

Consolidated Financial Statements and  
Supplementary Information Together  
with Report of Independent Certified  
Public Accountants

**The FEDCAP Group**

September 30, 2021 and 2020

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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, 2021 and 2020, 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.

**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, 2021 and 2020, 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  
February 2, 2022

The FEDCAP Group

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30,

	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 42,982,639	\$ 24,926,770
Accounts receivable (net of allowance for doubtful accounts of approximately \$7,794,000 in 2021 and \$4,394,000 in 2020)	57,363,861	56,865,665
Contributions and grants receivable (net of allowance for uncollectible contributions of approximately \$250,000 in 2021 and 2020)	1,968,683	2,131,974
Inventories, net	464,262	407,002
Prepaid expenses and other assets	10,744,090	8,321,637
Total current assets	113,523,535	92,653,048
Investments	11,004,556	9,317,759
Goodwill, net	758,574	842,860
Property, plant and equipment, net	81,797,004	84,033,493
Beneficial interest in trusts	5,478,830	4,713,515
Other assets	2,489,899	478,067
Total assets	\$ 215,052,398	\$ 192,038,742
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 36,996,755	\$ 30,200,021
Deferred revenues	11,832,483	6,066,207
Advances from government agency	749,426	3,620,421
Current portion of obligations under capital leases	597,696	2,159,924
Current portion of Paycheck Protection Program notes payable	7,121,362	-
Current portion of notes payable	1,313,631	1,501,527
Total current liabilities	58,611,353	43,548,100
Capital lease obligations	35,145,994	34,181,372
Notes payable	25,655,630	30,515,955
Revolving loans	28,173,061	26,653,273
Paycheck Protection Program notes payable	3,163,579	12,481,054
Other liabilities	20,758,201	6,586,501
Total liabilities	171,507,818	153,966,255
Commitments and contingencies		
<b>Net assets</b>		
Without donor restrictions	33,166,395	29,925,809
Without donor restrictions - non-controlling interest	973,877	(440,118)
With donor restrictions	9,404,308	8,586,796
Total net assets	43,544,580	38,072,487
Total liabilities and net assets	\$ 215,052,398	\$ 192,038,742

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,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>						
Contract services and products	\$ 117,740,604	\$ -	\$ 117,740,604	\$ 112,977,906	\$ -	\$ 112,977,906
Rehabilitation and vocational programs	198,546,052	-	198,546,052	153,984,201	-	153,984,201
Contribution and grant revenues	4,485,739	603,890	5,089,629	5,619,460	-	5,619,460
Inherent contribution	-	-	-	263	-	263
Gain on Paycheck Protection Program loan forgiveness	5,379,479	-	5,379,479	-	-	-
Realized and unrealized gains on investments	2,006,171	327,535	2,333,706	391,942	201,169	593,111
Interest income	528,690	-	528,690	205,383	-	205,383
Miscellaneous revenue	972,885	-	972,885	130,321	-	130,321
Net assets released from restrictions	113,913	(113,913)	-	113,913	(113,913)	-
<b>Total revenues</b>	<b>329,773,533</b>	<b>817,512</b>	<b>330,591,045</b>	<b>273,423,389</b>	<b>87,256</b>	<b>273,510,645</b>
<b>Expenses</b>						
Program services						
Contract services and products	99,587,090	-	99,587,090	97,048,935	-	97,048,935
Rehabilitation and vocational programs	162,442,512	-	162,442,512	136,046,180	-	136,046,180
	262,029,602	-	262,029,602	233,095,115	-	233,095,115
Supporting services						
Management and general	60,770,707	-	60,770,707	36,383,728	-	36,383,728
Development	2,318,643	-	2,318,643	3,598,260	-	3,598,260
	63,089,350	-	63,089,350	39,981,988	-	39,981,988
<b>Total expenses</b>	<b>325,118,952</b>	<b>-</b>	<b>325,118,952</b>	<b>273,077,103</b>	<b>-</b>	<b>273,077,103</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,654,581</b>	<b>817,512</b>	<b>5,472,093</b>	<b>346,286</b>	<b>87,256</b>	<b>433,542</b>
Net assets at beginning of year	29,485,691	8,586,796	38,072,487	29,139,405	8,499,540	37,638,945
Net assets at end of year	<u>\$ 34,140,272</u>	<u>\$ 9,404,308</u>	<u>\$ 43,544,580</u>	<u>\$ 29,485,691</u>	<u>\$ 8,586,796</u>	<u>\$ 38,072,487</u>

