Consolidated Financial Statements Together with Report of Independent Certified Public Accountants

The FEDCAP Group

September 30, 2019 and 2018

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The FEDCAP Group:

We have audited the accompanying consolidated financial statements of The FEDCAP Group (collectively, "FEDCAP"), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to FEDCAP's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FEDCAP'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The FEDCAP Group as of September 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
August 14, 2020

The FEDCAP Group

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30,

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,821,462	$ 10,814,947
Accounts receivable (net of allowance for doubtful accounts of approximately $2,180,057 in 2019 and $4,622,800 in 2018)	54,652,438	44,128,183
Contributions and grants receivable (net of allowance for uncollectible contributions of approximately $250,000 in 2019 and 2018)	4,352,341	1,296,528
Inventories, net	111,693	244,690
Prepaid expenses and other assets	8,655,835	9,413,702
Total current assets	77,593,769	65,898,050
Investments	8,703,912	18,227,270
Goodwill	761,776	-
Property, plant and equipment, net	86,739,150	82,070,717
Art objects	43,950	43,950
Beneficial interest in trusts	4,512,345	4,646,739
Other assets	434,112	1,135,754
	101,195,245	106,124,430
Total assets	$ 178,789,014	$ 172,022,480
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 39,601,357	$ 37,108,748
Deferred revenues	1,772,430	4,129,907
Advances from government agency	433,397	1,485,361
Current portion of revolving loans	3,000,000	17,853,273
Current portion of obligation under capital leases	2,155,006	1,944,244
Notes payable, current	1,117,418	1,099,081
Total current liabilities	48,079,608	63,620,614
Capital lease obligation	34,773,486	35,351,613
Notes payable	30,368,846	31,337,292
Revolving loan	23,653,273	-
Other liabilities	4,274,856	4,670,840
Total liabilities	141,150,069	134,980,359
Commitments and contingencies		
NET ASSETS		
Without donor restrictions	29,006,372	28,407,688
Without donor restrictions - non-controlling interest	133,033	-
With donor restrictions	8,499,540	8,634,433
Total net assets	37,638,945	37,042,121
Total liabilities and net assets	$ 178,789,014	$ 172,022,480

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

The FEDCAP Group

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended September 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contract services and products	$ 117,957,318	$ -	$ 117,957,318	$ 107,418,632	$ -	$ 107,418,632
Rehabilitation and vocational programs	157,515,208	-	157,515,208	154,317,661	-	154,317,661
Contributions and grants	19,615,745	25,000	19,640,745	22,664,418	50,000	22,714,418
Inherent contribution	4,771,572	-	4,771,572	4,841,419	8,621,011	13,462,430
Realized and unrealized gains (losses) on investments	23,299	(15,139)	8,160	554,658	-	554,658
Interest income	757,089	-	757,089	347,997	-	347,997
Miscellaneous revenue	231,885	-	231,885	484,910	-	484,910
Net assets released from restrictions	144,754	(144,754)	-	2,845,544	(2,845,544)	-
Total revenues	301,016,870	(134,893)	300,881,977	293,475,239	5,825,467	299,300,706
Expenses						
Program services:						
Contract services and products	105,974,532	-	105,974,532	94,956,101	-	94,956,101
Rehabilitation and vocational programs	151,992,240	-	151,992,240	161,461,598	-	161,461,598
	257,966,772	-	257,966,772	256,417,699	-	256,417,699
Supporting services:						
Management and general	38,307,140	-	38,307,140	39,594,457	-	39,594,457
Development	4,011,241	-	4,011,241	1,865,951	-	1,865,951
	42,318,381	-	42,318,381	41,460,408	-	41,460,408
Total expenses	300,285,153	-	300,285,153	297,878,107	-	297,878,107
Change in net assets	731,717	(134,893)	596,824	(4,402,868)	5,825,467	1,422,599
Net assets at beginning of year	28,407,688	8,634,433	37,042,121	32,810,556	2,808,966	35,619,522
Net assets at end of year	$ 29,139,405	$ 8,499,540	$ 37,638,945	$ 28,407,688	$ 8,634,433	$ 37,042,121

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

The FEDCAP Group

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2019

	Program Services			Supporting Services			
	Contract Services and Products	Rehabilitation and Vocational Programs	Total	Management and General	Development	Total	Total Expenses
Salaries and related expenses	$ 75,112,041	$ 92,028,205	$ 167,140,246	$ 13,482,595	$ 1,321,359	$ 14,803,954	$ 181,944,200
Professional fees	190,014	16,794,601	16,984,615	4,155,799	773,764	4,929,563	21,914,178
Professional development and evaluation	52,176	760,002	812,178	486,894	8,354	495,248	1,307,426
Materials and supplies	4,608,212	2,294,309	6,902,521	272,753	21,424	294,177	7,196,698
Commissions	2,983,026	4,969	2,987,995	-	-	-	2,987,995
Telephone	190,887	850,894	1,041,781	714,266	16,490	730,756	1,772,537
Postage and shipping	127,982	200,267	328,249	31,436	6,129	37,565	365,814
Insurance	1,170,764	957,823	2,128,587	1,049,952	14,847	1,064,799	3,193,386
Occupancy costs	2,789,676	13,459,134	16,248,810	2,010,115	136,043	2,146,158	18,394,968
Equipment rental and maintenance	1,190,342	759,425	1,949,767	311,275	42,037	353,312	2,303,079
Equipment purchases	312,686	113,267	425,953	56,833	5,761	62,594	488,547
Client transportation and travel	355,593	3,537,161	3,892,754	843,055	130,157	973,212	4,865,966
Subscription and printing	85,901	297,125	383,026	596,854	23,194	620,048	1,003,074
Technology	422,832	1,584,234	2,007,066	3,057,023	82,864	3,139,887	5,146,953
Interest expense and bank charges	137,624	68,466	206,090	5,347,044	34,665	5,381,709	5,587,799
Bad debt provision	-	55,371	55,371	9,771	-	9,771	65,142
Subcontractor expense	15,701,994	9,751,574	25,453,568	1,492,608	130,670	1,623,278	27,076,846
Stipends	24,586	4,730,195	4,754,781	80,113	1,338	81,451	4,836,232
Security guard expense	1,672	604,506	606,178	55,127	272	55,399	661,577
Other	173,575	2,160,645	2,334,220	605,829	1,255,001	1,860,830	4,195,050
Total expenses before depreciation and amortization	105,631,583	151,012,173	256,643,756	34,659,342	4,004,369	38,663,711	295,307,467
Depreciation and amortization	342,949	980,067	1,323,016	3,647,798	6,872	3,654,670	4,977,686
Total expenses	$ 105,974,532	$ 151,992,240	$ 257,966,772	$ 38,307,140	$ 4,011,241	$ 42,318,381	$ 300,285,153

The accompanying notes are an integral part of this consolidated financial statement.

The FEDCAP Group

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2018

	Program Services			Supporting Services			
	Contract Services and Products	Rehabilitation and Vocational Programs	Total	Management and General	Development	Total	Total Expenses
Salaries and related expenses	$ 64,831,121	$ 87,171,397	$ 152,002,518	$ 18,061,071	$ 543,763	$ 18,604,834	$ 170,607,352
Professional fees	113,423	25,140,718	25,254,141	2,759,130	420,672	3,179,802	28,433,943
Professional development and evaluation	52,094	747,241	799,335	132,123	4,025	136,148	935,483
Materials and supplies	3,608,680	1,797,653	5,406,333	210,071	18,540	228,611	5,634,944
Commissions	2,656,552	11,500	2,668,052	-	-	-	2,668,052
Telephone	174,268	911,010	1,085,278	574,671	7,514	582,185	1,667,463
Postage and shipping	760,678	243,769	1,004,447	78,091	3,626	81,717	1,086,164
Insurance	1,373,800	1,283,658	2,657,458	664,319	8,609	672,928	3,330,386
Occupancy costs	2,427,298	14,728,399	17,155,697	2,167,689	39,011	2,206,700	19,362,397
Equipment rental and maintenance	835,996	610,584	1,446,580	251,619	9,045	260,664	1,707,244
Equipment purchases	340,665	460,452	801,117	23,478	726	24,204	825,321
Client transportation and travel	336,303	4,382,234	4,718,537	659,059	60,186	719,245	5,437,782
Subscription and printing	25,142	108,809	133,951	88,013	9,997	98,010	231,961
Technology	453,739	1,700,845	2,154,584	2,062,538	48,820	2,111,358	4,265,942
Interest expense and bank charges	49	37,509	37,558	3,528,905	260	3,529,165	3,566,723
Bad debt provision	-	10,877	10,877	4,589,854	250,000	4,839,854	4,850,731
Subcontractor expense	15,845,823	13,440,507	29,286,330	167,236	-	167,236	29,453,566
Stipends	32,225	4,396,280	4,428,505	50,720	5,056	55,776	4,484,281
Security guard expense	17,820	1,016,874	1,034,694	16,075	13	16,088	1,050,782
Other	814,148	2,372,594	3,186,742	223,719	435,126	658,845	3,845,587
Total expenses before depreciation and amortization	94,699,824	160,572,910	255,272,734	36,308,381	1,864,989	38,173,370	293,446,104
Depreciation and amortization	256,277	888,688	1,144,965	3,286,076	962	3,287,038	4,432,003
Total expenses	$ 94,956,101	$ 161,461,598	$ 256,417,699	$ 39,594,457	$ 1,865,951	$ 41,460,408	$ 297,878,107

The accompanying notes are an integral part of this consolidated financial statement.

