
Operating Revenues	\$ 673,205	\$ 947,976	(29%)
Operating Expenses	6,332,570	3,686,905	72%
Operating Loss	<u>(5,659,365)</u>	<u>(2,738,929)</u>	107%
Nonoperating Revenues	1,196,529	1,785,413	(33%)
Endowment Contributions	38,393	87,124	(56%)
Change in Net Position	<u>\$ (4,424,443)</u>	<u>\$ (866,392)</u>	<u>(411%)</u>

### Net Position

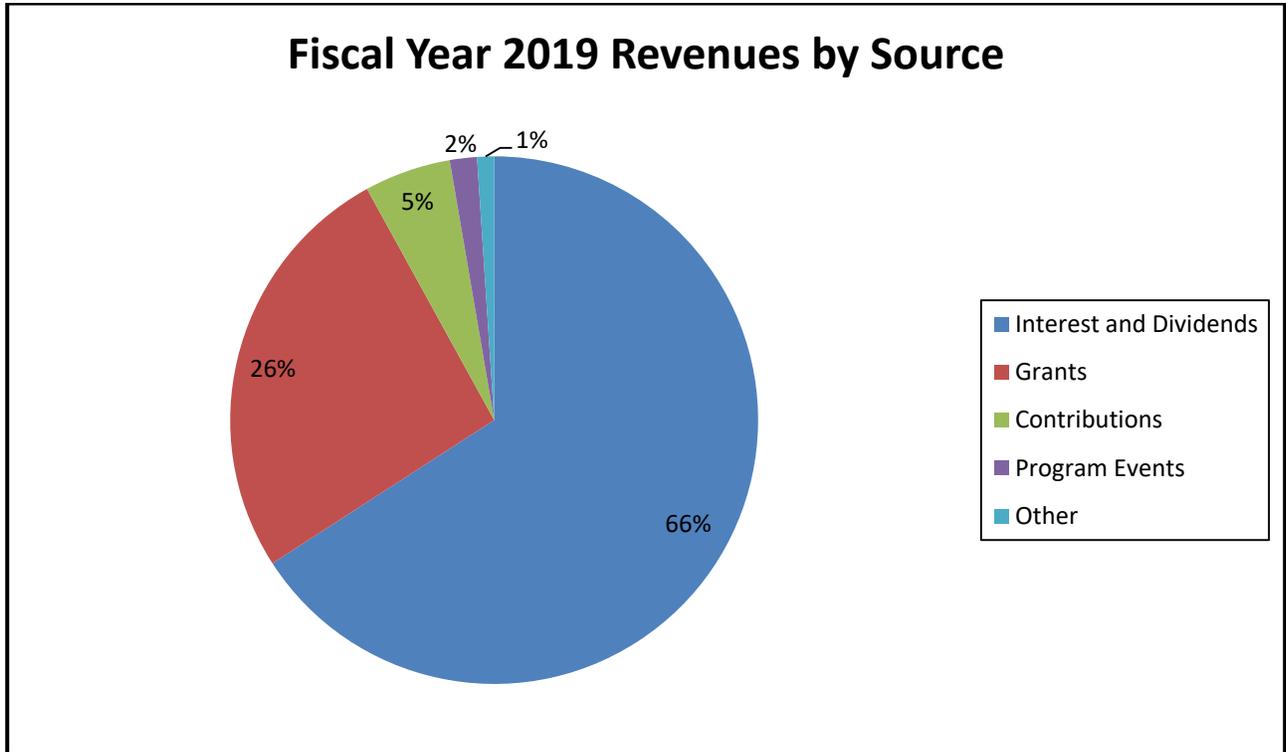
The decrease in net position during the current year is primarily due to the contributions made to the Able Charitable Foundation totaling approximately \$3 million.

### Nonoperating Revenue

Nonoperating revenues for the fiscal year ended June 30, 2019 primarily consist of net realized gains on investments of \$376,222, interest and dividends of \$1,386,072, and net unrealized losses on investments of \$555,179. The Able Trust uses interest and dividends to cover operating expenses.

**MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)**

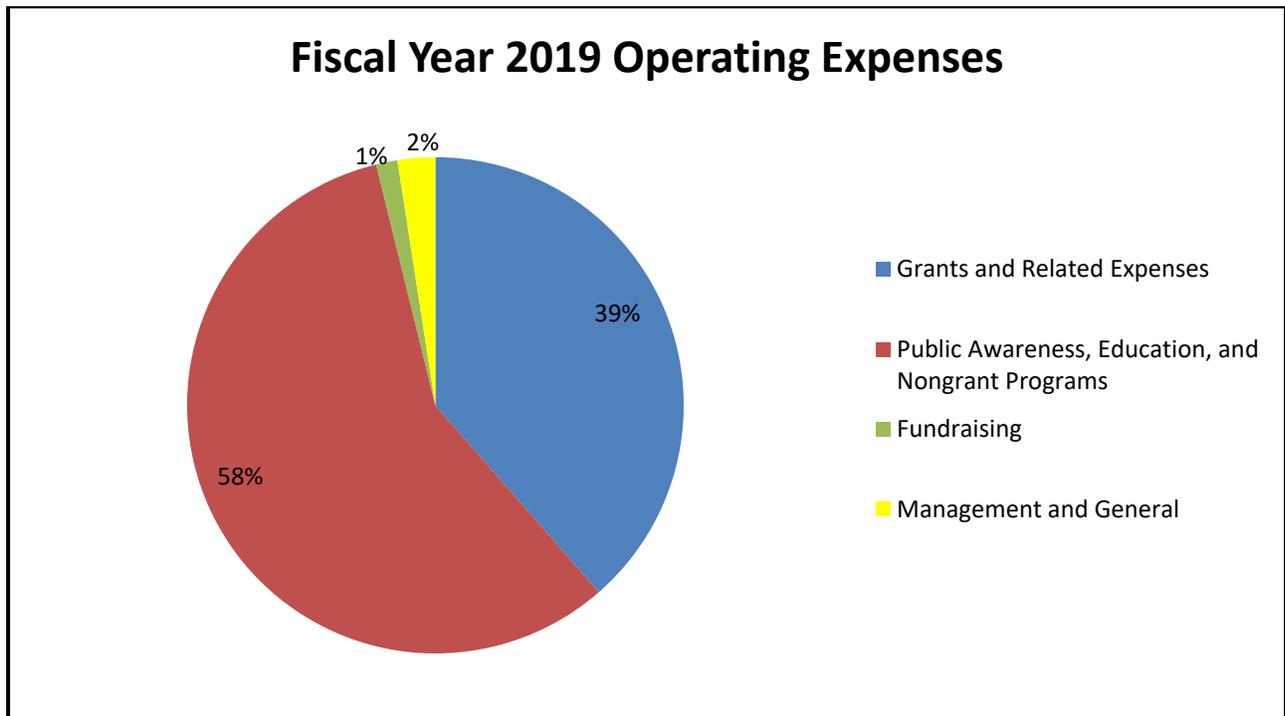
Graphic presentation of revenues follows to assist in the analysis of the Foundation’s activities for fiscal year 2019.