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, 2021

	Program Services			Supporting Services			Total Expenses
	Contract Services and Products	Rehabilitation and Vocational Programs	Total	Management and General	Development	Total	
Salaries and related expenses	\$ 77,223,909	\$ 82,136,922	\$ 159,360,831	\$ 15,795,496	\$ 1,308,284	\$ 17,103,780	\$ 176,464,611
Professional fees	203,519	35,240,097	35,443,616	6,407,491	348,363	6,755,854	42,199,470
Professional development and evaluation	-	692,113	692,113	577,706	4,683	582,389	1,274,502
Materials and supplies	2,567,509	2,822,303	5,389,812	253,172	16,047	269,219	5,659,031
Commissions	2,770,045	2,710	2,772,755	4,164	-	4,164	2,776,919
Telephone	166,776	1,046,799	1,213,575	1,524,244	5,754	1,529,998	2,743,573
Postage and shipping	91,547	98,929	190,476	83,354	13,222	96,576	287,052
Insurance	1,282,116	1,121,271	2,403,387	473,518	21,286	494,804	2,898,191
Occupancy costs	2,037,079	12,115,673	14,152,752	9,800,230	181,507	9,981,737	24,134,489
Equipment rental and maintenance	852,519	389,716	1,242,235	306,305	36,972	343,277	1,585,512
Equipment purchases	244,569	63,309	307,878	134,246	-	134,246	442,124
Client transportation and travel	267,616	526,329	793,945	190,506	-	190,506	984,451
Subscription and printing	22,576	255,683	278,259	662,894	46,180	709,074	987,333
Technology	279,043	1,132,971	1,412,014	4,002,260	21,000	4,023,260	5,435,274
Interest expense	-	31,336	31,336	3,759,121	-	3,759,121	3,790,457
Bank charges and processing fees	-	52,667	52,667	1,485,620	15,968	1,501,588	1,554,255
Bad debt provision	-	2,902,675	2,902,675	5,815,450	-	5,815,450	8,718,125
Subcontractor expense	11,262,008	9,955,313	21,217,321	1,090,203	2,189	1,092,392	22,309,713
Stipends	47,729	3,898,979	3,946,708	112,074	1,590	113,664	4,060,372
Security guard expense	8,358	157,238	165,596	28,438	347	28,785	194,381
Other	-	6,916,864	6,916,864	3,089,723	286,284	3,376,007	10,292,871
Total expenses before depreciation and amortization	99,326,918	161,559,897	260,886,815	55,596,215	2,309,676	57,905,891	318,792,706
Depreciation and amortization	260,172	882,615	1,142,787	5,174,492	8,967	5,183,459	6,326,246
Total expenses	<u>\$ 99,587,090</u>	<u>\$ 162,442,512</u>	<u>\$ 262,029,602</u>	<u>\$ 60,770,707</u>	<u>\$ 2,318,643</u>	<u>\$ 63,089,350</u>	<u>\$ 325,118,952</u>

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, 2020

	Program Services			Supporting Services			Total Expenses
	Contract Services and Products	Rehabilitation and Vocational Programs	Total	Management and General	Development	Total	
Salaries and related expenses	\$ 74,358,692	\$ 82,121,469	\$ 156,480,161	\$ 13,141,708	\$ 1,478,745	\$ 14,620,453	\$ 171,100,614
Professional fees	152,185	20,662,291	20,814,476	2,260,231	794,585	3,054,816	23,869,292
Professional development and evaluation	11,472	360,983	372,455	227,206	5,382	232,588	605,043
Materials and supplies	3,445,688	2,007,974	5,453,662	146,699	15,591	162,290	5,615,952
Commissions	2,514,416	12,459	2,526,875	-	-	-	2,526,875
Telephone	86,175	331,392	417,567	1,002,765	5,194	1,007,959	1,425,526
Postage and shipping	171,723	78,718	250,441	92,182	131,337	223,519	473,960
Insurance	1,034,048	1,272,779	2,306,827	846,226	22,442	868,668	3,175,495
Occupancy costs	2,250,654	10,961,025	13,211,679	2,836,553	178,884	3,015,437	16,227,116
Equipment rental and maintenance	967,444	608,978	1,576,422	254,953	35,717	290,670	1,867,092
Equipment purchases	320,484	119,100	439,584	41,580	1,036	42,616	482,200
Client transportation and travel	242,530	1,490,685	1,733,215	415,420	88,195	503,615	2,236,830
Subscription and printing	49,070	296,847	345,917	503,126	40,841	543,967	889,884
Technology	329,854	1,683,260	2,013,114	2,264,647	31,918	2,296,565	4,309,679
Interest expense	-	18,609	18,609	4,219,963	-	4,219,963	4,238,572
Bank charges and processing fees	79,239	43,677	122,916	741,665	17,144	758,809	881,725
Bad debt expense	-	193	193	1,204,034	-	1,204,034	1,204,227
Subcontractor expense	10,632,908	7,420,600	18,053,508	2,222,177	13,421	2,235,598	20,289,106
Stipends	26,605	3,805,756	3,832,361	59,704	11,362	71,066	3,903,427
Security guard expense	1,200	221,556	222,756	27,602	224	27,826	250,582
Other	67,224	1,586,078	1,653,302	248,172	717,277	965,449	2,618,751
Total expenses before depreciation and amortization	96,741,611	135,104,429	231,846,040	32,756,613	3,589,295	36,345,908	268,191,948
Depreciation and amortization	307,324	941,751	1,249,075	3,627,115	8,965	3,636,080	4,885,155
Total expenses	<u>\$ 97,048,935</u>	<u>\$ 136,046,180</u>	<u>\$ 233,095,115</u>	<u>\$ 36,383,728</u>	<u>\$ 3,598,260</u>	<u>\$ 39,981,988</u>	<u>\$ 273,077,103</u>

