

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

Financial Statements
and Other Financial Information

Year ended June 30, 2022

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Report of Independent Auditors

Board of Directors

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

Opinion

We have audited the financial statements of The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust (the Foundation) which comprise the statement of net position as of June 30, 2022, the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of the Foundation, as of June 30, 2022, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 GAAS and *Government 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Foundation'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 the financial statements.

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Auditor's Responsibility for the Audit of the Financial Statements (continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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.

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 audits 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 is 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 November 8, 2022 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 solely 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 the effectiveness of the Foundation's 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 Foundation's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
November 8, 2022

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Foundation's (the Foundation) management discussion and analysis presents an overview of its financial activities for the fiscal year ended June 30, 2022. 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, 2022.

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 a statement of net position; a statement of revenues, expenses and changes in 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 2022</u>	<u>FY 2021</u>	<u>% Change</u>
Current Assets	\$ 19,964,253	\$ 24,300,478	(17.8%)
Restricted Assets	2,879,803	3,521,244	(18.2%)
Other Assets	786,167	875,451	(10.2%)
Capital Assets	3,421	120,261	(97.2%)
Lease, Right-of-Use Asset	127,732	-	100%
Total Assets	<u>\$ 23,761,376</u>	<u>\$ 28,817,434</u>	<u>(17.5%)</u>
Current Liabilities	\$ 172,856	\$ 105,546	(63.8%)
Noncurrent Liabilities	74,379	-	100%
Total Liabilities	<u>247,235</u>	<u>105,456</u>	<u>(13.4%)</u>
Deferred Inflows of Resources	684,217	773,701	(11.6%)
Net Position			
Invested in Capital Assets, Net	3,421	120,261	(97.2%)
Nonexpendable Contributions	2,879,803	3,521,244	(18.2%)
Unrestricted	19,946,700	24,296,772	(17.9%)
Total Net Position	<u>22,829,924</u>	<u>27,938,277</u>	<u>(18.3%)</u>
Total Liabilities and Net Position	<u>\$ 23,761,376</u>	<u>\$ 28,817,434</u>	<u>(17.5%)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Current assets comprised primarily of cash, investments, and funds receivable from state agencies decreased by \$4,336,225 from the prior year.

Restricted assets decreased by \$641,441 from the prior year due to a decrease in investment income and an increase in unrealized losses on investments.

Other assets are comprised of contributions receivable from deferred gifts 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 2022</u>	<u>FY 2021</u>	<u>% Change</u>
Operating Revenues	\$ 786,889	\$ 637,746	23.4%
Operating Expenses	<u>2,920,938</u>	<u>2,659,967</u>	9.8%
Operating Loss	<u>(2,134,049)</u>	<u>(2,022,221)</u>	(5.5%)
Nonoperating (Expenses) Revenues	<u>(3,030,313)</u>	<u>5,613,847</u>	(153.9%)
Endowment Contributions	<u>50,000</u>	<u>50,407</u>	(.1%)
Change in Net Position	<u>\$ (5,114,362)</u>	<u>\$ 3,642,033</u>	(240.4%)