The FEDCAP Group

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 596,824	$ 1,422,599
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,977,686	4,432,003
Bad debt provision	65,142	4,850,731
Inherent contribution	(4,771,572)	(13,462,430)
Realized and unrealized gains on investments	(8,160)	(554,658)
Changes in assets and liabilities:		
Accounts receivable	(9,347,783)	(3,281,883)
Contribution receivable	(3,004,961)	2,318,436
Inventories	133,256	157,979
Prepaid expenses and other assets	1,612,193	(3,883,995)
Beneficial interest in trusts	134,394	6,363
Accounts payable and accrued liabilities	903,268	2,785,750
Deferred revenue	(2,392,733)	(934,386)
Other liabilities	(393,777)	614,594
Net cash used in operating activities	(11,496,223)	(5,528,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	19,000,000	43,028
Purchase of investments	(9,468,482)	(2,446,391)
Cash received in acquisitions, net of cash paid in consideration	355,904	906,169
Capital expenditures	(5,543,024)	(4,542,620)
Net cash provided by (used in) investing activities	4,344,398	(6,039,814)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in advances from government agency	(1,051,964)	(14,639)
Change in revolving loans	8,800,000	(249,000)
Proceeds from notes payable	-	9,564,622
Repayment of notes payable	(1,220,124)	(982,488)
Repayment of capital lease obligations	(369,572)	(287,862)
Net cash provided by financing activities	6,158,340	8,030,633
Decrease in cash and cash equivalents	(993,485)	(3,538,078)
CASH AND CASH EQUIVALENTS		
Beginning of year	10,814,947	14,353,025
End of year	$ 9,821,462	$ 10,814,947
Supplemental disclosure of cash flow information:		
Cash interest paid during the year	$ 3,053,771	$ 1,834,062
Fixed assets acquired through capital lease	$ -	$ 1,044,131

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The FEDCAP Group, Inc. (the "Parent"), established on October 1, 2018, is a private, nonprofit organization incorporated under the laws of the State of Delaware. The Parent is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. On July 24, 2019, the Parent became the sole member of the following affiliates: Fedcap, Inc ("Fed Inc."), Fedcap Rehabilitation Services, Inc ("FRS"), Wildcat Services Corporation ("Wildcat"), ReServe Elder Services, Inc. ("ReServe"), Community Workshops, Inc. ("CWS"), Easter Seals New York, Inc. ("ESNY"), 1184 Deer Park Ave., Inc. ("1184" or "Red Mango"), Granite Pathways, Inc ("GP"), Easter Seals Rhode Island, Inc ("ESRI"), Seacoast Pathways, Inc. ("Seacoast"), Single Stop USA Inc. ("SGST"), Benevolent, MVLE, Easter Seals Central Texas ("ESCT"), Easter Seals North Texas ("ESNT") and Fedcap UK. The Parent and its subsidiaries are collectively referred to as "FEDCAP."

Fedcap Rehabilitation Services, Inc ("FRS") is a private, nonprofit organization incorporated under the laws of New York State. FRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. FRS was the sole member of the above named subsidiaries through July 23, 2019, at which point the Parent became the sole corporate member.

FRS was founded to provide a comprehensive range of vocational and related services to individuals with disabilities, and other work-related disadvantages, who face significant barriers to employment. FRS's goal is to help each person achieve independence, integration into the community and full participation in the economic mainstream.

FRS provides contract services and products within custodial, homecare, office services, and industrial divisions. The primary customers in these divisions are federal, and New York State and City agencies and certified home health agencies.

As part of FRS's rehabilitation and vocation programs, FRS provides vocational evaluations, training, and employment services and other government-funded employment and job search programs. Evaluations combine aptitude tests, computerized assessments, and vocational counseling. After evaluation, FRS offers training in mail clerk/messenger services, building/custodial services, culinary arts/food services, data entry, office skills, document imaging, hospitality operations, and security operations. FRS then seeks to employ individuals who have successfully completed FRS's rehabilitation and vocational programs. FRS also offers the Chelton Loft, a voluntary clubhouse program for people with a history of serious mental illness. FRS also has a vocational education program and a licensed mental health program.

Wildcat Services Corporation ("Wildcat") is a nonprofit entity that is located in New York City and provides employment training, jobs placement and "supportive employment" opportunities for individuals with barriers to employment.

ReServe Elder Service, Inc. ("ReServe") is a nonprofit entity located in New York City that matches continuing professionals age55+ with organizations that need their expertise. Reserve provides direct services, administrative support, and capacity-building expertise in schools, social service agencies, cultural institutions, and public agencies.

Community Workshops, Inc. (d/b/a Community Work Services) ("CWS") is a nonprofit corporation located in Boston, Massachusetts, whose mission is to help people who have barriers to work obtain employment and achieve greater self-sufficiency through job training, placement, and support services.

Easter Seals New York, Inc. ("ESNY") is a nonprofit entity whose purpose is to provide programs and services for people with disabilities, assistance to people with disabilities and their families, assistance to communities in developing necessary and appropriate resources for residents, and a climate of acceptance for people with disabilities which will enable them to contribute to the well-being of the community.

On May 1, 2016, ESNY received a contribution in the form of a Red Mango franchise, incorporated as 1184 Deer Park Ave., Inc. ("1184" or "Red Mango"). 1184 was incorporated as a for profit corporation, operating as a social enterprise which includes a training center and employment opportunities for veterans. 1184 ceased operations as of September 6, 2019. The loss related to these operations did not significantly impact operating results for fiscal 2019.

Granite Pathways, Inc. ("GP") is a nonprofit entity whose mission is to provide services to empower and support adults with mental illness to pursue their personal goals through education, employment, stable housing, and meaningful relationships.

Easter Seals Rhode Island, Inc. ("ESRI") is a nonprofit entity whose purpose is to provide services to ensure that all people with disabilities or special needs and their families have equal opportunities to live, learn, work and play in their communities.

Seacoast Pathways, Inc ("Seacoast") is a nonprofit entity whose mission is to support adults living with mental illness on their paths to recovery through the work-ordered day.

Single Stop USA Inc. ("SGST") is a nonprofit entity that provides coordinated services to holistically connect people to the resources they need to attain higher education, obtain good jobs, and achieve financial self-sufficiency.

Benevolent is a nonprofit entity that provides economic wellbeing to individuals and families in need, through non-government sources.

MVLE is a nonprofit entity that provides employment, support and rehabilitation services to individuals with disabilities in the Northern Virginia and Washington, D.C. area.

Fedcap, Inc. ("Fed Inc.") was established as a private, nonprofit organizations under the laws of the State of Delaware. Fed, Inc. was formed to provide workforce development opportunities for people who face barriers to economic well-being.

Easter Seals Central Texas ("ESCT") provides services to individuals with disabilities throughout the life cycle through outpatient medical rehabilitation, workforce development and community housing and integration programs in the Central Texas region.

Easter Seals North Texas ("ESNT") provides services to individuals with disabilities throughout the life cycle through outpatient medical rehabilitation, workforce development and community housing and integration programs in the North Texas region.

On November 7, 2018, Fedcap UK was established and was registered as a UK Charity. Fedcap UK was founded to allow for the advancement of social inclusion, by enabling economic independence, employment and opportunity to participate in society for socially and economically disadvantaged and disabled individuals through various workforce and economic development, educational and occupational health initiatives.

On December 3, 2018, Fedcap UK acquired Kennedy Scott, Limited (KS), a United Kingdom company through a stock purchase. Kennedy Scott provides high quality job support, placement, retention and related services to people in the United Kingdom.

On February 22, 2019, Fedcap Employment Limited ("FED") was established under the laws of the United Kingdom. Fedcap Employment Limited delivers employability solutions across the United Kingdom to build communities through a blend of local frontline professional teams and like-minded supply chain partners.

On March 1, 2019, Fedcap Employment Scotland Limited ("FES") was established under the laws of Scotland in the United Kingdom. Fedcap Employment Limited delivers employability solutions across Scotland to build communities through a blend of local frontline professional teams and like-minded supply chain partners.

On March 14, 2019, FES became a majority shareholder of Start Scotland Limited ("SS"). SS is a value-driven organization that strives to put its customers first, understanding their needs and closely engaging with them on a personal level to help them on their journey to employment and training.