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,

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,472,093	\$ 433,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,241,960	4,885,155
Amortization of goodwill	84,286	118,911
Bad debt provision	8,718,125	1,204,227
Realized and unrealized gains on investments	(2,333,706)	(593,111)
Paycheck Protection Plan loan forgiveness	(5,379,479)	-
Changes in assets and liabilities:		
Accounts receivable	(9,216,321)	(3,517,454)
Contribution receivable	163,291	2,320,367
Inventories	(57,260)	(295,309)
Prepaid expenses and other assets	(3,900,483)	334,198
Beneficial interest in remainder trust	(765,315)	(201,170)
Accounts payable and accrued liabilities	6,796,735	(9,401,336)
Deferred revenue	5,766,276	4,293,777
Other liabilities	14,171,700	2,311,645
	<u>25,761,902</u>	<u>1,893,442</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	192,628	505,011
Purchase of investments	(254,774)	(525,747)
Cash paid in acquisition	-	(200,000)
Cash received in acquisition	145,163	-
Capital expenditures	(3,975,471)	(2,179,498)
	<u>(3,892,454)</u>	<u>(2,400,234)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities:</b>		
(Decrease) increase in advances from government agencies	(2,870,995)	3,187,024
Change in revolving loans	1,519,789	-
Proceeds from Paycheck Protection Plan notes payable	3,183,453	12,481,054
Proceeds from notes payable	-	531,218
Repayment of notes payable	(5,048,220)	-
Repayment of capital lease obligations	(597,606)	(587,196)
	<u>(3,813,579)</u>	<u>15,612,100</u>
<b>Net cash (used in) provided by financing activities</b>		
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	18,055,869	15,105,308
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>24,926,770</u>	<u>9,821,462</u>
End of year	<u>\$ 42,982,639</u>	<u>\$ 24,926,770</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash interest paid during the year	<u>\$ 2,738,964</u>	<u>\$ 2,722,157</u>

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

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021 and 2020

#### 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 ("IRC"). The Parent is 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"), Fedcap Apex Acquisition, LLC, Civic Hall Labs, Inc , New York Tech Alliance (NYTA), Fedcap Canada, Fedcap UK, Kennedy Scott, Limited, Fedcap Employment Limited, Fedcap Employment Scotland Limited, and Start Scotland. The Parent and its subsidiaries are collectively referred to as "FEDCAP."

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 IRC.

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 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 is a nonprofit entity located in New York City that matches continuing professionals age 55+ 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.

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.

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.

**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

ESNY is 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.

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.

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 is a nonprofit entity whose mission is to support adults living with mental illness on their paths to recovery through the work-ordered day.

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.

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.

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.

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.

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.

Fedcap UK 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.

Fedcap Employment Limited ("FED") was established under the laws of the United Kingdom. FED delivers employability solutions across the United Kingdom to build communities through a blend of local frontline professional teams and like-minded supply chain partners. Fedcap UK is the sole corporate member of FED.

Fedcap Employment Scotland Limited ("FES") was established under the laws of Scotland in the United Kingdom. FES delivers employability solutions across Scotland to build communities through a blend of local frontline professional teams and like-minded supply chain partners. Fedcap UK is the sole corporate member of FES.

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

FES is the 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 December 17, 2019, FRS formed Fedcap Apex Acquisition LLC, which executed an asset purchase agreement effective September 18, 2020 for the assets and liabilities of Breton International, Inc. (a/k/a Apex Technical School). Apex Technical School (“APEX”) is an adult vocational technical school and offers seven certificate courses designed to focus on basic trade skills and labor skills for its students.

On January 10, 2020, Fedcap Canada was established as a not-for-profit organization according to the Canada Not-for profit Corporations Act. Fedcap Canada was founded to advance the economic and social well-being of the impoverished and disadvantaged by providing educational services, vocational rehabilitation, job training and job placement services. The Parent is the sole corporate member of Fedcap Canada.

On May 1, 2021, The Fedcap Group acquired Civic Hall Labs, Inc., a learning and collaboration platform focused on advanced technology and problem-solving for the public good.