Net Position

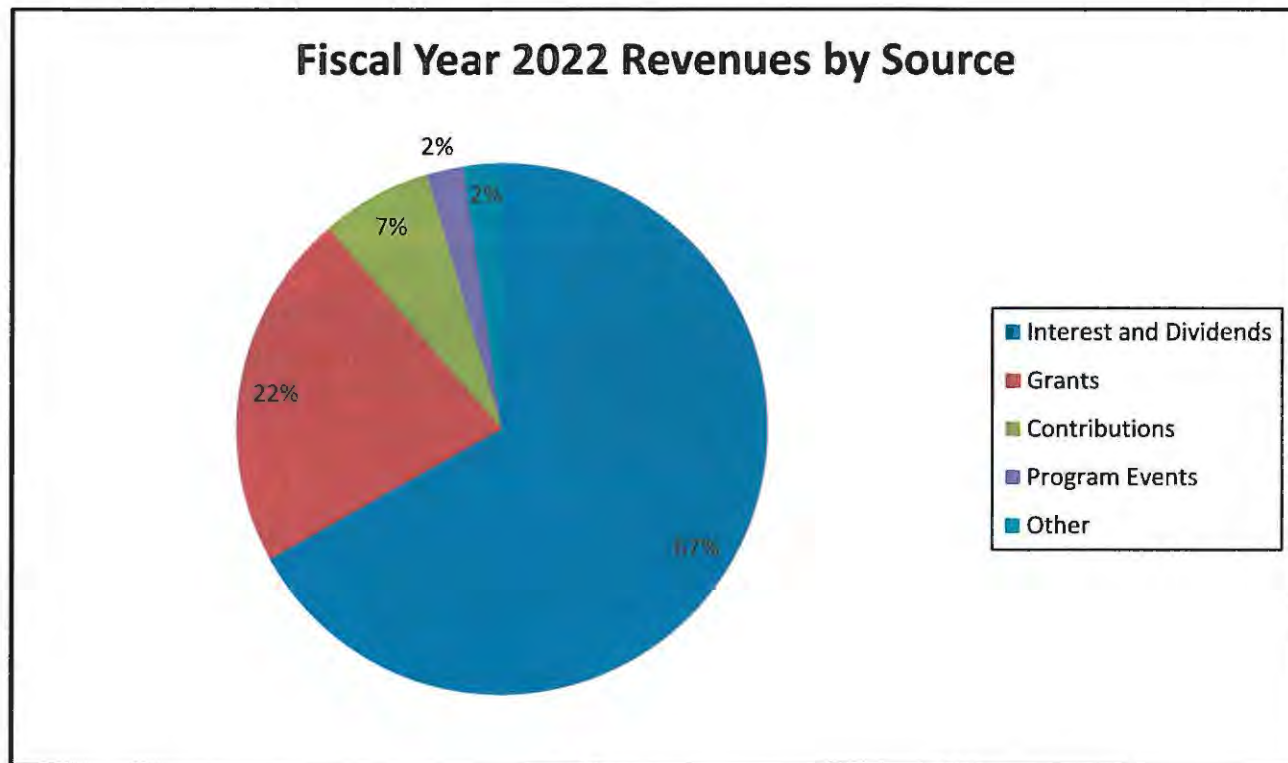
The decrease in net position during the current year is primarily due to a decrease in investment income and an increase in unrealized losses on investments.

Nonoperating Expenses

Nonoperating expenses for the fiscal year ended June 30, 2022 primarily consist of net realized gains on investments of \$24,693, interest and dividends of \$1,687,305, and net unrealized losses on investments of \$4,916,172. The Foundation uses interest and dividends to cover operating expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

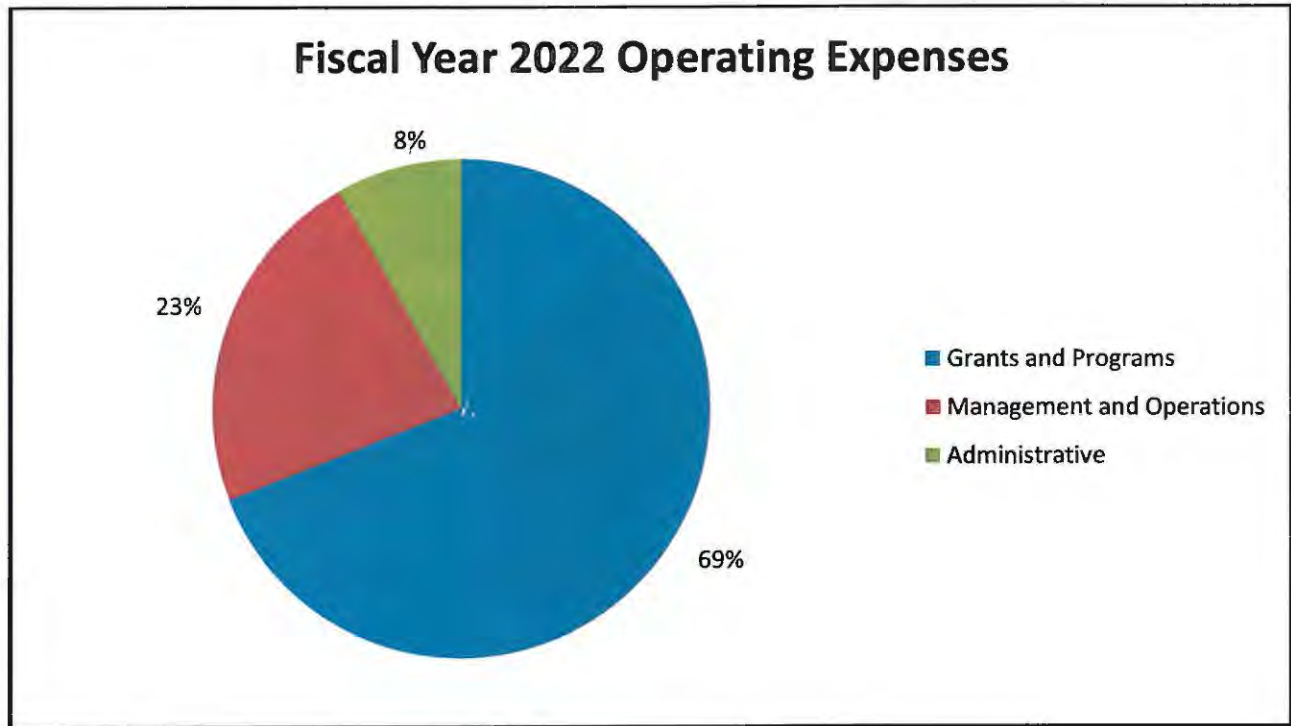
Graphic presentation of revenues follows to assist in the analysis of the Foundation's activities for fiscal year 2022.