As graphically portrayed above and discussed earlier, the Foundation received a portion of its income during the fiscal year ended June 30, 2019, from grants from the State of Florida. Interest and dividend income on investments provided 66%. The balance of the revenues are from program and fundraising events, and contributions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Graphic presentation of operating expenses follows to assist in the analysis of the Foundation's activities for fiscal year 2019.



Operating expenses increased \$2,645,665 from the prior year, primarily due to contributions to the Able Charitable Foundation totaling approximately \$3 million.

### **Budgetary Highlights**

The Foundation's revenue budget for fiscal year 2019 was \$2,160,323. This was an increase of \$390,801 from the previous year budget.

### **Other Highlights**

1. The High School High Tech Program continued to serve 43 sites in 40 Florida counties, operating consistently for the past 23 years through the support of the Foundation.
2. Participation in the Jeannie Amendola Speech and Research Competition increased by 30%, in this fourth year of its existence.
3. The High School High Tech Program achieved a 99% graduation rate with 83% of graduates entering post-secondary education or employment.
4. 563 students participated in career development activities and gained work experience through opportunities paid for by the HSHT program, CareerSource, Vocational Rehabilitation, or other grant providers.
5. Two new strategic, multi-year grants were awarded in FY 2019, to Best Buddies Florida, and to the MacDonald Training Center in Tampa. Both are structured to expand successful programs to additional areas of service.
6. Other Employment Placement grants were awarded in FY 2019, to CareerSource Flagler/Volusia, Autism Pensacola and Quest, Inc. Additionally, follow-up and support continued for open grants from previous fiscal years.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

7. Research on the employment of people with disabilities was updated, and a report was released by the grant-funded Florida Chamber Foundation in Spring 2019. While the research showed a drop in the unemployment rate for persons with disabilities, there are still significant gains and opportunities to be realized.
8. The 18<sup>th</sup> annual DEAM program was successfully implemented, with 250 businesses offering work experiences to over 1,600 individuals with disabilities.
9. Thousands of people with disabilities were assisted with employment issues through the work of the Foundation and its grantees.

### **Contacting the Foundation's Financial Management**

This financial report is designed to provide a general overview of the Foundation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact The Able Trust/Tony Carvajal at [Tony@abletrust.org](mailto:Tony@abletrust.org) or 850-224-4493.

## **Basic Financial Statements**

**THE FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION, INC.**  
**d/b/a THE ABLE TRUST**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 887,451	\$ 1,004,410
Investments	20,993,568	22,257,203
Due from DOE/DVR for High School / High Tech Program	137,456	137,456
Accounts Receivable - Other	258	179
Annuity Receivable, Current	32,209	34,057
Prepaid Expenses	20,589	7,665
<b>Total Current Assets</b>	<b>22,071,531</b>	<b>23,440,970</b>
<b>RESTRICTED ASSETS</b>		
Restricted Investments - Other	-	2,928,225
<b>Total Restricted Assets</b>	-	2,928,225
<b>OTHER ASSETS</b>		
Contributions Receivable from Deferred Gifts, Net	693,569	690,799
Annuity Receivable, Long Term	20,192	21,785
Capital Assets, Net	123,633	128,523
Asset Held for Sale	-	27,107
Deposits and Other Noncurrent Assets	101,750	101,750
<b>Total Other Assets</b>	939,144	969,964
<b>Total Assets</b>	<b>\$ 23,010,675</b>	<b>\$ 27,339,159</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 20,971	\$ 10,451
Accrued Expenses	121,661	35,551
<b>Total Current Liabilities</b>	142,632	46,002
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Contributions from Deferred Gifts, Net	693,569	690,799
Contributions from Annuity Receivable	52,401	55,842
<b>Total Deferred Inflows of Resources</b>	745,970	746,641
<b>NET POSITION</b>		
Invested in Capital Assets	123,633	128,523
Restricted - Nonexpendable Contributions	-	2,928,225
Unrestricted	21,998,440	23,489,768
<b>Total Net Position</b>	22,122,073	26,546,516
<b>Total Liabilities and Net Position</b>	<b>\$ 23,010,675</b>	<b>\$ 27,339,159</b>

The accompanying notes are an integral part of these financial statements.