On September 30, 2019, ESNY acquired and became the sole member of These Our Treasures, Inc. ("TOTS"), a nonprofit entity whose purpose is to educate young children with developmental disabilities in an atmosphere that embraces and accommodates individual differences and helps children to achieve in the context of the larger classroom and school setting.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of FEDCAP have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") using the accrual basis of accounting. All intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information regarding liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

For the year ended September 30, 2019, FEDCAP adopted the relevant provisions of ASU 2016-14 and similarly revised the presentation of its fiscal 2018 consolidated financial statements to align with the new reporting presentation. A presentation of net assets as previously reported as of September 30, 2018, and as required under ASU 2016-14 follows:

		September 30, 2018 Presentation under ASU 2016-14		
	As previously presented	Without donor restrictions	With donor restrictions	Total
Net assets:				
Unrestricted	$ 28,407,688	$ 28,407,688	$ -	$ 28,407,688
Temporarily restricted	6,678,580	-	6,678,580	6,678,580
Permanently restricted	1,955,853	-	1,955,853	1,955,853
Total net assets	$ 37,042,121	$ 28,407,688	$ 8,634,433	$ 37,042,121

FEDCAP classifies its net assets in the following categories:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of FEDCAP. Net assets without donor restrictions may also be designated for specific purposes by FEDCAP's Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

Net assets without donor restrictions also includes the portion of net assets in a consolidated subsidiary owned by non-controlling investors and are reflected on the consolidated statements of financial position as net assets without donor restrictions – non-controlling interests.

Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. Net assets with donor restrictions are subject to donor-imposed restrictions that require FEDCAP to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the accompanying consolidated statements of activities as net assets released from restrictions.

Contributions with donor-imposed restrictions whose restrictions are met during the same fiscal year in which the contribution was recognized are presented as contribution revenues without donor restrictions on the accompanying consolidated statements of activities.

Net assets with donor restrictions also includes the corpus of gifts, which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

Changes in net assets without donor restrictions and the non-controlling interest in Start Scotland Limited during the year ended September 30, 2019 is summarized below:

	Total Without Donor Restrictions	Without Donor Restrictions	Non-controlling Interest
Balance, September 30, 2018	$ 28,407,688	$ 28,407,688	$ -
Inherent contribution from acquisition of Start Scotland Limited	381,450	194,540	186,910
Change in net assets from operations	350,267	404,144	(53,877)
Change in net assets	731,717	598,684	133,033
Balance, September 30, 2019	$ 29,139,405	$ 29,006,372	$ 133,033

Cash Equivalents

FEDCAP considers all highly liquid debt instruments with a maturity of three months or less at the date of purchase, including investments in short-term certificates of deposit and certain money market funds, to be cash equivalents.

Revenue Recognition

In accordance with FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), FEDCAP recognizes revenue when control of the promised goods or services are transferred to FEDCAP's clients or outside parties in an amount that reflects the consideration FEDCAP expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. FEDCAP has identified contract services and products revenues and rehabilitation and vocational program revenues as revenue categories subject to the adoption of ASC 606. FEDCAP recognizes revenues from contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the accompanying consolidated financial statements or the business processes, controls or systems of FEDCAP.

Payments received for in advance of FEDCAP satisfying its performance obligations are recorded within deferred revenue in the accompanying consolidated statements of financial position ($111,439 and $397,579, as of September 30, 2019 and 2018, respectively). The changes in deferred revenue were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

FEDCAP's contracts with customers generally contain terms that are less than one year. Accordingly, FEDCAP elected the practical expedients under ASC 606 to not assess whether a contract has a significant financing component or disclose the information regarding the remaining performance obligations for contracts with customers.

FEDCAP's revenue primarily relates to contract services and products, and rehabilitation and vocational programs. Revenue recognition for these various revenue streams is at the point in time coinciding with the completion of the corresponding performance obligations to customers.

Contract Services and Products

FEDCAP's contract services and products revenue includes HomeCare services, facility services, and other cost recovery contracts. FEDCAP recognizes such revenue ratably over a contract's term for those with fixed rates as the performance obligations are fulfilled accordingly over the corresponding contract term. For performance-based contracts, revenues are recognized in the period when related expenditures have been incurred, milestones have been achieved, or services have been performed in compliance with the respective contracts, which are the performance obligations under the contracts. FEDCAP also generates revenue from the sale of related products, which is recognized at the time of shipment.

Rehabilitation and Vocational Programs

FEDCAP's rehabilitation and vocational program revenue includes medical services, tuition and job training. FEDCAP recognizes such revenue ratably over a contract's term for those with fixed rates as the performance obligations are fulfilled accordingly over the corresponding contract term. For performance-based contracts, revenues are recognized in the period when related expenditures have been incurred, milestones have been achieved, or services have been performed in compliance with the respective contracts, which are the performance obligations under the contracts. FEDCAP also generates revenue from the sale of related products, which is recognized at the time of shipment.

Contribution and Grant Revenue

FEDCAP records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair value of the assets received and contributions with donor stipulations that limit the use of donated assets are classified as net assets with donor restrictions. Contributions with donor restrictions that are received and met in the same fiscal year are recorded as contribution revenues without donor restrictions. Otherwise, once stipulated time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions as "net assets released from restrictions" in the accompanying consolidated statements of activities. Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met. Conditional contributions received in advance of meeting the associated contributions are recorded as deferred revenue on the accompanying consolidated statements of financial position ($1,656,416 and $3,732,328, as of September 30, 2019 and 2018, respectively). There were no outstanding conditional contributions yet to be received as of September 30, 2019 or 2018.

FEDCAP recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, FEDCAP evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, FEDCAP applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, FEDCAP evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before FEDCAP is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are derived from contract services and products, and rehabilitation and vocational programs. The carrying value of contributions and grants and accounts receivable are reduced by an appropriate allowance for uncollectible accounts, and therefore approximates net realizable value. FEDCAP determines its allowance by considering a number of factors, including the length of time receivables are past due, FEDCAP's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. FEDCAP writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Inventories

Inventories, mainly consisting of distress marker light products and related components, are valued at the lower of cost or net realizable value. Cost is determined principally by the first-in, first-out method.

Fixed Assets

Fixed assets purchased for a value greater than $5,000 and with depreciable lives greater than one year are carried at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful life of the respective asset and ranges from 3 to 40 years. Significant additions or improvements extending asset lives are capitalized; normal maintenance and repair costs are expensed as incurred. Leasehold improvements are amortized based on the lesser of the estimated useful life or remaining lease term.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. The classification is based on the function and nature of expenses directly used in the program. Common expenses are allocated to the programs and supporting services based on the benefit derived. The methods used for the allocation include square footage and actual percentage of time dedicated to the program or supporting service.

Commissions

FEDCAP pays commissions to an unrelated not-for-profit entity and a New York State entity to provide information on government contracts that need competitive bids for services. The contracts provide for commissions to be paid to these organizations in the range of 0.85% to 4.00% of the contract amount. Commissions paid relating to these contracts amounted to $2,987,996 and $2,401,578 for the years ended September 30, 2019 and 2018, respectively, and are included within contract services and products expense in the accompanying consolidated statements of activities.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. These estimates and assumptions relate to estimates of collectability of accounts receivable, accruals, useful life of property, plant, and equipment, and impairment of long-lived assets. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximates their carrying value due to their short-term maturities. The fair value of long-term debt approximates carrying value based on current interest rates for similar instruments.

Fair Value Measurements

FEDCAP follows guidance for fair value measurements that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. It maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity. FEDCAP considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to FEDCAP's perceived risk of that instrument.

Beneficial Interest in Trusts

Donors have established and funded trusts held by third parties under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trusts' term. FEDCAP's beneficial interest in trusts consists of interests in both charitable remainder trusts and perpetual trusts. Under charitable remainder trusts, FEDCAP will receive the assets remaining in the trust upon the termination of the trust. Under perpetual trusts, FEDCAP has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. FEDCAP recognizes its interest in trusts as increases to net assets at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trusts. Fluctuations in the fair value of these assets are recorded as changes in net assets with donor restrictions in the accompanying consolidated statements of activities.

At September 30, 2019 and 2018, FEDCAP's interest in these trusts is reflected at fair value in the accompanying consolidated statements of financial position and is classified as Level 3 within the fair value hierarchy.

	2019	2018
Balance, beginning of year	$ 4,646,739	$ 628,759
Contributions / additions	-	4,024,343
Distributions	(58,034)	(5,911)
Depreciation	(76,360)	(452)
Balance, end of year	$ 4,512,345	$ 4,646,739

Impairment of Long-lived Assets

FEDCAP reviews the carrying values of its long-lived assets, including property and equipment and other assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of long-lived assets is assessed by a comparison of the carrying amount of the asset to the estimated future net cash flows expected to be generated by the asset.

If estimated future net cash flows are less than the carrying amount of the asset, the asset is considered impaired and an expense is recorded in an amount to reduce the carrying amount of the asset to its fair value.