As graphically portrayed above and discussed earlier, the Foundation received a portion of its income during the fiscal year ended June 30, 2022, from grants from the State of Florida. Income on investments provided 67% of total revenues. Grants from DOE/DVR made up 22% of total revenues. The balance of the revenues are from contributions and fundraising events.

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 2022.



Operating expenses increased \$260,971 from the prior year.

Budgetary Highlights

The Foundation’s revenue budget for fiscal year 2022 was \$3,056,569. This was an increase of \$877,220 from the previous year budget.

Other Highlights

1. **Our goal for FY2022 was, first and foremost, to rebrand and rebuild trust as the direct support organization to the Florida Department of Education, Division of Vocational Rehabilitation (FDOE/VR).** In pursuit of this goal, we have made it our priority to listen and learn from FDOE/VR and other stakeholders including government, business, and education leaders; community service providers; and persons with disabilities and their families. We have learned a great deal regarding how to best serve as the direct support organization for Florida’s vocational rehabilitation system. Rebuilding trust takes more than one conversation. It is a long-term dialogue coupled with demonstrated action and results. We believe we are on that road and are excited to share more details of our vision and intended outcomes in our three-year strategic plan, **Inclusive Florida: Powered by The Able Trust.** Highlights of the strategic plan include:

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- An overarching goal of closing Florida's workforce participation gap between people with disabilities and the general population by 10 percentage points in 10 years. This translates to bringing 300,000 more individuals with disabilities into the workforce.
 - Being the leader for disability employment data and research for Florida.
 - Being the leader in building system capacity and scaling evidenced-based solutions that increase employment outcomes on a statewide basis.
 - Securing a more diversified funding base to ensure organizational stability and achieve our exponential impact.
2. **Adopted Investment Spending Policy:** The Able Trust was created by the Florida legislature to be a long-term, stable, and growing source of revenue. The purpose of a spending policy is to resolve the tension between the competing goals of preservation of an endowment and stability in budgetary support. The policy spending rate for the endowment funds are set forth as follows:
- FY22 – 8% of assets determined on December 31, 2020
 - FY23 – 7% of assets determined on December 31, 2021
 - FY24 – 6% of assets determined on December 31, 2022
 - FY25 and henceforth – 5% of assets determined on December 31, 2023, and each December 31st of future years.
3. **Established 10-Year Targets for Diversified Funding:** For nearly 30 years, the state provided a revenue stream to the organization through a percentage of civil citations and funds generated from temporary disabled parking permits. These funds allowed the organization to build an endowment which primarily funds current operations for the organization. To achieve our mission and fulfill our duty to expand resources in support of vocational rehabilitation in Florida, we intend to secure a more diversified and growing funding base. To that end, we have established ten-year targets to achieve our goals (see Inclusive Florida report). These targets represent a diverse funding stream and are aligned with national nonprofit and foundation standards.
4. **Developed Formalized Partnerships with CareerSource Florida (CSFL), Florida Small Business Development Network (SBDC), and Florida Makes:** A significant part of the value we bring to the state vocational rehabilitation program is our ability to secure commitments from business leaders and organizations for the inclusion of persons with disabilities in the Florida workforce. This year we signed official partnership agreements with CSFL, Florida SBDC, and FloridaMakes that include specific ways we will partner to bring more persons with disabilities into their talent development programs and industry employment.
5. **Showcased High School High Tech (HSHT) Project Venture:** This year we held the first in-person event for Project Venture. Project Venture is a business development competition, focused on creating a hands-on experience for HSHT youth. The goals of Project Venture are to: introduce students to entrepreneurship and the entrepreneurial spirit; facilitate students working in teams on real-world applications; allow students to develop workplace communication skills and other soft skills; and enable students to learn by doing. As part of the competition, students create a plan for a business or product, in any sector of their choice. The only limit is their creativity. Twelve teams competed in this year's competition. Three teams advanced to the finals where they competed for a panel of judges of six industry executives. In addition to being a significant learning experience for students, we used Project Venture to showcase HSHT and invite others to become program partners and funders.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