On September 23, 2021, Civic Hall Labs, Inc., acquired New York Tech Alliance (“NYTA”), an organization that supports the technology community and ecosystems in our hometown, with the goal of creating the most diverse, equitable and accessible tech ecosystems in the world.

#### **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 (“U.S. GAAP”) using the accrual basis of accounting. All intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

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 consolidated statements of activities as net assets released from restrictions.

**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

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 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 years ended September 30, 2021 and 2020 is summarized below:

	Total Without Donor Restrictions	Without Donor Restrictions	Non-controlling Interest
Balance, September 30, 2019	\$ 29,139,405	\$ 29,006,372	\$ 133,033
Change in net assets from operations	<u>346,286</u>	<u>919,437</u>	<u>(573,151)</u>
Balance, September 30, 2020	29,485,691	29,925,809	(440,118)
Change in net assets from operations	<u>4,654,581</u>	<u>3,240,586</u>	<u>1,413,995</u>
Balance, September 30, 2021	<u>\$ 34,140,272</u>	<u>\$ 33,166,395</u>	<u>\$ 973,877</u>

**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.

FEDCAP has identified contract services and products revenues and rehabilitation and vocational program revenues as revenue categories subject to ASC 606. FEDCAP recognizes revenues from contracts with customers, as goods or services are transferred or provided in accordance with ASC 606.

Payments received in advance of FEDCAP satisfying its performance obligations are recorded within deferred revenue in the accompanying consolidated statements of financial position (\$10,506,683 and \$4,951,251, as of September 30, 2021 and 2020, 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.

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

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.

As of September 30, 2021, FEDCAP has provided for a contract loss liability in the amount of \$2,069,284 which represents the excess of costs to complete the remaining performance obligations of the contract over the consideration to be received for the remainder of the contract. The liability is reflected within other liabilities on the accompanying 2021 consolidated statement of financial position and the corresponding expense is reflected within other expenses on the accompanying 2021 consolidated statement of functional expenses.

#### ***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 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 (\$1,325,800 and \$1,114,956, as of September 30, 2021 and 2020, respectively). There were no outstanding conditional contributions yet to be received as of September 30, 2021 or 2020.

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

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

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. All receivables are expected to be collected within one year.

#### ***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 three 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 0.87% to 3.9% of the contract amount. Commissions paid relating to these contracts amounted to \$2,776,919 and \$2,526,875 for the years ended September 30, 2021 and 2020, respectively, and are included within contract services and products expense in the accompanying consolidated statements of activities.

#### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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.

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

#### ***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 includes 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 consolidated statements of activities.



**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

At September 30, 2021 and 2020, FEDCAP's beneficial interest in trusts are reflected at fair value in the accompanying consolidated statements of financial position and are classified as Level 3 within the fair value hierarchy.

	2021	2020
Balance, beginning of year	\$ 4,713,515	\$ 4,512,345
Contributions/additions	-	-
Distributions	(132,237)	(53,160)
Appreciation	897,552	254,330
Balance, end of year	\$ 5,478,830	\$ 4,713,515

***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 IRC. 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.

While FEDCAP does not pay income tax within the United States, it does accrue Value-Added-Tax (VAT) for liabilities its United Kingdom subsidiaries incur on goods and services purchased overseas. The amount of VAT liability accrued within the accompanying consolidated financial statements for the year ending September 30, 2021, is \$5,951,677 and is reported in other liabilities on the accompanying 2021 consolidated statement of financial position.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

**Goodwill**

Goodwill was established through the acquisition of APEX in 2020 and KS in 2019. The value reported on the consolidated statements 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 2021 or 2020.

**NOTE 3 - CONTRIBUTIONS AND GRANTS RECEIVABLE**

At September 30, 2021 and 2020, contributions and grants receivable consisted of receivables amounting to \$2,218,683 and \$2,381,974, respectively, net of an allowance for doubtful accounts of \$250,000 for each year. Contributions and grants receivable as of September 30, 2021 and 2020 are expected to be collected within one year.

Approximately 27% and 35% of the contributions and grants receivable (gross) is due from one donor at September 30, 2021 and 2020, respectively.

**NOTE 4 - INVESTMENTS**

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

	2021	2020
Money market funds	\$ 600,570	\$ 320,331
Mutual funds	10,403,986	8,997,428
	\$ 11,004,556	\$ 9,317,759

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 U.S. 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:

	2021	2020
Inventories		
Raw materials	\$ 390,158	\$ 308,727
Work-in-process and finished goods	164,104	188,275
Reserve	(90,000)	(90,000)
	\$ 464,262	\$ 407,002

**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET**

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

	2021	2020
Land	\$ 1,617,809	\$ 1,617,809
Building improvements	4,496,457	4,325,368
Buildings	40,172,758	40,342,758
Capital lease - building	35,918,547	35,918,547
Furniture, fixtures and computer systems	23,142,700	20,366,303
Leasehold improvements	9,945,974	10,284,087
	115,294,245	112,854,872
Less: accumulated depreciation	(33,497,241)	(28,821,379)
	\$ 81,797,004	\$ 84,033,493

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was \$6,241,960 and \$4,885,155, 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, 2021 and 2020. Depreciation expense of \$1,238,571 was recorded in fiscal years 2021 and 2020. The outstanding principal balance on the lease, inclusive of accrued interest expense, as of September 30, 2021 and 2020, is \$35,480,647 and \$35,892,124, respectively.