Tax-Exempt Status

FEDCAP follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

FEDCAP is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to their respective exempt purpose, unless that income is otherwise excluded by the Code. These organizations have processes presently in place to ensure the maintenance of their tax-exempt status; to identify and report unrelated income; to determine their filing and tax obligations in jurisdictions for which they have nexus; and to identify and evaluate other matters that may be considered tax positions. FEDCAP has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Goodwill

Goodwill was established through the acquisition of Kennedy Scott. The value reported on the accompanying consolidated statement of financial position represents the residual difference between the consideration paid and the fair value of the net assets acquired. FEDCAP has elected under relevant guidance to amortize goodwill on a straight-line basis over 10 years and to perform a goodwill impairment analysis at the entity or reporting unit level when a triggering event occurs that indicates the fair value of the entity or reporting unit may be below its carrying amount. No impairment charges were recorded during fiscal 2019.

NOTE 3 - CONTRIBUTIONS AND GRANTS RECEIVABLE

At September 30, 2019 and 2018, contributions and grants receivable, net of the allowance for doubtful accounts, consisted of the following:

	2019	2018
Amounts due within one year	$ 4,602,341	$ 1,237,222
Amounts due in one to five years	-	309,306
	4,602,341	1,546,528
Less: allowance for uncollectible receivables	(250,000)	(250,000)
	$ 4,352,341	$ 1,296,528

Approximately 36% and 26% of the contributions and grants receivable (gross) is due from one donor at September 30, 2019 and 2018, respectively.

NOTE 4 - INVESTMENTS

Investments, at fair value, consisted of the following at September 30:

	2019	2018
Money market funds	$ 288,173	$ 5,329,461
Mutual funds	8,415,739	12,897,809
	$ 8,703,912	$ 18,227,270

FEDCAP's mutual fund investments are classified as Level 1 within the fair value hierarchy. FEDCAP's money market fund investments do not meet the definition of a security under US GAAP, and as such, the disclosure requirements for fair value measurements are not applicable.

NOTE 5 - INVENTORIES, NET

Inventories consisted of the following at September 30:

	2019	2018
Inventories:		
Raw materials	$ 86,883	$ 219,880
Work-in-process and finished goods	114,810	114,810
Reserve	(90,000)	(90,000)
	$ 111,693	$ 244,690

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

Fixed assets, net, consisted of the following at September 30:

	2019	2018
Land	$ 1,617,809	$ 1,017,809
Building improvements	4,206,798	3,492,788
Buildings	40,342,758	37,052,760
Capital lease - building	35,918,547	35,918,547
Furniture, fixtures and computer systems	18,493,480	14,157,674
Leasehold improvements	9,802,911	9,143,432
	110,382,303	100,783,010
Less: accumulated depreciation	(23,643,153)	(18,712,293)
	$ 86,739,150	$ 82,070,717

Depreciation and amortization expense for the years ended September 30, 2019 and 2018 was $4,977,686 and $4,432,003, respectively.

NOTE 7 - CAPITAL LEASES

In May of 2014, FRS entered into a condominium leasehold agreement in a building located at 205 East 42nd Street in New York City for 64,303 square feet of space consisting of the entire second and third floor and a portion of the ground floor. FRS began occupying the space in December 2014 and the agreement expires in fiscal 2043. The interest rate is fixed at 4.20%. FRS accounted for this agreement as a capital lease, and as such, the related cost of $35,918,547 representing the present value of the total future minimum lease payments due at the inception of the agreement, is included within “property, plant and equipment, net” in the accompanying consolidated statements of financial position at September 30, 2019 and 2018. Depreciation expense of $1,238,571 was recorded in fiscals 2019 and 2018. The outstanding principal balance on the lease, inclusive of accrued interest expense, as of September 30, 2019 and 2018, is $36,246,919 and $36,353,740, respectively.

During fiscal 2015, FRS obtained financing pursuant to a capital lease to finance vehicles in the amount of $22,074, principal and interest are paid monthly. As of September 30, 2019, and 2018, accumulated depreciation associated with this lease agreement is $19,867 and $15,452, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018, is $2,207 and $6,622, respectively. The maturity date is March 31, 2020 and the interest rate is fixed at 6.73%.

During fiscal 2016, CWS obtained financing pursuant to a capital lease to finance vehicles in the amount of $44,464, principal and interest are paid monthly. As of September 30, 2019, and 2018, accumulated depreciation associated with this lease agreement is $40,018 and $31,125, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018, is $4,446 and $13,339, respectively. The maturity date is March 31, 2020 and the interest rate is fixed at 6.73%.

During fiscal 2015, ESNY obtained financing pursuant to a capital lease to finance vehicles in the amount of $80,785, principal and interest are paid monthly. As of September 30, 2019, and 2018, the accumulated depreciation balance was $68,277 and $ 52,511, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018, was $12,508 and $28,627, respectively. The maturity date is June 30, 2020 and the interest rate is fixed at 6.97%.

In 2015 and 2016, ESCT obtained financing pursuant to a capital lease to finance equipment in the amount of $109,418, principal and interest are paid monthly. As of September 30, 2019 and 2018, the accumulated depreciation balance was $27,671 and $5,534, respectively. The outstanding principal balance on the leases as of September 30, 2019 and 2018 was $24,200 and $47,190, respectively. The maturity dates run through May 14, 2021 with varying interest rates from 0% - 0.99%.

During fiscal 2018, ESNY obtained financing pursuant to a capital lease to finance vehicles in the amount of $128,298, principal and interest are paid monthly. As of September 30, 2019 and 2018, the accumulated depreciation balance was $61,233 and $35,573, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018 was $67,702 and $93,362, respectively. The maturity dates are through June 30, 2022 and the interest rate is fixed at 6.70% and 8.00%.

During fiscal 2018, FRS obtained financing pursuant to a capital lease to finance vehicles in the amount of $370,074, principal and interest are paid monthly. As of September 30, 2019 and 2018, the accumulated depreciation balance was $160,373 and $122,766, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018 was $171,435 and $248,418, respectively.

During fiscal 2018, FRS obtained financing pursuant to a capital lease to finance vehicles in the amount of $82,264 principal and interest are paid monthly. As of September 30, 2019 and 2018, accumulated depreciation associated with these lease agreements was $31,367 and $13,914, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018 was $51,454 and $77,578, respectively. The maturity dates are through November 30, 2022 and the interest rate varies from 7.10% to 7.45%.

On September 14, 2018, FRS obtained financing pursuant to a capital lease to finance office furniture in the amount of $463,495, principal and interest are paid monthly. As of September 30, 2019 and 2018, the accumulated depreciation balance was $66,213 and $0, respectively. The outstanding principal balance on the lease as of September 30, 2019 and 2018 was $347,621 and $440,320, respectively. The maturity dates are through June 2023 and the interest rate is 6.58%.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2019:

Year Ending September 30,	
2020	$ 2,155,006
2021	2,159,924
2022	2,086,625
2023	1,994,784
2024	1,911,084
Thereafter	50,775,198
Total minimum lease payments	61,082,621
Less: Amount representing interest	(24,154,129)
Present value of net minimum lease payments	$ 36,928,492

NOTE 8 - REVOLVING LOANS

Israel Discount Bank of New York

FRS entered into a revolving loan agreement with Israel Discount Bank of New York ("IDB") to finance working capital needs with an aggregate principal amount not to exceed $25,000,000. The line is collateralized by FEDCAP's accounts receivable and was extended during fiscal 2019 to mature on October 17, 2020. The interest rate for the revolving loan agreement is the Prime Rate. As of September 30, 2019, and 2018, FRS had borrowings on this line of credit of $23,653,273 and $14,653,273, respectively, at an interest rate of 5.50% and 5.25%, respectively.

RBS Citizens Bank, N.A.

ESNY has an agreement with RBS Citizens Bank, N.A for a $3,000,000 revolving line of credit with FRS as the co-borrower, which matured on December 15, 2018 and was subsequently extended until May 2019. Communications with the bank regarding refinancing of this line of credit are in process as of the date that the accompanying consolidated financial statements were available to be issued. As of September 30, 2019, and 2018, ESNY had borrowings on this line of credit of $3,000,000, at an interest rate of 4.1% and 4.5%, respectively.

Frost Bank

ESCT obtained an uncollateralized revolving line of credit with Frost Bank with a $200,000 limit that matured on February 6, 2019, upon which the balance was repaid in full. As of September 30, 2018, ESCT had borrowings on this line of credit of $200,000 at a floating interest rate, defined as 1.75% plus the financial institution's prime rate.

NOTE 9 - LONG-TERM DEBT

Notes Payable

On October 21, 2004, TOTS entered into a $700,000 mortgage note payable to finance the acquisition of the building located in Bronx, New York. The note was secured by the property and all of the assets of TOTS. The interest rate is 5.0% and principal and interest of $4,960 is payable monthly through the maturity date of November 1, 2024. At September 30, 2019, the outstanding principal balance was $270,015.