6. **Increased Fundraising Revenues by Over 600%:** A six-hundred percent increase in raised revenues sounds like an astounding achievement but comparing the raw numbers between FY2021 (\$25,000) and FY2022 (\$156,000) has a less astonishing effect. Regardless, we intend to maintain aggressive gains in FY2023 by setting our fundraising targets to \$600,000, an annual increase of over 350%, which will be pursued through legislative appropriations, program income, corporate and private donors, partnerships, and grants.
7. **Launched Data and Research Analysis Project:** In FY2022, we began an extensive analysis of national, state, regional, and local economic data/research which defines the existing condition of disability workforce inclusion in Florida. We believe, and our stakeholders have confirmed, that our state needs this type of analysis to make the most informed decisions to improve disability workforce inclusion in Florida. We have partnered with the international research firm, Emsi Burning Glass, for the first phase of research and expect to release a full report by early September 2022. Beyond this phase, we have partnered with FDOE/VR to develop data specific to workforce education programs and attainment of persons with disabilities. Future research will include testing of solutions through impact projects and studies of fiscal cliffs specific to the employment of Floridians with disabilities.

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 Allison Chase at Allison@abletrust.org or 850-224-4493.

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

Statement of Net Position

June 30, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 1,458,486
Investments	18,344,580
Due from DOE/DVR for High School/High Tech Program	137,456
Accounts receivable - other	23,731

Total current assets 19,964,253

Restricted assets:

Restricted cash	109,200
Restricted investments	2,770,603

Total restricted assets 2,879,803

Noncurrent assets:

Contributions receivable from deferred gifts, net	684,217
Capital assets, net	3,421
Lease, right-of-use asset	127,732
Deposits and other noncurrent assets	101,950

Total noncurrent assets 917,320

Total assets \$ 23,761,376

Liabilities

Current liabilities:

Accounts payable	\$ 62,423
Accrued expenses	10,210
Unearned revenue	50,000
Lease liability, current	50,223

Total current liabilities 172,856

Noncurrent liabilities:

Lease liability, noncurrent	74,379
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Total noncurrent liabilities 74,379

Total liabilities 247,235

Deferred inflow of resources:

Contributions from deferred gifts, net	684,217
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Total deferred inflow of resources 684,217

Net position:

Net investment in capital assets	3,421
Restricted - nonexpendable contributions	2,879,803
Unrestricted	19,946,700

Total net position \$ 22,829,924

See accompanying notes.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

Operating revenues

Public support:

DOE/DVR High School/High Tech	\$ 549,823
Program events	56,500
Contributions	120,875
Other revenues	59,691
Total operating revenues	<u>786,889</u>

Operating expenses

Program services:

Grants and program expenses	<u>2,008,115</u>
Total program services	<u>2,008,115</u>

Supporting services:

Management and operations	664,253
Administrative	248,570
Total supporting services	<u>912,823</u>
Total operating expenses	<u>2,920,938</u>

Operating loss (2,134,049)

Nonoperating expenses

Investment loss	<u>(3,030,313)</u>
Total nonoperating expenses	<u>(3,030,313)</u>

Loss before endowment contributions (5,164,362)

Endowment contributions 50,000

Change in net position (5,114,362)

Net position, beginning of year 27,944,286

Net position, end of year \$ 22,829,924

See accompanying notes.