**THE FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION, INC.**  
**d/b/a THE ABLE TRUST**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES:</b>		
Public Support:		
DOE/DVR High School / High Tech Program	\$ 549,823	\$ 549,823
Program Events	35,000	43,700
DOT for Sales of Temporary Handicap Parking Permits	-	11,076
DOR for Civil Penalties	-	195,622
Contributions	73,212	63,668
In-Kind Contributions	-	26,000
Other Revenue	15,170	58,087
<b>Total Operating Revenues</b>	<b>673,205</b>	<b>947,976</b>
<b>OPERATING EXPENSES:</b>		
Program Services:		
Grants and Related Expenses	2,438,442	2,593,125
Public Awareness, Education, and Nongrant Programs	3,649,166	890,070
<b>Total Program Services</b>	<b>6,087,608</b>	<b>3,483,195</b>
Supporting Services:		
Fundraising	88,792	150,349
Management and General	156,170	53,361
<b>Total Supporting Services</b>	<b>244,962</b>	<b>203,710</b>
<b>Total Operating Expenses</b>	<b>6,332,570</b>	<b>3,686,905</b>
<b>Operating Loss</b>	<b>(5,659,365)</b>	<b>(2,738,929)</b>
<b>NONOPERATING REVENUES</b>		
Investment Income	1,207,115	1,785,413
Loss on Disposal of Asset Held for Sale	(17,107)	-
BP Oil Spill Settlement	6,521	-
<b>Total Nonoperating Revenues</b>	<b>1,196,529</b>	<b>1,785,413</b>
Loss Before Endowment Contributions	<b>(4,462,836)</b>	<b>(953,516)</b>
Endowment Contributions	38,393	87,124
<b>Total Endowment Contributions</b>	<b>38,393</b>	<b>87,124</b>
Decrease in Net Position	(4,424,443)	(866,392)
<b>Net Position at Beginning of Year</b>	<b>26,546,516</b>	<b>27,412,908</b>
<b>Net Position at End of Year</b>	<b>\$ 22,122,073</b>	<b>\$ 26,546,516</b>

The accompanying notes are an integral part of these financial statements.

**THE FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION, INC.**  
**d/b/a THE ABLE TRUST**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from Public Support	\$ 658,135	\$ 864,531
Other Cash Receipts	14,991	58,266
Payments for Grants and Related Expenses	(1,986,239)	(2,208,194)
Cash Payments for Operating Expenses	(50,258)	(63,973)
Cash Payments for Program Services	(3,381,985)	(617,342)
Cash Payments for Fundraising	(36,272)	(64,304)
Cash Payments to Employees for Services	(789,220)	(782,227)
<b>Net Cash Used in Operating Activities</b>	<b>(5,570,848)</b>	<b>(2,813,243)</b>
<b>INVESTING ACTIVITIES</b>		
Interest and Dividends	4,009,991	1,277,903
Fiscal Agent Cash Disbursements, Net of Receipts	-	(2,263,659)
Sale of Asset Held for Sale	10,000	-
Purchases of Investment Securities	(4,907,093)	(5,913,091)
Sales of Investment Securities	6,296,077	5,919,737
<b>Net Cash Provided by (Used In) Investing Activities</b>	<b>5,408,975</b>	<b>(979,110)</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Endowment Contributions	38,393	87,124
BP Oil Spill Settlement	6,521	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>44,914</b>	<b>87,124</b>
Net Decrease in Cash and Cash Equivalents	(116,959)	(3,705,229)
Cash and Cash Equivalents at Beginning of Year	1,004,410	4,709,639
Cash and Cash Equivalents at End of Year	<b>\$ 887,451</b>	<b>\$ 1,004,410</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (5,659,365)	\$ (2,738,929)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	4,890	5,920
Changes in Operating Assets and Liabilities		
Accounts Receivable - Net	(79)	821
Prepaid Expenses	(12,924)	(1,051)
Accounts Payable	10,520	(53,458)
Accrued Expenses	86,110	561
Asset Held for Sale	-	(27,107)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (5,570,848)</b>	<b>\$ (2,813,243)</b>
<b>OTHER SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES</b>		
Decrease in deposits and other noncurrent assets	\$ -	\$ (3,036)
(Decrease) Increase in fair value of investments	\$ (555,179)	\$ 129,944
Contribution of asset held for sale	\$ -	\$ 27,107
Transfer out of investments to decrease fiscal agent liabilities	\$ -	\$ 3,745,785

The accompanying notes are an integral part of these financial statements.

**THE FLORIDA ENDOWMENT FOUNDATION FOR  
VOCATIONAL REHABILITATION, INC.  
d/b/a THE ABLE TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust (the Foundation) was created by the 1990 Florida Legislature and was incorporated on February 25, 1991, as a not-for-profit corporation. The Foundation was established as a direct support organization for the Florida Department of Education, Division of Vocational Rehabilitation (DOE/DVR) for the purpose of raising funds to support public and private nonprofit vocational rehabilitation programs and services and for providing public awareness, education, and grants, all of which to promote the employment of Florida citizens with disabilities.

In prior years, funding for the Foundation was primarily provided under *Florida Statutes* through surcharges on both noncriminal moving traffic violations (received from the Department of Revenue (DOR)) and temporary handicap parking permits (received from the Department of Transportation (DOT)), and by an annual appropriation from the Division of Vocational Rehabilitation. Effective July 1, 2017, revisions were made to the statutes governing the Foundation and its funding by the Florida Legislature, which provided only the funding from the High School / High Tech grant program of DOE/DVR. In addition, the Foundation receives revenue through corporate support, grants, and private gifts and donations. The section of the Florida statute governing the Foundation is set to repeal October 1, 2023, unless reviewed and saved from repeal by the Florida Legislature

Financial statements of the Foundation are an integral part of the financial statements of the State of Florida (the primary government). There are no component units for the Foundation to consider for inclusion in its financial statements.

**Basis of Accounting** – The Foundation follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

**Cash and Cash Equivalents** – Cash and cash equivalents include demand deposits with financial institutions and deposits in highly-liquid money market funds.