On December 5, 2014, ESNY entered into a $1,980,000 mortgage note payable to finance the acquisition of certain property located in Valhalla, New York. The note was secured by the property and is guaranteed by FEDCAP. The interest rate is 3.66% for the first 60 months then, as of the first day of the sixty-first month, the interest rate will reset to 1.75% in excess of the then bank's five-year Cost of Funds. In no event shall the reset rate be less than 3.66%. Principal and interest of $9,153 is payable monthly through the maturity date of January 1, 2025. At September 30, 2019 and 2018, the outstanding principal balance was $1,789,338 and $1,832,909, respectively.

On November 4, 2016, MVLE entered into a $350,000 note payable with Union Bank & Trust. The note is secured by accounts receivable and equipment. The interest rate is 4.5% and principal and interest are paid monthly. The note matures in November 2019. As of September 30, 2019 and 2018, the outstanding principal balance was $20,725 and $142,471, respectively.

On Dec 13, 2016, ESCT entered into a $18,558 note payable with J.P. Morgan Chase Bank, N.A. The note is secured by the assets of ESCT. The interest rate is 6.1% and principal and interest are paid monthly. The note matures in December 2021. As of September 30, 2019 and 2018, the outstanding principal balance was $9,060 and $12,702, respectively.

On May 18, 2017, ESCT entered into a $243,650 note payable with Wells Fargo, N.A. The note was secured by accounts receivable and equipment. The interest rate was defined at a variable rate plus prime and principal and interest are paid monthly. As of September 30, 2018, the outstanding principal balance was $151,086. During the year ended September 30, 2019, the note was paid in full.

Bonds Payable

In December 2013, FRS entered into a Loan Agreement with Build NYC Resource Corporation ("Build NYC"), a local development corporation, for Build NYC to issue bonds to finance the purchase of the sixth floor of a building located at 633 Third Avenue in New York City and related expenses. Build NYC issued $18,450,000 of tax-exempt revenue bonds ("Series 2013A"). Monthly payments of interest commenced in June 2014. The Series 2013A bonds have a coupon rate of 4.2% with a maturity date of December 1, 2033. The Series A bonds were placed with IDB and, as part of the bond purchase and continuing covenant agreement between FRS and IDB, FRS must maintain a minimum balance with IDB of $4,000,000, which is included within investments in the accompanying consolidated statements of financial position at September 30, 2019 and 2018. At September 30, 2019 and 2018, the outstanding principal balance of the Series 2013A bonds was $16,510,000 and $17,025,000, respectively.

In December 2010, ESNY in connection with the Monroe County Industrial Development Corporation and RBS Citizens Bank, N.A. issued $5,250,000 in Series 2010 tax-exempt Revenue Bonds ("Series 2010"). The Series 2010 bonds were used to finance the acquisition of certain property located in Irondequoit, New York and to refinance certain ESNY debt. The Series 2010 bonds are secured by a mortgage on all properties and improvements financed by the bond and are guaranteed by FRS. ESNY may elect to prepay some portion or all of the outstanding bonds subject to a prepayment fee as defined in the agreement. The agreement also requires bank approval prior to ESNY incurring additional indebtedness. The Series 2010 bonds are subject to tender for mandatory purchase at the election of the bondholder beginning June 1, 2016 and thereafter every five years through June 1, 2036. At September 30, 2019 and 2018, the outstanding principal balance of the Series 2010 bonds was $4,257,410 and $4,399,430, respectively.

On February 23, 2011, ESNY entered into an interest rate swap agreement with a bank in connection with the Series 2010 Bonds. The swap agreement had an outstanding notional amount of $4,245,960 and $4,388,460 at September 30, 2019 and 2018, respectively. The outstanding notional amount decreases, in conjunction with bond principal reductions, until the agreement terminates in January 2031. ESNY remits interest at a fixed rate of 2.99% and receives interest at a variable rate (68% of the sum of the monthly LIBOR rate plus 2.65% (1.39% and 3.34% at September 30, 2019 and 2018, respectively)). The fair value of the interest rate swap agreement as of September 30, 2019 and 2018 reflected a liability of $711,129 and $355,400, respectively. The swap is included within other liabilities in the accompanying consolidated statement of financial position and is classified as Level 2 within the fair value hierarchy.

In December 2017, FEDCAP entered into a loan agreement with Build NYC Resource Corporation ("Build NYC"), a local development corporation, for Build NYC to issue bonds to finance the renovation, equipping and furnishing of the improvements of the sixth floor located at 633 Third Avenue in New York City and related expenses. Build NYC issued $9,280,000 of tax-exempt revenue bonds ("Series 2017A") and $715,000 of taxable revenue bonds ("Series 2017B"). Monthly payments of interest commenced in February 2018. The Series 2017A bonds have a coupon rate of 3.9% with a maturity date of December 1, 2042. The Series 2017B bonds have a coupon rate of 4.5% with a maturity date of December 1, 2027. The 2017A and 2017B bonds were placed with TD Bank. At September 30, 2019 and 2018, the outstanding principal balance of the Series 2017A and 2017B bonds was $9,498,448 and $9,788,594, respectively.

The following is a summary of minimum principal payments due on the notes and bonds at September 30, 2019:

	Notes Payable	Bonds Payable	Total
Year Ending September 30,			
2020	$ 124,994	$ 992,424	$ 1,117,418
2021	99,250	1,019,829	1,119,079
2022	99,353	1,062,372	1,161,725
2023	103,907	1,105,555	1,209,462
2024	108,440	1,148,618	1,257,058
Thereafter	1,553,194	24,937,060	26,490,254
Total	$ 2,089,138	$ 30,265,858	32,354,996
Less: current portion			(1,117,418)
Less: bond issuance cost			(868,732)
Long-term debt, net of current portion			$ 30,368,846

NOTE 10 - ADVANCES FROM GOVERNMENT AGENCY

On August 30, 2018 FEDCAP received a loan of $1,485,361 from the Fund for the City of New York to cover operating expenses pending contract registration and receipt of funds from HRA. This loan is non-interest bearing and will be repaid no later than 30 days from the date of the loan, upon receipt of the funds from HRA or on demand for payment by the Fund for the City of New York. At September 30, 2018, the balance from this loan was $1,485,361. This loan was repaid in January 2019.

In August 2019, FEDCAP received contract advances in the amounts of $314,647 and $118,750 from the New York City Human Resources Agency and the Mayor's Office of Criminal Justice, respectively, which are payable as of September 30, 2019. These advances are non-interest bearing and will be offset by future receivables within these programs.

NOTE 11 - FORGIVEABLE CAPITAL ADVANCES

ESCT has received financial assistance for property acquisition costs from Housing and Urban Development ("HUD") and the Austin Housing Finance Corporation ("AHFC"). Under the terms of the agreements, funds were provided to ESCT in the form of forgivable capital advances to purchase thirty-four housing entities. The principle and any interest are not due and will be forgiven upon maturity, as long as ESCT continues to meet the requirements to maintain the housing units available for low income persons with disabilities. ESCT believes that the possibility that repayment will occur is remote and as such that the treatment of the advance as a contribution upon receipt is appropriate. Accordingly, the advances were recorded as contributions with donor restrictions that are released from restriction over the life of the agreement.

The following table summarizes the forgivable capital advances as of September 30, 2019:

	Amount of Original Advance
Housing I U.S. Department of Housing and Urban Development, interest rate of 5.375%, due unless forgiven on October 11, 2045, secured by six rental housing units. At September 30, 2019, $269,310 was included in net assets with donor restrictions related to the Note.	$ 413,000
Housing II U.S. Department of Housing and Urban Development, interest rate of 5.250%, due unless forgiven on April 1, 2048, secured by ten rental housing units. At September 30, 2019, $509,927 was included in net assets with donor restrictions related to the Note.	713,600
City of Austin passed through Austin Housing Finance Corporation, interest rate of 0%, due unless forgiven on May 1, 2049, secured by ten rental housing units. As of September 30, 2019, $369,792 was included in net assets with donor restrictions related to the Note.	500,000
Housing III U.S. Department of Housing and Urban Development, interest rate of 4.125%, due unless forgiven on December 1, 2050, secured by eight rental housing units. At September 30, 2019, $576,505 was included in net assets with donor restrictions related to the Note.	739,900
City of Austin passed through Austin Housing Finance Corporation, interest rate of 0%, due unless forgiven on November 30, 2050, secured by eight rental housing units. At September 30, 2019, $385,485 was included in net assets with donor restrictions related to the Note.	494,740
Housing IV U.S. Department of Housing and Urban Development, interest rate of 4.125%, due unless forgiven on February 15, 2053, secured by ten rental housing units. At September 30, 2019, $894,230 was included in net assets with donor restrictions related to the Note.	1,070,400
City of Austin passed through Austin Housing Finance Corporation, interest rate of 0%, due unless forgiven on February 28, 2053, secured by ten rental housing units. At September 30, 2019, $522,051 was included in net assets with donor restrictions related to the Note.	624,898
Total	$ 4,556,538

NOTE 12 - COMMITMENTS AND CONTINGENCIES

FEDCAP has leases for offices, program related facilities, and equipment expiring at various dates through 2032. The approximate future minimum lease commitments under existing operating leases are as follows:

Year Ending September 30,	
2020	$ 5,581,739
2021	5,042,998
2022	4,752,045
2023	3,084,738
2024	2,816,225
Thereafter	7,188,437
Total	$ 28,466,182

Certain office leases contain renewal and escalation clauses. For leases with escalation clauses, FEDCAP recognized rent expense on a straight-line basis and recognized a deferred rent liability of $467,126 and $1,669,702 at September 30, 2019 and 2018, respectively, which is included in other liabilities in the accompanying consolidated statements of financial position. In addition to the base rents, FEDCAP is obligated to pay additional amounts for increased operating costs.