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, 2021, the asset was fully depreciated and the lease liability was paid off in full. The outstanding principal balance on the lease as of September 30, 2020, was \$5,250. The interest rate varied 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, 2021, and 2020, the accumulated depreciation balance was \$112,551 and \$86,892, respectively. The outstanding principal balance on the lease as of September 30, 2021 and 2020 was \$16,383 and \$42,042, respectively. The maturity dates are through June 30, 2022 and the interest rates are fixed at 6.7% 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, 2021, and 2020, the accumulated depreciation balance was \$313,258 and \$272,309, respectively. The outstanding principal balance on the lease as of September 30, 2021 and 2020 was \$23,893 and \$97,233, respectively. The interest rate varies from 3.31% to 5.21%.

**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

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, 2021, and 2020, accumulated depreciation associated with these lease agreements was \$66,274 and \$48,821, respectively. The outstanding principal balance on the lease as of September 30, 2021 and 2020 was \$16,547 and \$34,001, 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, 2021, and 2020, the accumulated depreciation balance was \$198,641 and \$132,427, respectively. The outstanding principal balance on the lease as of September 30, 2021 and 2020 was \$185,487 and \$270,646, respectively. The maturity dates are through June 2023 and the interest rate is 6.58%.

During fiscal 2021, FRS obtained financing pursuant to a capital lease to finance vehicles in the amount of \$30,245, principal and interest are paid monthly. As of September 30, 2021, the accumulated depreciation balance was \$6,049. The outstanding principal balance on the lease as of September 30, 2021 was \$20,733. The maturity date goes through September 2024 and the interest rate is 3.80%.

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, 2021:

Year Ending September 30,	Amount
2022	\$ 2,095,782
2023	2,001,242
2024	1,917,541
2025	2,192,944
2026	2,249,316
Thereafter	46,325,101
	56,781,926
Total minimum lease payments	
	(21,038,236)
Less: amount representing interest	
	\$ 35,743,690

**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 matured on October 17, 2020. The interest rate for the revolving loan agreement is the Prime Rate. As of September 30, 2021, the loan was paid off and refinanced with Investors Bank, which is more fully described below. As of September 30, 2020, FRS had borrowings on the line of credit of \$23,653,273 at an interest rate of 3.94%.

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

#### ***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 in May 2019. As of September 30, 2021, the line of credit was paid off and refinanced with Investors Bank, which is more fully described below. As of September 30, 2020, ESNY had borrowings on this line of credit of \$3,000,000, at an interest rate of 3.06%.

#### ***Investors Bank***

On October 27, 2020, FEDCAP entered into an agreement with Investors Bank to refinance certain of its previous debt arrangements as well as to provide for additional liquidity for operations. In connection with the refinancing, FEDCAP entered into (1) a revolving line of credit agreement with a borrowing limit of \$42,500,000, with a maturity date of October 27, 2022 and interest payable quarterly at a rate of prime plus 0.75% but no less than 4.00%; and (2) two term loans in the amounts of \$6,600,000 and \$6,000,000, respectively, both with a maturity date of November 1, 2030 and monthly payments of principal and interest at a rate of 4.00% (as detailed within Note 9). The revolving line of credit agreement requires that FEDCAP maintain minimum unrestricted liquid assets of \$10,000,000. The proceeds from the revolving line of credit and term loans were used to repay the previous revolving credit lines with Israel Discount Bank of New York ("IDB") held by FRS and RBS Citizens Bank, N.A held by ESNY. Additionally, the proceeds were used to repay previous note and bond payables, specifically FRS Series 2017A and 2017B Bonds, ESNY Series 2010 Bonds, and ESNY Mortgage (as detailed within Note 9). As of September 30, 2021, FEDCAP had borrowings on this line of credit of \$28,173,061 at an interest rate of 4.00%.

### **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, 2021 and 2020, the outstanding principal balance was \$173,791 and \$223,137, respectively.

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 was 3.66% for the first 60 months then, as of the first day of the 61st month, the interest rate was reset to 1.75% in excess of the then bank's five-year cost of funds. Principal and interest of \$32,440 was payable monthly through the maturity date of January 1, 2025. On October 27, 2020, the note was repaid through a refinancing with Investors Bank. At September 30, 2020, the outstanding principal balance was \$1,553,472.