**Investments** – Investments consist of certain mutual funds and fixed maturity investments and are carried at market value, which is based on quoted market values for these or similar instruments.

Restricted investments consist of permanently restricted endowment funds. Earnings on restricted investments are recorded as unrestricted revenues unless its use is limited by donor restrictions. Investment earnings received with donor-imposed restrictions that expire during the fiscal year are recorded as unrestricted income.

**THE FLORIDA ENDOWMENT FOUNDATION FOR  
VOCATIONAL REHABILITATION, INC.  
d/b/a THE ABLE TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Endowments** – The Foundation’s endowments consist of multiple funds established for a variety of purposes, and include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. These endowments are a result of Foundation fundraising and development efforts since the creation of the Foundation in 1990. The Board of Directors requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Foundation classifies the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment as restricted-nonexpendable contributions net position. Any investment earnings or losses from the permanently restricted endowment fund are classified as unrestricted earnings to be used to fund the operations of the Foundation, unless there are specific donor restrictions regarding the use of investment earnings.

The general investment objectives of the Foundation are to achieve a competitive long-term rate of return and marketability within reasonable and prudent levels of risk.

The Foundation’s investment goal is to earn an average annual rate of return over five (5) years which exceeds the average rate of inflation (CPI).

To achieve the goals and objectives of the Foundation, the following target asset allocation for the Foundation’s investment portfolio has been established:

	<b>Target Allocation</b>	<b>Standard Benchmark</b>
Domestic Large Capitalization Equities	35%	Standard & Poor’s 500
Domestic Small Capitalization Equities	12%	Russell 2000
Foreign Equities	10%	Europe, Australasia, Far East
Fixed Income Securities	40%	Merrill Lynch Domestic Master
Global Alternative Investments	3%	N/A

As of June 30, 2019, the investment portfolio asset allocation is as follows:

Domestic Large Capitalization Equities	40%
Domestic Small Capitalization Equities	13%
Foreign Equities	10%
Fixed Income Securities	37%
Global Alternative Investments	-

**THE FLORIDA ENDOWMENT FOUNDATION FOR  
VOCATIONAL REHABILITATION, INC.  
d/b/a THE ABLE TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable** – Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect, are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2019 and 2018, the valuation allowance was \$0, as management deems the balances to be fully collectible.

**Capital Assets** – Capital assets are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life for furniture and equipment is three to ten years. Leasehold improvements are depreciated over the lesser of the useful life or the lease term (10 years). The Foundation capitalizes all capital assets with a purchase price over \$5,000. The capitalization threshold was increased from \$1,000 to \$5,000 effective November 2017.

**Contributions Receivable from Deferred Gifts** – Contributions receivable from deferred gifts consist of amounts receivable from various irrevocable charitable remainder and life insurance trust agreements and are considered promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on the charitable remainder trusts are based on the Internal Revenue Service (IRS) Applicable Federal Rate (AFR) for determining the present value of remainder interests as of the fiscal year end. The discounts on the life insurance trusts are based on the Foundation's average rate of investment earnings for the fiscal year.

**Income Taxes** – Pursuant to a determination letter received from the IRS, the Foundation is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code*. It is, however, subject to corporate income taxes on net income earned from unrelated business activities (Note 14).

**Operating Revenues** – Operating revenues consist of funds received from public dollars, fundraising and development, grants, special events, and public support programs that are used by the Foundation to carry out its exempt purpose. Revenues from these sources are recorded in the period in which they are earned.

**Contributions and In-Kind Contributions** – Annual contributions and gifts are recorded as revenue at the time they are received, or when all eligibility requirements are met, whichever is first. Contributions received with permanent restrictions are presented as nonexpendable contributions on the Statements of Net Position. In-kind contributions are estimated based on the nature of the asset contributed and are recorded at fair market value.

**THE FLORIDA ENDOWMENT FOUNDATION FOR  
VOCATIONAL REHABILITATION, INC.  
d/b/a THE ABLE TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses** – The costs of providing the various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefited.

**Election to Apply FASB Statements** – As permitted by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Foundation has elected to apply all FASB and AICPA pronouncements issued after November 30, 1989, except for those that conflict with GASB pronouncements.

**Reclassification** – Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of accounts maintained at several commercial financial institutions located in Florida and an external investment pool. The carrying amount and bank balances at June 30, 2019 are \$887,451 and \$927,617, respectively. Cash account balances are secured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per bank. Deposits with commercial financial institutions in excess of FDIC limits are covered by the State of Florida's Public Depository Act as described in Chapter 280, *Florida Statutes*.

The Foundation also invests in Florida PRIME administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of June 30, 2019, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one and three-month LIBOR. These floating rate

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**NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**

and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The dollar weighted average days to maturity of the Florida PRIME at June 30, 2019 is 28 days. The fair value of the Foundation's position in the pool approximates the value of the pool shares. At June 30, 2019 and 2018, the Foundation had \$87 and \$334,384 invested in Florida PRIME, respectively. Florida PRIME's most recent financial statements can be found on the SBA website at: <https://www.sbafla.com/prime/Audits.aspx>.

**NOTE 3 – INVESTMENTS**

Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurement and Disclosures Topic are described as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by the market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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**NOTE 3 – INVESTMENTS (Continued)**

Investments at June 30, 2019 and 2018 consist of the following:

	<b>2019</b>	<b>2018</b>
	<b>Market and</b>	<b>Market and</b>
	<b>Carrying Value</b>	<b>Carrying Value</b>
	<b>(Level 1)</b>	<b>(Level 1)</b>
Equity Securities:		
Large Market Capitalization	\$ 15,812	\$ 14,455
Mutual funds:		
Fixed Income	7,781,876	9,276,511
Large Market Capitalization	8,434,365	10,136,044
Small / Middle Market Capitalization	2,663,408	3,021,706
International	2,098,107	2,418,478
Alternative	-	318,234
Total Mutual Funds	<u>20,977,756</u>	<u>25,170,973</u>
Total Investments	20,993,568	25,185,428
Less: Restricted Investments	-	(2,928,225)
Unrestricted Investments	<u>\$ 20,993,568</u>	<u>\$ 22,257,203</u>

At June 30, 2019 and 2018, all investments have maturities of one year or less.