Rent expense was $11,665,549 and $12,639,752 for the years ended September 30, 2019 and 2018, respectively.

FEDCAP sublets a portion of its facilities to tenants under operating leases that expire at various dates through December 2025. For the years ended September 30, 2019 and 2018, rental income from these subleases was $1,395,310 and $562,172, respectively. The future minimum sublease rental payments to be received are as follows:

Year Ending September 30,	
2020	$ 1,725,831
2021	1,628,231
2022	1,579,431
2023	1,440,344
2024	1,231,623
Thereafter	560,734
Total	$ 8,166,194

FEDCAP is engaged in various lawsuits incidental to its operations. In the opinion of management, the ultimate outcome of pending litigation will not have a material adverse effect on the consolidated financial position and results of operations of FEDCAP.

FEDCAP participates in a number of federal and state programs. These programs require that FEDCAP comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on FEDCAP's financial position or change in net assets. Accordingly, no provision for any such liability that may result has been made in the accompanying consolidated financial statements.

NOTE 13 - TUITION REVENUE

FEDCAP receives funding for the Career Design School from the New York State Education Department, administered by the Bureau of Proprietary School Supervision. Gross tuition income, which equaled net tuition income, was $619,891 and $1,012,460 for the years ended September 30, 2019 and 2018, respectively, and has been included within rehabilitation and vocational programs in the accompanying consolidated statements of activities.

NOTE 14 - NET ASSETS

Net assets with donor restrictions were restricted for the following purposes as of September 30, 2019 and 2018:

	2019	2018
For use in future periods for:		
Employment and job search programs	$ 116,380	$ 122,221
ESCT HUD capital advances	3,527,300	3,641,213
Time restricted - beneficial interest in remainder trust	2,540,391	2,765,886
Time restricted - general	297,700	149,260
	6,481,771	6,678,580
Beneficial interest in perpetual trusts and endowment funds subject to appropriation and satisfaction of donor restrictions	2,017,769	1,955,853
Total	$ 8,499,540	$ 8,634,433

Beneficial interest in perpetual trusts and endowment funds are comprised of the following as of September 30, 2019 and 2018:

	2019	2018
Easter Seals - beneficial interest in perpetual trusts	$ 1,935,001	$ 1,880,853
ReServe endowment	75,000	75,000
Community Work Services endowment	7,768	7,768
	$ 2,017,769	$ 1,955,853

Net assets released from restrictions during the years ended September 30, 2019 and 2018 were as follows:

	2019	2018
Employment and job search programs	$ 30,841	$ 490,089
ESCT HUD capital advances	113,913	915,325
Time restricted	-	1,440,130
Total	$ 144,754	$ 2,845,544

NOTE 15 - RELATED PARTY TRANSACTIONS

Members of the Board of Directors of FEDCAP are associated with a law firm that has provided legal services to FEDCAP with fees of $247,849 and $381,465 during the years ended September 30, 2019 and 2018, respectively.

A CWS Board member is a trustee of the Eaton Fund. CWS leases its facilities from the Eaton Fund. Rent paid to Eaton Fund for each of the years ended September 30, 2019 and 2018 was $129,996.

NOTE 16 - EMPLOYEE BENEFIT PLANS

Effective January 1, 1991, FEDCAP established a Tax Deferred Annuity Retirement Plan under Section 403(b) of the Internal Revenue Code for employee voluntary salary reduction contributions. Employees are eligible to participate in the plan as of their employment date.

Effective October 1, 1991, FEDCAP established a Tax Deferred Annuity Retirement Plan under Section 403(b) of the Internal Revenue Code for employees working on government contracts with a defined contribution pension plan based on a contractual formula. Employees are eligible to participate in the plan upon satisfactory completion of a three-month probationary period.

Effective October 1, 1994, FEDCAP established a Defined Contribution Plan under Section 403(b) of the Internal Revenue Code for qualified participants, primarily employees who do not work on contracts. In November 1, 2010, the Defined Contribution Plan was amended to allow all employees to participate in the plan immediately upon hire. FEDCAP matches employee contributions up to 3% of their salaries. Employer matching contributions fully vest after three years of employment.

Plan contributions are invested in one or more of the funding vehicles available to participants under the plans. Each participant is fully and immediately vested in employee contributions. Employer contributions to the plans amounted to $6,792,107 and $6,648,313 for the years ended September 30, 2019 and 2018, respectively.

NOTE 17 - ACQUISITIONS

On October 31, 2017, FEDCAP entered into a combination agreement with Benevolent to become its sole member. This combination was predicated on the similarities of mission and enhancement of our ability to provide economic wellbeing for the individuals we serve. The combination further diversifies funding to individuals and families in need, through non-government sources. This acquisition was affected without the transfer of consideration, and as such an inherent contribution of $1,231 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

On April 1, 2018, FEDCAP entered into a combination agreement with MVLE to become its sole member. MVLE provides employment, support and rehabilitation services to individuals with disabilities in the Northern Virginia and Washington, D.C. area. This combination was predicated on the synergies of mission and geographic expansion of services in the Mid-Atlantic Region. This acquisition was affected without the transfer of consideration, and as such an inherent contribution of $3,644,595 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

On July 1, 2018, FEDCAP entered into a combination agreement with Easter Seals Central Texas (“ESCT”) to become its sole member. ESCT provides services to individuals with disabilities throughout the life cycle through outpatient medical rehabilitation, workforce development and community housing and integration programs in the Central Texas region. This combination was predicated on the similarities of mission and geographic expansion of services into the Southwest Region. The addition of ESCT expands the core services to the populations served through our Easter Seals brand whose current operations are in New York and Rhode Island. This acquisition was affected without the transfer of consideration, and as such an inherent contribution of $4,368,955 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

On July 1, 2018, FEDCAP entered into a combination agreement with Easter Seals North Texas (“ESNT”) to become its sole member. ESNT provides services to individuals with disabilities throughout the life cycle through outpatient medical rehabilitation, workforce development and community housing and integration programs in the North Texas region. This combination was predicated on the similarities of mission and geographic expansion of services into the Southwest Region. The addition of ESNT expands the core services to the populations served through our Easter Seals brand whose current operations are in New York and Rhode Island. This acquisition was affected without the transfer of consideration, and as such an inherent contribution of $5,447,649 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

On December 3, 2018, FEDCAP acquired Kennedy Scott, Limited (“KS”), a United Kingdom company through a stock purchase. KS provides high quality job support, placement, retention and related services to people in the United Kingdom. This combination was predicated on geographic expansion of core services into the United Kingdom. The acquisition was affected by the transfer of consideration in the amount of $610,689. Goodwill in the amount of $761,776 was recognized, which represented the consideration paid less the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

On March 14, 2019, Fedcap Employment Scotland became a 51% majority shareholder of Start Scotland Limited (“SS”). SS is a value-driven organization that strives to put its customers first, understanding their needs and closely engaging with them on a personal level to help them on their journey to employment and training. This joint venture was predicated on further geographic expansion into specific regions within the United Kingdom. This transaction was affected without any consideration, and as such, and inherent contribution of $381,450 was recognized which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed. The minority interest in the joint venture is reflected as non-controlling interest on the accompanying consolidated statements of financial position.