On December 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, 2021 and 2020, the outstanding principal balance was \$1,068 and \$5,188, respectively.

On September 18, 2020, FRS and Fedcap Apex Acquisition, LLC purchased all of the existing assets and liabilities of Apex Technical School for an amount of \$1,851,658. As part of the initial agreement, \$100,000 was paid to the seller on the acquisition date, with another \$100,000 to be paid in four increments of \$25,000 beginning October 2020. The note is uncollateralized and is non-interest bearing. The remaining \$1,651,658 to be paid within 18 months after the purchase date. At September 30, 2021 and 2020, the outstanding principal balance was \$165,165 and \$1,749,142, respectively.

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

On October 27, 2020, FEDCAP entered into an agreement with Investors Bank to refinance certain of its existing debt arrangements as well as to provide for additional liquidity for operations. In connection with the refinancing, FEDCAP entered into (1) a revolving line of credit agreement with a borrowing limit of \$42,500,000, with a maturity date of October 27, 2022 and interest payable quarterly at a rate of prime plus 0.75% but no less than 4.00%; and (2) two term loans in the amounts of \$6,000,000 ("Facility A") and \$6,600,000 ("Facility C"), respectively, with a maturity date of November 1, 2045 and November 1, 2030 respectively, along with monthly payments of principal and interest at a rate of 4.00%. The proceeds from the revolving line of credit and term loans were used to repay the existing revolving credit lines held by FRS and ESNY (as detailed within Note 8), the FRS Series 2017A and 2017B Bonds, ESNY Series 2010 Bonds, and ESNY Mortgage (as detailed above). At September 30, 2021, the outstanding principal balance of the term loans Facility A and C was \$12,174,762.

#### ***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, 2021 and 2020. At September 30, 2021 and 2020, the outstanding principal balance of the Series 2013A bonds was \$15,420,000 and \$15,975,000, respectively.

On 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 were secured by a mortgage on all properties and improvements financed by the bond and were 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 required bank approval prior to ESNY incurring additional indebtedness. The Series 2010 bonds were 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. On October 27, 2020, the bonds were repaid through a refinancing with Investors Bank. At September 30, 2020, the outstanding principal balance of the Series 2010 bonds was \$4,110,260.

On February 23, 2011, ESNY entered into an interest rate swap agreement with a bank in connection with the Series 2010 Bonds. The outstanding notional amount decreased, in conjunction with bond principal reductions, until the agreement terminates in January 2031. ESNY remitted interest at a fixed rate of 2.99% and received interest at a variable rate. On October 27, 2020, the swap was settled and terminated through a refinancing with Investors Bank. The swap agreement had a notional amount of \$4,099,290 and fair value of \$876,764 at September 30, 2020. The interest rate swap is included within other liabilities in the accompanying 2020 consolidated statement of financial position.

**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

In December 2017, FEDCAP entered into a loan agreement with Build NYC 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 had a coupon rate of 3.9% with a maturity date of December 1, 2042. The Series 2017B bonds had a coupon rate of 4.5% with a maturity date of December 1, 2027. The 2017A and 2017B bonds were placed with TD Bank. On October 27, 2020, the bonds were repaid through a refinancing with Investors Bank. At September 30, 2020, the outstanding principal balance of the Series 2017A and 2017B bonds was \$9,223,326.

The following is a summary of minimum principal payments due on the notes and bonds at September 30, 2021:

<u>Year Ending September 30,</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Total</u>
2022	\$ 733,631	\$ 580,000	\$ 1,313,631
2023	570,089	605,000	1,175,089
2024	572,925	630,000	1,202,925
2025	525,337	655,000	1,180,337
2026	515,489	685,000	1,200,489
Thereafter	<u>9,597,315</u>	<u>12,265,000</u>	<u>21,862,315</u>
Total	<u>\$ 12,514,786</u>	<u>\$ 15,420,000</u>	27,934,786
Less: current portion			(1,313,632)
Less: bond issuance cost			<u>(965,524)</u>
Long-term debt, net of current portion			<u>\$ 25,655,630</u>

**NOTE 10 - ADVANCES FROM GOVERNMENT AGENCY**

During fiscal 2020 and 2019, FEDCAP received contract advances from various New York City government agencies. The refundable balance related to these advances as of September 30, 2021 and 2020 is \$749,426 and \$3,620,421, respectively. These advances are non-interest bearing and will be offset by future receivables within these programs.