Investment income for the years ended June 30, 2019 and 2018 consists of the following:

	<b>2019</b>	<b>2018</b>
Interest and dividends	\$ 1,386,072	\$ 1,408,942
Unrealized (losses)gains, net	(555,179)	129,944
Realized gains, net	376,222	246,527
	<u>\$ 1,207,115</u>	<u>\$ 1,785,413</u>

**Interest Rate Risk** – To limit exposure to fair value losses resulting from rising interest rates, the Foundation’s investment policy provides for all investments to be highly liquid. Each investment is monitored by management on at least a monthly basis for performance in comparison to benchmarks set by the Foundation.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of June 30, 2019 and 2018, all mutual funds had ratings of two stars to five stars by Morningstar.

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**NOTE 3 – INVESTMENTS (Continued)**

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custody of the Foundation’s investments is maintained in the Foundation’s name by five brokerage firms pursuant to custodial agreements. All of the Foundation’s brokerage firms are members of the Securities Investor Protection Corporation (SIPC). The SIPC protects the securities and cash in brokerage accounts up to \$500,000, which includes up to \$250,000 protection for cash balances. The Foundation believes custodial credit risk related to these accounts is minimal.

**Endowment Investments** – Endowment activity for the year ended June 30, 2019 was as follows:

	<b>Endowments</b>		
	<b>Board Designated</b>	<b>Donor Restricted</b>	<b>Total</b>
Balance, July 1, 2018	\$ 22,382,355	\$ 2,928,225	\$ 25,310,580
Contributions	-	38,393	38,393
Distribution of investment income to fund operations	(2,306,897)	-	(2,306,897)
Investment income, net	1,354,191	27,086	1,381,277
Net gain (loss)	(195,481)	15,168	(180,313)
Distribution of principal	-	(3,008,872)	(3,008,872)
Balance, June 30, 2019	<u>\$ 21,234,168</u>	<u>\$ -</u>	<u>\$ 21,234,168</u>

Endowment activity for the year ended June 30, 2018 was as follows:

	<b>Endowments</b>		
	<b>Board Designated</b>	<b>Donor Restricted</b>	<b>Total</b>
Balance, July 1, 2017	\$ 21,890,432	\$ 3,038,866	\$ 24,929,298
Contributions	-	87,124	87,124
Distribution of investment income to fund operations	(1,110,000)	(154,000)	(1,264,000)
Investment income, net	1,251,761	143,244	1,395,005
Net gain	350,162	29,344	379,506
Distribution of principal	-	(216,353)	(216,353)
Balance, June 30, 2018	<u>\$ 22,382,355</u>	<u>\$ 2,928,225</u>	<u>\$ 25,310,580</u>

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**NOTE 4 – CAPITAL ASSETS**

Capital assets consist of the following:

	<b>June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2019</b>
Furniture and fixtures	\$ 145,030	\$ -	\$ -	\$ 145,030
Leasehold improvements	164,921	-	-	164,921
Computer equipment	88,584	-	-	88,584
	<u>398,535</u>	<u>-</u>	<u>-</u>	<u>398,535</u>
Less: accumulated depreciation	(270,012)	(4,890)	-	(274,902)
	<u>\$ 128,523</u>	<u>\$ (4,890)</u>	<u>\$ -</u>	<u>\$ 123,633</u>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2018</b>
Furniture and fixtures	\$ 145,030	\$ -	\$ -	\$ 145,030
Leasehold improvements	164,921	-	-	164,921
Computer equipment	88,584	-	-	88,584
	<u>398,535</u>	<u>-</u>	<u>-</u>	<u>398,535</u>
Less: accumulated depreciation	(264,092)	(5,920)	-	(270,012)
	<u>\$ 134,443</u>	<u>\$ (5,920)</u>	<u>\$ -</u>	<u>\$ 128,523</u>

Depreciation expense for the years ended June 30, 2019 and 2018, totaled \$4,890 and \$5,920, respectively.

**NOTE 5 – NET POSITION**

The Board has designated a portion of the unrestricted net position as follows:

	<b>2019</b>	<b>2018</b>
Board designated grant reserves	\$ 2,160,924	\$ 2,220,554
Board designated for endowments	21,234,168	22,382,353
Unrestricted, undesignated	(1,396,652)	(1,113,139)
	<u>\$ 21,998,440</u>	<u>\$ 23,489,768</u>

Unrestricted net position that is Board designated grant reserves represents resources designated for the payment of grants approved but not yet paid at year end. Certain agreements are subject to funding availability, based on State of Florida Legislative approval and appropriation. Unrestricted net position that is Board designated endowments represents resources earmarked by the Foundation to increase endowment principal.

Net position reported as nonexpendable contributions represents endowment contributions received from donors to be invested in perpetuity.

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**NOTE 6 – DEFERRED GIFTS**

The Foundation is a beneficiary of various charitable remainder and life insurance trusts. A charitable remainder trust provides for the payment of distributions to the donor or other designated beneficiary over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets will be transferred to the Foundation. The present value of the future benefits is determined using the fiscal year end AFR, established by the IRS for determining the present value of remainder interests. A life insurance trust is an irrevocable, non-amendable trust which is both the owner and beneficiary of one or more life insurance policies. The present value of the future benefits of life insurance trusts is determined using the Foundation's average rate of earnings for the fiscal year.