On September 30, 2019, ESNY acquired and became the sole member of These Our Treasures, Inc. (“TOTS”), a nonprofit entity whose purpose is to educate young children with developmental disabilities in an atmosphere that embraces and accommodates individual differences and helps children to achieve in the context of the larger classroom and school setting. The combination was predicated on similarities of missions with our Easter Seals brand and expands the select group of population being served. This acquisition was affected without the transfer of consideration, and as such, an inherent contribution of $4,390,122 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisitions for the year ended September 30, 2019:

	Inherent Contribution				
	TOTS	Start Scotland JV	Total	Kennedy Scott Ltd.	Total
Cash and cash equivalents	$ 628,040	$ 307,425	$ 935,465	$ 31,128	$ 966,593
Accounts receivables, net	146,372	512,159	658,531	583,083	1,241,614
Contributions receivables	50,852	-	50,852	-	50,852
Inventories	259	-	259	-	259
Prepaid expenses	2,886	39,879	42,765	78,441	121,206
Other assets	-	-	-	31,478	31,478
Property and equipment, net	3,980,000	61,405	4,041,405	61,690	4,103,095
Accounts payable and accrued liabilities	(113,016)	(539,418)	(652,434)	(936,907)	(1,589,341)
Deferred liabilities	(35,256)	-	(35,256)	-	(35,256)
Notes payable	(270,015)	-	(270,015)	-	(270,015)
Net assets (deficit)	$ 4,390,122	$ 381,450	$ 4,771,572	$ (151,087)	$ 4,620,485

NOTE 18 - CONCENTRATIONS

FEDCAP provides building services for federal buildings, which comprised 23% and 22% of total revenues during the years ended September 30, 2019 and 2018, respectively. FEDCAP provides offsite data entry personnel, custodial and other services to various branches of the state and city government through one New York State organization, which comprised 7% of total revenues during the years ended September 30, 2019 and 2018.

Financial instruments that potentially subject FEDCAP to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Management does not believe that a significant risk of loss exists due to the failure of a financial institution.

NOTE 19 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

FEDCAP regularly monitors liquidity required to meet its operating needs and other contractual commitments. FEDCAP has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. See note 8 for information about FEDCAP's lines of credit.

For purposes of assessing resources available to meet general expenditures over a 12-month period, FEDCAP considers all expenditures related to its ongoing activities.

In addition to financial assets available to meet general expenditures over the next 12 months, FEDCAP operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

As of September 30, 2019, the following tables show the total financial assets held by FEDCAP and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets available to meet general expenditures over the next 12 months:

Cash and cash equivalents	$ 9,821,462
Accounts receivable, net	54,652,438
Contributions receivable, net	4,352,341
Investments convertible to cash over the next 12 months	8,703,912
Total financial assets available within the next 12 months	77,530,153
Less amounts unavailable for general expenditure due to:	
Donor-imposed restrictions	(3,726,448)
Minimum liquidity requirement under borrowing arrangements	(4,000,000)
Total financial assets available to meet general expenditures over the next 12 months	$ 69,803,705

FEDCAP had negative cash flows from operations for the years ended September 30, 2019 and 2018 of approximately $11,500,000 and $5,500,000, respectively. This operational decrease in cash during fiscal 2019 is primarily due to an increase in FEDCAP 's receivable balances, which is mainly due to delayed payments from government funders. This delay also required FEDCAP to further draw on its line of credit during fiscal 2019 in order to provide additional working capital. Continued operations of FEDCAP are dependent upon FEDCAP's ability to maintain its revenue levels while increasing margins and collecting on its outstanding receivables. Additionally, FEDCAP will need to refinance its existing debt arrangements which are coming due during fiscal 2020 and 2021. The accompanying consolidated financial statements have been prepared on a basis which assumes the realizations of assets and the satisfaction of liabilities and commitments in the normal course of FEDCAP 's business.

NOTE 20 - SUBSEQUENT EVENTS

FEDCAP evaluated its September 30, 2019 consolidated financial statements for subsequent events through August 14, 2020, the date the consolidated financial statements were available for issuance. FEDCAP is unaware of any events which would require recognition or disclosure in the accompanying consolidated financial statements, except as noted below.

On January 10, 2020 FEDCAP formed Fedcap Canada, Inc., which began operations in Canada on April 1, 2020.

On January 16, 2020 FEDCAP entered an Asset Purchase Agreement with Breton International, Inc, for the purchase of the school it operates under the name APEX Technical School. FEDCAP formed Fedcap APEX Acquisition, LLC to house this school.

The COVID-19 pandemic, the effects of which first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. FEDCAP is closely monitoring cash flows, working capital and liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on FEDCAP's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on timely collection of receivables, federal and state funding, customers, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact FEDCAP's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements do not include any adjustments relating to the effects of this pandemic.

SUPPLEMENTARY INFORMATION

The FEDCAP Group

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of September 30, 2019

	Fedcap Rehabilitation Services, Inc.	Fedcap Inc.	Wildcat Services Corporation	ReServe	Community Work Services	Easter Seals New York	Granite Pathways	Red Mango	Easter Seals Rhode Island	Single Stop	Seacost Pathways	Benevolent	MVLE	Easter Seals Central Texas	Easter Seals North Texas	Fedcap UK	These Our Treasures	Eliminations	Consolidated
ASSETS																			
CURRENT ASSETS																			
Cash and cash equivalents	$ 2,890,973	$ 47,059	$ 620,193	$ 151,126	$ 1,146,031	$ 420,525	$ 90,462	$ 28,946	$ 154,667	$ 454,107	$ 334	$ 31,774	$ 1,054,142	$ 266,848	$ 369,241	$ 1,466,994	$ 628,040	$ -	$ 9,821,462
Accounts receivable (net of allowance for doubtful accounts of approximately ($2,180,057 in 2019 and $4,622,800 in 2018)	30,661,375	139,612	6,520,762	1,273,993	685,086	7,124,647	1,812,533	-	469,784	118,019	-	-	2,343,356	1,001,263	358,501	1,997,135	146,372	-	54,652,438
Intercompany accounts receivable	167,681,083	1,589,736	37,561,073	12,860,012	15,396,846	25,833,948	4,599,599	768,961	3,330,333	40,492,889	227,741	16,336	2,269,651	982,248	1,404,058	-	-	(315,014,514)	-
Contributions and grants receivable (net of allowance for uncollectible contributions of approximately $250,000 in 2019 and 2018)	969,632	-	23,828	-	36,537	258,408	274	-	13,222	2,452,127	2,395	-	40,263	504,803	-	-	50,852	-	4,352,341
Inventories, net	111,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	259	-	111,693
Prepaid expenses and other assets	6,456,277	-	14,915	-	1,653	582,718	21,430	16,827	7,672	738,112	-	-	178,443	184,285	98,394	352,223	2,886	-	8,655,835
Total current assets	208,770,774	1,776,407	44,740,771	14,285,131	17,266,153	34,220,246	6,524,298	814,734	3,975,678	44,255,254	230,470	48,110	5,885,855	2,939,447	2,230,194	3,816,352	828,409	(315,014,514)	77,593,769
Investments	7,677,928	-	-	118,537	-	207,079	-	-	11,245	-	3,142	-	-	115,453	570,528	-	-	-	8,703,912
Goodwill	-	-	-	-	-	-	-	-	-	-	-		-	-	-	761,776	-	-	761,776
Property, plant and equipment, net	68,589,976	-	-	25,682	233,070	7,111,627	98,430	76,546	24,920	1,044,510	-	-	1,374,627	3,750,422	243,020	186,320	3,980,000	-	86,739,150
Art objects	21,750	-	-	-	-	-	-	-	-	-	-	-	-	-	22,200	-	-	-	43,950
Beneficial interest in trusts	-	-	-	-	-	552,453	-	-	36,953	-	-	-	-	-	3,922,939	-	-	-	4,512,345
Other assets	107,525	-	-	-	-	-	-	-	-	-	-	-	245,436	-	81,151	-	-	-	434,112
	76,397,179	-	-	144,219	233,070	7,871,159	98,430	76,546	73,118	1,044,510	3,142	-	1,620,063	3,865,875	4,839,838	948,096	3,980,000	-	101,195,245
Total assets	$ 285,167,953	$ 1,776,407	$ 44,740,771	$ 14,429,350	$ 17,499,223	$ 42,091,405	$ 6,622,728	$ 891,280	$ 4,048,796	$ 45,299,764	$ 233,612	$ 48,110	$ 7,505,918	$ 6,805,322	$ 7,070,032	$ 4,764,448	$ 4,808,409	$ (315,014,514)	$ 178,789,014
LIABILITIES AND NET ASSETS																			
CURRENT LIABILITIES																			
Accounts payable and accrued liabilities	$ 27,128,975	$ 33,346	$ 623,738	$ 182,289	$ 282,391	$ 1,406,651	$ 236,327	$ 23,874	$ 125,574	$ 4,175,600	$ 319	$ 16,990	$ 1,336,227	$ 1,126,337	$ 458,002	$ 2,331,701	$ 113,016	$ -	$ 39,601,357
Intercompany payable	142,539,268	1,726,658	43,228,213	16,318,847	17,834,518	32,806,275	7,070,284	1,360,594	4,558,994	37,244,794	424,881	300,299	2,830,762	3,216,067	1,636,328	1,917,732	-	(315,014,514)	-
Deferred revenues	46,539	-	399,877	-	-	1,538	-	-	-	1,127,468	-	-	47,687	-	10,527	103,538	35,256	-	1,772,430
Advances from government agency	433,397	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	433,397
Current revolving loans	-	-	-	-	-	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
Current portion of obligations under capital leases	2,086,073	-	-	-	4,446	45,568	-	-	-	-	-	-	-	18,919	-	-	-	-	2,155,006
Notes payable, current	845,754	-	-	-	-	190,613	-	-	-	-	-	-	20,725	13,448	-	-	46,878	-	1,117,418
Total current liabilities	173,080,006	1,760,004	44,251,828	16,501,136	18,121,355	37,450,645	7,306,611	1,384,468	4,684,568	42,547,862	425,200	317,289	4,235,401	4,374,771	2,104,857	4,352,971	195,150	(315,014,514)	48,079,608
Capital lease obligations	34,733,563	-	-	-	-	34,642	-	-	-	-	-	-	-	5,281	-	-	-	-	34,773,486
Notes payable	24,433,481	-	-	-	-	5,708,177	-	-	-	-	-	-	-	4,051	-	-	223,137	-	30,368,846
Revolving loans	23,653,273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,653,273
Other liabilities	746,117	-	17,732	15,042	79,241	832,452	1,200	2,354	802	515,732	-	-	201,032	308,973	163,697	1,390,482	-	-	4,274,856
Total liabilities	256,646,440	1,760,004	44,269,560	16,516,178	18,200,596	44,025,916	7,307,811	1,386,822	4,685,370	43,063,594	425,200	317,289	4,436,433	4,693,076	2,268,554	5,743,453	418,287	(315,014,514)	141,150,069
NET ASSETS																			
Without donor restrictions	28,218,051	16,403	471,211	(2,177,557)	(709,141)	(2,486,964)	(685,083)	(495,542)	(636,574)	2,236,170	(191,588)	(269,179)	3,069,485	(1,415,054)	783,650	(1,112,038)	4,390,122	-	29,006,372
Without donor restrictions - non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,033	-	-	133,033
With donor restrictions	303,462	-	-	90,729	7,768	552,453	-	-	-	-	-	-	-	3,527,300	4,017,828	-	-	-	8,499,540
Total net assets	28,521,513	16,403	471,211	(2,086,828)	(701,373)	(1,934,511)	(685,083)	(495,542)	(636,574)	2,236,170	(191,588)	(269,179)	3,069,485	2,112,246	4,801,478	(979,005)	4,390,122	-	37,638,945
Total liabilities and net assets	$ 285,167,953	$ 1,776,407	$ 44,740,771	$ 14,429,350	$ 17,499,223	$ 42,091,405	$ 6,622,728	$ 891,280	$ 4,048,796	$ 45,299,764	$ 233,612	$ 48,110	$ 7,505,918	$ 6,805,322	$ 7,070,032	$ 4,764,448	$ 4,808,409	$ (315,014,514)	$ 178,789,014