**NOTE 11 - FORGIVABLE 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 34 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 FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

The following table summarizes the forgivable capital advances as of September 30, 2021:

	<u>Amount of Original Advance</u>
Housing I U.S. Department of HUD, interest rate of 5.375%, due unless forgiven on October 11, 2045, secured by six rental housing units. At September 30, 2021 and 2020, \$248,660 and \$258,985, respectively, was included in net assets with donor restrictions related to the Note.	\$ 413,000
Housing II U.S. Department of HUD, interest rate of 5.250%, due unless forgiven on April 1, 2048, secured by 10 rental housing units. At September 30, 2021 and 2020, \$474,247 and \$492,087, respectively, was included in net assets with donor restrictions related to the Note.	713,600
City of Austin passed through AHFC, interest rate of 0%, due unless forgiven on May 1, 2049, secured by 10 rental housing units. At September 30, 2021 and 2020, \$344,792 and \$357,292, respectively, was included in net assets with donor restrictions related to the Note.	500,000
Housing III U.S. Department of HUD, interest rate of 4.125%, due unless forgiven on December 1, 2050, secured by eight rental housing units. At September 30, 2021 and 2020, \$539,510 and \$558,008, respectively, was included in net assets with donor restrictions related to the Note.	739,900
City of Austin passed through AHFC, interest rate of 0%, due unless forgiven on November 30, 2050, secured by eight rental housing units. At September 30, 2021 and 2020, \$360,748 and \$373,116, respectively, was included in net assets with donor restrictions related to the Note.	494,740
Housing IV U.S. Department of HUD, interest rate of 4.125%, due unless forgiven on February 15, 2053, secured by 10 rental housing units. At September 30, 2021 and 2020, \$840,710 and \$867,470, respectively, was included in net assets with donor restrictions related to the Note.	1,070,400
City of Austin passed through AHFC, interest rate of 0%, due unless forgiven on February 28, 2053, secured by 10 rental housing units. At September 30, 2021 and 2020, \$490,805 and \$506,429, respectively, was included in net assets with donor restrictions related to the Note.	<u>624,898</u>
Total	<u>\$ 4,556,538</u>



The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

**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:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 11,941,932
2023	9,121,064
2024	7,999,372
2025	6,482,201
2026	4,194,721
Thereafter	<u>9,437,811</u>
Total commitments and contingencies	<u>\$ 49,177,101</u>

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 \$1,136,082 and \$146,665 at September 30, 2021 and 2020, 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 \$15,172,888 and \$11,046,926 for the years ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, FEDCAP has provided for a reserve for lease abandonment costs for its leased property in Staten Island, NY. These costs, amounting to \$2,116,214, consist of the present value of the remaining lease payments, offset by estimated sub-tenant payments. This liability is reflected within other liabilities on the accompanying 2021 consolidated statement of financial position and the corresponding expense is included within occupancy expenses on the accompanying 2021 consolidated statement of functional expenses.

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, 2021 and 2020, rental income from these subleases was \$1,036,837 and \$1,224,615, respectively. The future minimum sublease rental payments to be received are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 2,174,328
2023	1,848,758
2024	1,458,990
2025	610,846
2026	<u>80,795</u>
Total	<u>\$ 6,173,717</u>

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.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

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 Fedcap Apex Acquisition (d/b/a Apex Technical School) and for the Career Design School from the New York State Education Department, administered by the Bureau of Proprietary School Supervision. Gross tuition income has been included within rehabilitation and vocational programs in the accompanying consolidated statements of activities for the years ended September 30, 2021, and 2020 as follows:

	2021	
	Fedcap Apex Acquisition d/b/a Apex Technical School	Career Design School
Tuition	\$ 20,796,454	\$ 407,697
Less: Book and Tool Sales	(1,642,966)	-
Less: Application and Insurance Fees	(123,060)	-
Subtotal	19,030,428	407,697
Add: Student Refunds and Returns to Federal Family Education Loan Programs included above	859,820	-
Gross Tuition for Tuition Assessment Calculations	\$ 19,890,248	\$ 407,697
		2020
		Career Design School
Tuition		\$ 186,703
Less: Book and Tool Sales		-
Less: Application and Insurance Fees		-
Subtotal		186,703
Add Student Refunds and Returns to Federal Family Education Loan Programs included above		-
Gross Tuition for Tuition Assessment Calculations		\$ 186,703

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

**NOTE 14 - NET ASSETS**

Net assets with donor restrictions were restricted for the following purposes as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
For use in future periods for:		
Employment and job search programs	\$ 116,391	\$ 116,380
ESCT HUD capital advances	3,299,472	3,413,387
Time restricted - beneficial interest in remainder trust	3,132,036	2,686,453
Time restricted - general	<u>456,065</u>	<u>297,767</u>
	7,003,964	6,513,987
Beneficial interest in perpetual trusts and endowment funds subject to appropriation and satisfaction of donor restrictions	<u>2,400,344</u>	<u>2,072,809</u>
Total	<u>\$ 9,404,308</u>	<u>\$ 8,586,796</u>

Beneficial interest in perpetual trusts and endowment funds are comprised of the following as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Easter Seals - beneficial interest in perpetual trusts	\$ 2,310,181	\$ 1,990,041
ReServe endowment	82,096	75,000
CWS endowment	<u>8,067</u>	<u>7,768</u>
	<u>\$ 2,400,344</u>	<u>\$ 2,072,809</u>

Net assets released from restrictions during the years ended September 30, 2021 and 2020 amounted to \$113,913 each year and related to ESCT HUD capital advances.