The portion of the trusts attributable to the present value of the future benefits to be received by the Foundation is recorded in the Statements of Revenues, Expenses and Changes in Fund Net Position as contributions in the period the trust is terminated. The present value of the contributions at June 30, 2019 and 2018, net of unamortized discounts of \$977,740 and \$1,010,769, totaled \$693,569 and \$690,799, respectively. There were no new charitable remainder or life insurance trusts received during the fiscal years ended June 30, 2019 and 2018.

Contributions receivable from deferred gifts and the related deferred inflows of resources are recorded on the Statements of Net Position, and the portions from the charitable remainder and life insurance trusts are expected to be received in more than five years. No provision for uncollectible contributions has been recorded for the years ended June 30, 2019 and 2018.

**NOTE 7 – ANNUITY RECEIVABLE**

Due to the death of a donor in December 2004, an irrevocable charitable lead trust was created with payments due to the Foundation for 15 years. As of June 30, 2019 and 2018, the present value of the future annuity payments is \$52,401 and \$55,842, respectively, using the AFR established by the IRS for December 2004 of 4.68%.

**NOTE 8 – OPERATING LEASE**

The Foundation entered into a five-year agreement for office space beginning January 1, 2019. Rent expense for the years ended June 30, 2019 and 2018, was \$121,835 and \$119,173, respectively. Future minimum lease payments follow:

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**NOTE 8 – OPERATING LEASE (Continued)**

<u>For the year ending June 30,</u>	
2020	\$ 126,409
2021	130,201
2022	134,107
2023	138,130
Total	<u>\$ 528,847</u>

**NOTE 9 – COMMITMENTS**

As previously discussed in Note 5, the Foundation had approved unpaid grants of \$2,160,924 as of June 30, 2019 because grant periods may not coincide with the Foundation’s fiscal year. Although the payment of the outstanding grants is contingent upon the grantee’s satisfactory compliance with grant conditions, it is probable the Foundation will fund the entire unpaid balance.

**NOTE 10 – RETIREMENT PLAN**

Effective January 31, 1998 and amended effective June 28, 2008, the Foundation adopted The Able Trust 401(k) Plan (Plan), a defined contribution pension plan that covers substantially all employees. Effective July 1, 2014, the plan is administered by American Funds (previously Raymond James & Associates, Inc.). Employees are 100% vested in employer contributions to the plan after five years of service to the Foundation. The employer contributions to the plan are contingent upon a minimum contribution by the participant. The Plan may be amended by the Foundation. Contributions charged to expense for the years ended June 30, 2019 and 2018 were \$25,197 and \$31,783, respectively. Employee voluntary contributions during the years ended June 30, 2019 and 2018 were \$53,165 and \$52,680, respectively. Forfeitures for the years ended June 30, 2019 or 2018 totaled \$5,795 and \$4,493, respectively.

**NOTE 11 – DEPOSITS AND OTHER NONCURRENT ASSETS**

Deposits and Other Noncurrent Assets consists primarily of premium advances that will be collected by the Foundation from life insurance proceeds pursuant to a collateral assignment provision of an insurance policy on the life of a former executive.

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**NOTE 12 – BP OIL SPILL SETTLEMENT**

During 2019, the Foundation received a settlement of \$6,521, resulting from a claim filed against the BP Deepwater Horizon Oil Spill. The total award is shown on the Statements of Revenue, Expenses and Changes in Fund Net Position.

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The Able Charitable Foundation (ACF), a not-for-profit organization, supports programs that are designed to assist people with disabilities to achieve the most independent and productive life possible. During 2019, the Foundation and the ACF had the same President and CEO. In addition, the ACF has three board members and one of those board members was also on the Foundation's Board of Directors during 2019. The Board and President of the ACF serve that organization as unpaid volunteers.

During the fiscal year ended June 30, 2019 and 2018, the Foundation made charitable contributions to the ACF of cash and investments totaling \$3,096,737 and \$221,352, respectively. Of these amounts, \$3,008,872 and \$216,353 were endowment funds from private donors. These transfers were the result of direction approved by the Foundation's Board of Directors (Note 3). See also Note 16.

Effective April 1, 2018, the Foundation has a contract to provide administrative support to the ACF, including accounting, marketing and development, and the use of office space and equipment for \$500 per month. During the fiscal year ended June 30, 2019 and 2018, ACF paid the Foundation a total of \$6,000 and \$2,000 under this contract, respectively. Additionally, as of June 30, 2019 and 2018, the Foundation has a receivable balance due from ACF in the amount of \$0 and \$179 for expenses paid by the Foundation on ACF's behalf, respectively.

**NOTE 14 – INCOME TAXES**

For the year ended June 30, 2019, the Foundation has no unrelated business income and, accordingly, has incurred no income tax liability from unrelated business activities. The Foundation has filed all required tax returns in all jurisdictions in which it operates. Tax years after 2014 remain subject to examination by the applicable taxing authorities.

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**NOTE 15 – RISK MANAGEMENT**

The Foundation is exposed to various risks of loss including, but not limited to, general liability, property and casualty, auto and physical damage, and workers' compensation. Coverage is provided through independent commercial carriers to insure against such risks and minimize the Foundation's financial exposure to such risks.

**NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS**

On August 15, 2019, the Foundation received a letter from the Florida Commissioner of Education addressed to the Governor, Senate President, Speaker of the House and Coordinator of the Office of Program Policy Analysis and Government Accountability. The letter included actions that the Foundation should immediately undertake. Required actions included, but were not limited to, the following:

- 1) The Foundation dissolves all relationships and agreements with the Able Charitable Foundation (ACF) as soon as feasible and practicable, but no later than September 1, 2019.
- 2) The Foundation requests and requires that all funds previously transferred from the Foundation to the Able Charitable Foundation revert to the Foundation.
- 3) The Foundation removes authority from and severs its relationship with the immediate past President and CEO.
- 4) The Foundation accepts the resignation of all officers and members of the Board of Directors of the Foundation effective October 1, 2019.
- 5) The Foundation agrees that the Commissioner of Education will work with the Board Chairman to recruit and secure a new Chief Executive Officer (CEO).
- 6) The Foundation agrees to allow the Commissioner of Education to also appoint an official receiver to oversee the daily functions of the Foundation until such time as the new CEO or a quorum of Board of Directors are in place.