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

Statement of Cash Flows

Year ended June 30, 2022

Cash flows from operating activities	
Receipts from public support	\$ 667,198
Other cash receipts	54,838
Payments for grants and related expenses	(1,554,713)
Cash payments for operating expenses	(244,369)
Cash payments for program services	(180,026)
Cash payments to employees	(695,878)
Net cash used in operating activities	<u>(1,952,950)</u>
Cash flows from investing activities	
Interest and dividends	928,275
Net proceeds from the sale of investments	1,187,510
Net cash provided by investing activities	<u>2,115,785</u>
Cash flows from capital financing activities	
Lease payments	(28,677)
Net cash used in capital financing activities	<u>(28,677)</u>
Cash flows from noncapital financing activities	
Contributions for long-term endowments	50,000
Net cash provided by noncapital financing activities	<u>50,000</u>
Net change in cash and cash equivalents	184,158
Cash and cash equivalents, beginning of year	1,383,528
Cash and cash equivalents, end of year	<u>\$ 1,567,686</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,134,049)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	30,289
Loss on disposal of capital asset	112,100
Change in assets and liabilities:	
Accounts receivable, net	(4,653)
Prepaid expenses	20,379
Accounts payables	34,220
Accrued expenses	(11,036)
Deposits and other noncurrent assets	(200)
Net cash used in operating activities	<u>\$ (1,952,950)</u>
Supplemental disclosures of cash flow information	
Decrease in fair value of investments	\$ (4,916,172)

See accompanying notes.

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

Notes to Financial Statements

Year ended June 30, 2022

1. Nature of Operations and 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 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.

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

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

New Accounting Pronouncement

In June 2016, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance was effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. In response to the coronavirus pandemic, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended this effective date by 18 months.

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

1. Nature of Operations and 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 1991. 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 seven (7) years, which exceeds the average rate of inflation (CPI) by 3.5% net of all investment management expenses.

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

	<u>Target Allocation</u>
Equities	60%
Fixed income securities	30%
Alternative investments	10%

As of June 30, 2022, the investment portfolio asset allocation is as follows:

Domestic large capitalization equities	42%
Domestic small capitalization equities	4%
Foreign equities	18%
Fixed income securities	29%
Global alternative investments	7%

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

Notes to Financial Statements

1. Nature of Operations and 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, 2022, the valuation allowance was \$60,000, as management deems a portion of the balance to be uncollectible.

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 \$2,500.

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 Statement of Net Position. In-kind contributions are estimated based on the nature of the asset contributed and are recorded at fair market value. When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, and then unrestricted resources, as they are needed.

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

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

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 11).

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 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.

Subsequent Events

The Foundation has evaluated subsequent events through November 8, 2022, the date the financial statements were available to be issued. During the period from June 30, 2022 to November 8, 2022, the Foundation did not have any material recognizable subsequent events.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

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.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of accounts maintained at several commercial financial institutions located in Florida. The carrying amount and bank balances at June 30, 2022, were \$1,567,686 and \$1,608,126, 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.

3. Investments

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for an asset or liability.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis.

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

Notes to Financial Statements

3. Investments (continued)

Investments consist of the following at June 30, 2022:

	<u>Market and Carrying Value</u>	<u>Level 1</u>
Equity securities:		
Large market capitalization	\$ 16,369	\$ 16,369
Mutual funds:		
Fixed income	6,072,670	6,072,670
Large market capitalization	8,826,463	8,826,463
Small/Middle market capitalization	783,286	783,286
International	3,906,758	3,906,758
Alternative	<u>1,509,637</u>	<u>1,509,637</u>
Total investments	21,115,183	21,115,183
Less: Restricted investments	<u>(2,770,603)</u>	<u>(2,770,603)</u>
Unrestricted investments	<u>\$ 18,344,580</u>	<u>\$ 18,344,580</u>

Investment income consists of the following:

Interest and dividend income	\$ 928,275
Realized gains, net	957,585
Unrealized losses	<u>(4,916,173)</u>
	<u>\$ (3,030,313)</u>

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 Foundations name by two 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.