This statement should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

The FEDCAP Group

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

Without Donor Restrictions

	Fedcap Rehabilitation Services Inc.	Fedcap Inc.	Wildcat Services Corporation	ReServe	Community Work Services	Easter Seals New York	Granite Pathways	Red Mango	Easter Seals Rhode Island	Single Stop	Seacoast Pathways	Benevolent	MVLE	Easter Seals Central Texas	Easter Seals North Texas	FEDCAP UK	These Our Treasures	Consolidated
Revenues																		
Contract services and products	$ 98,508,017	$ -	$ 13,622,767	$ -	$ 878,277	$ -	$ -	$ 272,084	$ -	$ -	$ -	$ -	$ 4,278,464	$ 397,709	$ -	$ -	$ -	$ 117,957,318
Rehabilitation and vocational programs	70,174,597	1,074,531	3,447,441	4,599,874	1,594,795	29,599,798	4,120,916	-	3,032,701	3,350,535	-	-	10,196,243	10,065,367	5,425,570	10,832,840	-	157,515,208
Contributions and grants	3,365,557	-	3,388	81,706	798,921	336,525	264,038	-	176,109	13,598,260	97,769	65,576	122,523	280,307	425,066	-	-	19,615,745
Inherent contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	381,450	4,390,122	4,771,572
Realized and unrealized gains (losses) on investments	125,300	-	-	-	-	(79,800)	-	-	(351)	-	-	-	-	-	(21,850)	-	-	23,299
Interest income	743,182	-	-	2,264	988	8,403	211	-	-	103	142	-	1,474	322	-	-	-	757,089
Miscellaneous revenue	-	-	9,614	-	25,566	15,422	4,429	800	10	28,359	-	-	23,884	89,124	12,711	21,966	-	231,885
Net assets released from restrictions	6,771	-	-	24,070	-	-	-	-	-	-	-	-	-	113,913	-	-	-	144,754
Total revenues	172,923,424	1,074,531	17,083,210	4,707,914	3,298,547	29,880,348	4,389,594	272,884	3,208,469	16,977,257	97,911	65,576	14,622,588	10,946,742	5,841,497	11,236,256	4,390,122	301,016,870
Expenses																		
Program services:																		
Contract services and products	90,024,218	-	10,114,406	-	1,402,724	-	-	490,546	-	-	-	-	3,435,443	507,195	-	-	-	105,974,532
Rehabilitation and vocational programs	63,925,401	929,184	3,549,173	4,620,838	749,874	25,821,358	4,774,786	-	2,883,204	13,549,235	147,373	-	6,047,858	9,883,780	4,985,698	10,124,478	-	151,992,240
	153,949,619	929,184	13,663,579	4,620,838	2,152,598	25,821,358	4,774,786	490,546	2,883,204	13,549,235	147,373	-	9,483,301	10,390,975	4,985,698	10,124,478	-	257,966,772
Supporting services:																		
Management and general	14,400,710	128,944	2,075,220	562,934	1,393,351	5,255,946	510,012	30,053	437,047	2,622,331	11,685	8,292	5,255,590	2,273,948	1,250,294	2,090,783	-	38,307,140
Development	2,607,460	-	-	2,305	72,424	75,655	40,337	-	138,687	-	2,232	202,007	285,613	366,136	218,385	-	-	4,011,241
	17,008,170	128,944	2,075,220	565,239	1,465,775	5,331,601	550,349	30,053	575,734	2,622,331	13,917	210,299	5,541,203	2,640,084	1,468,679	2,090,783	-	42,318,381
Total expenses	170,957,789	1,058,128	15,738,799	5,186,077	3,618,373	31,152,959	5,325,135	520,599	3,458,938	16,171,566	161,290	210,299	15,024,504	13,031,059	6,454,377	12,215,261	-	300,285,153
Change in net assets - without donor restrictions	1,965,635	16,403	1,344,411	(478,163)	(319,826)	(1,272,611)	(935,541)	(247,715)	(250,469)	805,691	(63,379)	(144,723)	(401,916)	(2,084,317)	(612,880)	(979,005)	4,390,122	731,717
Net assets at beginning of year - without donor restrictions	26,252,416	-	(873,200)	(1,699,394)	(389,315)	(1,214,353)	250,458	(247,827)	(386,105)	1,430,479	(128,209)	(124,456)	3,471,401	669,263	1,396,530	-	-	28,407,688
Net assets at end of year - without donor restrictions	$ 28,218,051	$ 16,403	$ 471,211	$ (2,177,557)	$ (709,141)	$ (2,486,964)	$ (685,083)	$ (495,542)	$ (636,574)	$ 2,236,170	$ (191,588)	$ (269,179)	$ 3,069,485	$ (1,415,054)	$ 783,650	$ (979,005)	$ 4,390,122	$ 29,139,405

With Donor Restrictions

	Fedcap Rehabilitation Services Inc.	Fedcap Inc.	Wildcat Services Corporation	ReServe	Community Work Services	Easter Seals New York	Granite Pathways	Red Mango	Easter Seals Rhode Island	Single Stop	Seacoast Pathways	Benevolent	MVLE	Easter Seals Central Texas	Easter Seals North Texas	FEDCAP UK	These Our Treasures	Consolidated
REVENUES																		
Contributions and grants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,000	$ -	$ -	$ 25,000
Realized and unrealized losses on investments	-	-	-	-	-	50,793	-	-	-	-	-	-	-	-	(65,932)	-	-	(15,139)
Net assets released from restrictions	(6,771)	-	-	(24,070)	-	-	-	-	-	-	-	-	-	(113,913)	-	-	-	(144,754)
Total revenues	(6,771)	-	-	(24,070)	-	50,793	-	-	-	-	-	-	-	(113,913)	(40,932)	-	-	(134,893)
Change in net assets - with donor restrictions	(6,771)	-	-	(24,070)	-	50,793	-	-	-	-	-	-	-	(113,913)	(40,932)	-	-	(134,893)
Net assets at beginning of year - with donor restrictions	310,233	-	-	114,799	7,768	501,660	-	-	-	-	-	-	-	3,641,213	4,058,760	-	-	8,634,433
Net assets at end of year - with donor restrictions	$ 303,462	$ -	$ -	$ 90,729	$ 7,768	$ 552,453	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,527,300	$ 4,017,828	$ -	$ -	$ 8,499,540

This statement should be read in conjunction with the accompanying consolidated financial statements and notes thereto.