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**NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS (Continued)**

As of the date of this report, the Foundation has taken the following actions:

- 1) Dissolved its relationship with the ACF and received cash and investments back from ACF totaling \$3,237,098.
- 2) Removed authority and severed its relationship with the immediate past President and CEO.
- 3) Accepted the resignation of all officers and members of the Foundation's Board of Directors.
- 4) Hired a new CEO in August 2019.

The Foundation has evaluated subsequent events through December 5, 2019, the date which the financial statements were available to be issued.

## **Other Financial Information**

**THE FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION, INC.**  
**d/b/a THE ABLE TRUST**  
**SCHEDULE OF BUDGETED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
DOE/DVR High School / High Tech Program	\$ 549,923	\$ 549,823	\$ (100)
Program Events	-	35,000	35,000
Gifts and Contributions	550,000	111,605	(438,395)
Bank and Certificate of Deposit Interest	1,038,400	1,386,072	347,672
Other Revenue	22,000	21,691	(309)
	<u>\$ 2,160,323</u>	<u>\$ 2,104,191</u>	<u>\$ (56,132)</u>

Note: The Foundation does not budget for gains and/or losses with respect to its investments nor the disposal of capital assets.

See independent auditor's report.

**THE FLORIDA ENDOWMENT FOUNDATION FOR VOCATIONAL REHABILITATION, INC.**  
**d/b/a THE ABLE TRUST**  
**SCHEDULE OF BUDGETED AND ACTUAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Grants and Related Expenses</b>	<b>Public Awareness, Education, and Non-grant Programs</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
Non-Officer Salaries	\$ 284,504	\$ 178,512	\$ 33,471	\$ 61,364	\$ 557,851	\$ 481,119	\$ (76,732)
Officer Salaries	161,914	101,593	19,049	34,923	317,479	227,059	(90,420)
Payroll Taxes	22,572	14,163	2,655	4,868	44,258	49,500	5,242
Employee Benefits	29,076	18,244	3,421	6,271	57,012	60,200	3,188
Retirement	12,850	8,063	1,512	2,772	25,197	34,000	8,803
Payroll Processing	177	111	21	38	347	550	203
Auditing & Accounting Fees	16,001	10,040	1,882	3,451	31,374	32,850	1,476
Board Meetings	12,255	7,690	1,442	2,643	24,030	38,700	14,670
Board Member Travel	3,698	2,320	435	797	7,250	2,000	(5,250)
Charitable Contributions	-	3,096,737	-	-	3,096,737	-	(3,096,737)
CEO Program Management	20,277	12,723	2,386	4,373	39,759	103,200	63,441
Depreciation	2,494	1,565	293	538	4,890	-	(4,890)
Development and Marketing	-	100,288	-	-	100,288	130,775	30,487
Development of Alumni Association	-	259	-	-	259	4,000	3,741
DOE/DVR Staff Events	45,965	-	-	-	45,965	48,000	2,035
Endowment Department	-	-	3,608	-	3,608	975	(2,633)
Equipment/Furniture	1,439	903	169	310	2,821	8,860	6,039
Equipment Maintenance	754	473	89	163	1,479	1,900	421
Insurance	5,595	3,510	658	1,207	10,970	10,900	(70)
Investment Advisory Fees	2,040	1,280	240	440	4,000	4,000	-
IT Support	2,044	1,283	240	441	4,008	6,000	1,992
Legislative Consultants	75,154	47,156	8,842	16,209	147,361	151,800	4,439
Office Supplies	2,226	1,397	262	480	4,365	3,200	(1,165)
Printing	1,159	727	136	251	2,273	2,000	(273)
Postage	1,495	938	176	322	2,931	5,200	2,269
Rent	62,136	38,987	7,310	13,402	121,835	123,000	1,165
Program Events:							
Disability Employment Awareness	-	3,388	-	-	3,388	18,500	15,112
Youth Leadership Forum	-	(5,825)	-	-	(5,825)	50,000	55,825
Staff Education	732	459	86	158	1,435	11,000	9,565
Telephone and Internet	3,478	2,182	409	749	6,818	7,500	682
Grant Obligations - Prior Year	267,905	-	-	-	267,905	474,583	206,678
Grant Awards - Current Year	377,666	-	-	-	377,666	781,000	403,334
Grants - HS/HT	946,000	-	-	-	946,000	946,000	-
High School/High Tech-Other Expenses	61,765	-	-	-	61,765	78,550	16,785
Grants Administration	15,071	-	-	-	15,071	28,000	12,929
<b>Total</b>	<b>\$ 2,438,442</b>	<b>\$ 3,649,166</b>	<b>\$ 88,792</b>	<b>\$ 156,170</b>	<b>\$ 6,332,570</b>	<b>\$ 3,924,921</b>	<b>\$ (2,407,649)</b>

Note: The Foundation prepares their budget on the cash basis and, therefore, does not budget for bad debt and depreciation.

## **Other Reports and Schedules**



Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Commissioner of Education, Florida Department of Education  
and Management, The Florida Endowment Foundation  
for Vocational Rehabilitation, Inc.  
d/b/a The Able Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Florida Endowment Foundation for Rehabilitation, Inc. d/b/a The Able Trust (the Foundation), a component unit of the state of Florida, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in fund net position, and cash flows as of and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described below.