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

Notes to Financial Statements

3. Investments (continued)

Endowment activity for the year ended June 30, 2022, was as follows:

	Endowments		
	Board Designated	Donor Restricted	Total
Balance at July 1, 2021	\$ 23,592,831	\$ 3,521,244	\$ 27,114,075
Contributions	8,612	50,000	58,612
Distribution of investment income to fund operations	(2,363,878)	(231,535)	(2,595,413)
Investment income, net	753,895	102,268	856,163
Net loss	(3,390,210)	(562,174)	(3,952,384)
Balance at June 30, 2022	<u>\$ 18,601,250</u>	<u>\$ 2,879,803</u>	<u>\$ 21,481,053</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, 2022, all mutual funds had ratings of two stars to five stars by Morningstar.

4. Capital Assets

Capital assets consist of the following:

	June 30, 2021	Additions	Deletions	June 30, 2022
Furniture and fixtures	\$ 132,880	\$ -	\$ (38,800)	\$ 94,080
Leasehold improvements	164,921	-	(164,921)	-
Computer equipment	33,438	-	(13,608)	19,830
	<u>331,239</u>	-	(217,329)	113,910
Less: accumulated depreciation	<u>(210,978)</u>	<u>(4,742)</u>	<u>105,231</u>	<u>(110,489)</u>
	<u>\$ 120,261</u>	<u>\$ (4,742)</u>	<u>\$ (112,098)</u>	<u>\$ 3,421</u>

Depreciation expense totaled \$4,742 for the year ended June 30, 2022.

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

Notes to Financial Statements

5. Net Position

At June 30, 2022, the Board has designated a portion of unrestricted net position for the following purposes:

Board designated for endowments	18,601,250
Unrestricted, undesignated	<u>1,345,450</u>
	<u>\$ 19,946,700</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.

6. Leases

The Foundation entered into a three year lease agreement for office space beginning January 1, 2022. The right-to-use lease asset for office space was originally valued at \$153,279. Accumulated amortization for the right-to-use lease asset for office space as of June 30, 2022 is \$25,547. The Foundation entered into a five year lease agreement for office space beginning January 1, 2019. The Foundation exercised its early termination right, which became effective January 31, 2022. Future minimum lease payments and the net present value of the minimum lease payments for office space lease is as follows:

<u>June 30,</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2023	\$ 51,282	\$ 1,059	\$ 50,223
2024	52,820	526	52,294
2025	<u>22,142</u>	<u>57</u>	<u>22,085</u>
	<u>\$ 126,244</u>	<u>\$ 1,642</u>	<u>\$ 124,602</u>

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Lease, right-of-use asset, office space	-	<u>153,279</u>	-	<u>153,279</u>
	-	<u>153,279</u>	-	<u>153,279</u>
Less: accumulated amortization	-	<u>(25,547)</u>	-	<u>(25,547)</u>
	<u>\$ -</u>	<u>\$ 127,732</u>	<u>\$ -</u>	<u>\$ 127,732</u>

Amortization expense totaled \$25,547 for the year ended June 30, 2022.

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

Notes to Financial Statements

7. Commitments and Contingencies

As previously discussed in Note 5, the Foundation had no unpaid grants as of June 30, 2022.

8. 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 year ended June 30, 2022 was \$8,840. Employee voluntary contributions during the year ended June 30, 2022 totaled \$25,058. Forfeitures for the year ended June 30, 2022, totaled \$11,100.

9. 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 Statement of Revenues, Expenses and Changes in Net Position as contributions in the period the trust is terminated. The present value of the contributions at June 30, 2022, net of unamortized discounts of \$289,589 totaled \$684,217. There were no new charitable remainder or life insurance trusts received during the fiscal year ended June 30, 2022.

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 year ended June 30, 2022.

10. 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 the former executive.

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

Notes to Financial Statements

11. Income Taxes

For the year ended June 30, 2022, 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 2018 remain subject to examination by the applicable taxing authorities.

12. 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.

Other Financial Information

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

Schedule of Budget and Actual Revenues

Year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
DOE/DVR High School/High Tech Program	\$ 549,823	\$ 549,823	\$ -
Program events	7,500	56,500	49,000
Gifts and contributions	70,000	170,875	100,875
Investment income	2,384,063	(3,030,313)	(5,414,376)
Other revenue	45,183	59,691	14,508
	<u>\$ 3,056,569</u>	<u>\$ (2,193,424)</u>	<u>\$ (5,249,993)</u>

See report of independent auditors.

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

Schedule of Budget and Actual Expenses

Year ended June 30, 2022

	Grants and Program Expenses	Management and Operations	Administrative	Total	Budget	Variance Favorable (Unfavorable)
Non-officer salaries	\$ 384,832	\$ 67,912	\$ -	\$ 452,744	\$ 486,946	\$ 34,202
Officer salaries	-	-	135,804	135,804	135,804	-
Payroll taxes	29,679	5,237	10,409	45,325	62,549	17,224
Employee benefits	-	51,108	(137)	50,971	106,484	55,513
Payroll processing	-	-	340	340	1,200	860
Able network	239,443	-	-	239,443	170,000	(69,443)
Auditing and accounting fees	-	67,890	28,636	96,526	99,950	3,424
Board meetings	-	342	373	715	1,000	285
Board member travel	-	-	6,722	6,722	10,000	3,278
CEO program management	-	-	13,871	13,871	17,000	3,129
Depreciation	23,019	7,269	-	30,288	4,500	(25,788)
DOE/DVR staff events	3,341	84,225	-	87,566	118,000	30,434
Loss on disposal of equipment/furniture	-	112,100	-	112,100	-	(112,100)
Insurance	-	13,239	-	13,239	13,173	(66)
Investment advisory fees	642	192,130	-	192,772	203,201	10,429
Information technology	1,440	19,019	6,103	26,562	23,400	(3,162)
Legislative consultants	-	-	35,248	35,248	72,500	37,252
Membership dues	999	8,285	-	9,284	9,500	216
Office supplies	2,100	371	274	2,745	3,000	255
Printing	2,213	391	274	2,878	2,900	22
Postage	-	473	53	526	1,000	474
Rent	64,349	11,356	1,755	77,460	98,104	20,644
Disability employment awareness	1,758	-	-	1,758	2,000	242
Staff education	-	731	-	731	32,000	31,269
Telephone and internet	3,057	539	184	3,780	9,000	5,220
Grant awards - current year	222,826	-	-	222,826	198,500	(24,326)
Grants - HS/HT	916,735	-	-	916,735	946,000	29,265
High school/high tech other expenses	42,215	-	-	42,215	20,000	(22,215)
Other	69,467	21,636	8,661	99,764	6,000	(93,764)
Total	\$ 2,008,115	\$ 664,253	\$ 248,570	\$ 2,920,938	\$ 2,853,711	\$ (67,227)

See report of independent auditors.

Other Reports

**Report of Independent Auditors 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***

Board of Directors

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 financial statements of the Florida Endowment Foundation for Vocational Rehabilitation, Inc. d/b/a The Able Trust (the Foundation) which comprise the statement of net position as of June 30, 2022, the related statement of revenues, expenses, and changes in net position, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2022.

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) as a basis for designing 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.

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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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
November 8, 2022

Management Letter

Board of Directors
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, 2022, and have issued our report thereon dated November 8, 2022.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Report of Independent Auditors on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated November 8, 2022, 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.

Prior Audit Recommendations

Procurement Policy in Accordance with Florida Administrative Code (FAC)

Management has taken corrective action for this recommendation. This corrective action is complete as of June 30, 2022.

Documentation of Allocation Methodology for Functional Expenses

Management has partially taken corrective action for this recommendation. This corrective action is not complete as of June 30, 2022.

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Capital Asset Listing and Management

Management has taken corrective action for this recommendation. This corrective action is complete as of June 30, 2022.

Travel Policy and Related Documentation

Management has taken corrective action for this recommendation. This corrective action is complete as of June 30, 2022.

Current Audit Recommendations

Documentation of Allocation Methodology for Functional Expenses

During our audit, we noted management lacked written policies and procedures for the allocation of expenses into the functional categories and lacked documentation concerning the current year allocation percentages applied.

We acknowledge that the Foundation began conducting time studies for employees prior to year-end, however, we recommend that the Foundation adopt a formal policy for expense allocations, which include the performance of the time studies. The policy should include the frequency of the time studies performed for the methodology utilized for the allocations of expenses between functional expense categories and retaining supporting documentation to substantiate the methodology for year-end reporting. The time studies performed should be analyzed no less frequently than on a quarterly basis. Particular attention should be given to the allocation of expenses as administrative to mitigate risk of noncompliance with Florida Statutes 413.615.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Florida Commissioner of Education, the Florida Department of Vocational Rehabilitation, and the Board of Directors 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
November 8, 2022