### **Administrative Costs**

*Criteria:* Chapter 413.615, *Florida Statutes* states that “administrative costs shall be kept to a minimum amount necessary for the efficient and effective administration of the Foundation and are limited to 15 percent of total estimated expenditures in any calendar year.” The statute further outlines specific costs that should be considered administrative as follows, “Administrative costs include payment of travel and per diem expenses of board members, officer salaries, chief executive officer program management, audits, salaries or other costs for nonofficers and contractors providing services that are not directly related to the mission of the foundation as described in subsection (5), costs of promoting the purposes of the foundation, and other allowable costs.” In addition, in June 2019, the Florida Department of Education, Office of Inspector General (OIG) issued report #A-1819DOE-021 on their analysis of the Foundation's calculation of administrative costs for the period 7/1/17 - 6/30/18. The OIG concluded that the Foundation “misinterpreted the Florida Statutes and subsequently reported total administrative costs inaccurately.” Recommendations included enhancement of procedures to ensure accurate calculation of administrative costs and also to ensure administrative costs are only paid from private sources. The OIG further recommended that the Department of Education, Division of Vocational Rehabilitation (DVR) propose to change the statutory language from calendar year to fiscal year and from estimated expenditures to actual expenditures.

*Condition:* Based on the guidance provided by DVR, the Foundation calculated its administrative costs based on actual expenditures for the period 7/1/18 - 6/30/19. Although the calculation yielded administrative costs at 13% which is less than the maximum allowable amount, the calculation included contribution expenses of approximately \$3 million to the Able Charitable Foundation. These contributions were subsequently returned to the Foundation during the fiscal year ending June 30, 2020 (see Note 16 to the financial statements). If the contribution expenses were excluded from the calculation, administrative costs would have been 25% of total expenses or 10% greater than the maximum allowable amount per statute.

Commissioner of Education, Florida Department of Education  
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*Cause:* Varying interpretations of the statute and classification of costs.

*Effect:* Possible noncompliance with Chapter 413.615, *Florida Statutes*.

*Recommendations:* The Foundation should continue to work with DVR to appropriately classify and calculate administrative costs. The calculation methodology should be documented and approved by Foundation management and the Board of Directors and should be monitored throughout the year to ensure compliance.

*Views of responsible officials and planned corrective actions:* Management will continue to update accounting and reporting practices to comply with statutory classification of costs. Steps underway include proactive review of budget proposal by Division of Vocational Rehabilitation as part of annual contract review and regular internal review and reporting of administrative costs and projections through the year to focus on compliance with calendar year limits.

### **Response to Finding**

The Able Trust's response to the finding identified in our audit above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain additional matters that we reported to Foundation management in a separate letter dated December 5, 2019.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**LAW, REDD, CRONA & MUNROE, P.A.**  
Tallahassee, Florida  
December 5, 2019



**Law, Redd, Crona & Munroe, P.A.**  
*Certified Public Accountants*

## **MANAGEMENT LETTER**

Commissioner of Education, Florida Department of Education  
and Management, The Florida Endowment Foundation  
for Vocational Rehabilitation, Inc.  
d/b/a The Able Trust

### **Report on the Financial Statements**

We have audited the financial statements of The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust (the Foundation), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 5, 2019.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 5, 2019, should be considered in conjunction with this management letter.

During our audit, we became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Foundation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### **Prior Year Recommendations**

See current year recommendations below for status of all prior year recommendations.

### **Current Year Recommendations**

#### **Bank Reconciliation Procedures and Review**

During the prior year audit, we noted bank reconciliations were not always timely reviewed. In addition, the Financial Policies and Procedures did not address documentation of timely review of the reconciliations. During the current year audit, we reviewed five months of reconciliations noting that although all five were timely prepared, only three were timely approved. The remaining two were approved two months after preparation.

We continue to recommend that reconciliations be reviewed and approved in a timely manner (as soon after preparation as possible). In addition, the Financial Policies and Procedures should be amended to address the bank reconciliation documentation process and include guidelines for timeliness.

#### **Security of Information Technology and Communications Equipment**

The Foundation's internal server, backup appliance, Comcast router, and phone switches are kept in an unlocked room which is also used for other purposes, such as storing paper records. Although the Foundation's office suite is locked after hours, under these conditions the risk is increased of accidental or malicious modification or destruction of information technology and communications equipment.

*To improve protection over information technology and communications equipment, we recommend management keep the server room locked at all times, with access allowed only to those persons with a business need to work with the server, other IT equipment, or phone equipment. In addition, management should evaluate the feasibility of relocating paper records from the server room so that access to the server room can be limited to fewer personnel. As an alternative, the Foundation could install lockable storage racks in the room to house the IT equipment and limit the number of persons with keys to the racks.*

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## **Passwords**

Our audit disclosed that Windows Active Directory was not set by the Foundation to enforce password policies such as minimum password length or complexity or an account lockout after a set number of invalid access attempts. Employee password composition was monitored manually by the President/CEO, as computer material policy requires all employee passwords to be disclosed to at least one member of management, generally the President/CEO, for backup purposes. However, employees could change their passwords from what was disclosed. Additionally, without a limit on invalid access attempts, intruders may repeatedly attempt to crack passwords without restriction. Under these conditions, the risk was increased that passwords could be compromised and misused to gain unauthorized access to data and information technology resources.

*To improve protection of the confidentiality, integrity, and availability of data and IT resources, we recommend management consider configuring Active Directory to enforce the use of strong passwords by network users and limit the allowed number of invalid logon attempts. In addition, the Foundation should consider allowing employees to keep their passwords confidential and use the access and password management capabilities of Active Directory to enable personnel to perform duties on behalf of absent personnel.*

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Florida Commissioner of Education and management of The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust and is not intended to be and should not be used by anyone other than these specified parties.



**LAW, REDD, CRONA & MUNROE, P.A.**

Tallahassee, Florida

December 5, 2019