**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 \$271,364 and \$162,175 during the years ended September 30, 2021 and 2020, respectively.

A CWS Board member is a trustee of the Eaton Fund. CWS leases its facilities from the Eaton Fund. In-kind contributed rent and rent paid to Eaton Fund for each of the years ended September 30, 2021 and 2020 was \$151,667 and \$108,330 respectively.

**NOTE 16 - EMPLOYEE BENEFIT PLANS**

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

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Effective October 1, 1991, FEDCAP established a Tax Deferred Annuity Retirement Plan under Section 403(b) of the IRC 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 IRC 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 \$11,830,831 and \$9,708,598 for the years ended September 30, 2021 and 2020, respectively.

#### NOTE 17 - ACQUISITIONS

On September 18, 2020, Fedcap Apex Acquisition, LLC, executed an asset purchase agreement to acquire substantially all of the assets of Breton International, Inc (a/k/a Apex Technical School). Apex Technical School ("APEX") is an adult vocational technical school and offers seven certificate courses designed to focus on basic trade skills and labor skills for its students. The acquisition purchase price was \$1,851,658, \$100,000 of which was paid upon acquisition, \$100,000 was to be paid over the following four months and a \$1,651,658 note payable to be paid within 18 months of the acquisition. The total consideration given exceeded the net assets acquired by \$200,000 and as such, goodwill in the amount of \$200,000 was recognized. Under the terms of the asset purchase agreement, \$100,000 repayments on the note payable are due by the 15th of the month following any month in which APEX generates positive cash flows from operations.

On May 1, 2021, The Fedcap Group acquired Civic Hall Labs, Inc, a learning, and collaboration platform focused on advanced technology and problem-solving for the public good. The acquisition was predicated on establishing training organizations and platform that will improve access to in-demand technology jobs for all New Yorkers. The acquisition was affected without the transfer of consideration, and as such, a charge of \$695,897 was recognized, which represented the excess of the acquisition date fair values of the liabilities assumed over the acquisition date fair value of the assets acquired.

**The FEDCAP Group**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2021 and 2020**

On September 23, 2021, Civic Hall Labs, Inc, acquired New York Tech Alliance (NYTA), an organization that supports the technology community and ecosystems in our hometown, with the goal of creating the most diverse, equitable and accessible tech ecosystems in the world. The acquisition was predicated on aiding and providing access to various technology resources and platforms. The acquisition was affected without the transfer of consideration, and as such, a charge of \$95,284 was recognized, which represented the excess of the acquisition date fair values of the liabilities assumed over the acquisition date fair value of the assets acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for APEX during the year ended September 30, 2020:

Accounts receivable, net	\$ 2,767,727
Inventories	58,911
Prepaid expenses	209,585
Property and equipment, net	402,358
Accounts payable and accrued liabilities	(503,954)
Deferred revenues	<u>(1,282,969)</u>
Net assets	<u><u>\$ 1,651,658</u></u>

The following table summarizes the estimated fair values of the liabilities assumed and assets acquired at the date of acquisition during the year ended September 30, 2021:

	Civic Hall Labs, Inc	New York Tech Alliance	Total
Cash and cash equivalents	\$ 142,062	\$ 3,101	\$ 145,163
Accounts receivable, net	-	33,862	33,862
Prepaid expenses	3,845	-	3,845
Property and equipment	30,000	-	30,000
Accounts payable and accrued liabilities	(580,509)	(29,500)	(610,009)
Payroll Protection Plan loan	(291,295)	(19,875)	(311,170)
Deferred revenue	-	(82,872)	(82,872)
	<u>\$ (695,897)</u>	<u>\$ (95,284)</u>	<u>\$ (791,181)</u>
Net (deficit)			

**NOTE 18 - CONCENTRATIONS**

FEDCAP provides building services for federal buildings, which comprised 20% and 23% of total revenues during the years ended September 30, 2021 and 2020 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 5% and 6% of total revenues during the years ended September 30, 2021 and 2020, respectively.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

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 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, 2021 and 2020, 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:

	<u>2021</u>
Cash and cash equivalents	\$ 42,982,639
Accounts receivable, net	57,363,861
Contributions and grants receivable, net	1,968,683
Investments convertible to cash over the next 12 months	<u>11,004,556</u>
Total financial assets available within the next 12 months	113,319,739
Less amounts unavailable for general expenditure due to:	
Donor-imposed restrictions	(3,871,928)
Minimum liquidity requirement under borrowing arrangements	<u>(10,000,000)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 99,447,811</u>

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

	<u>2020</u>
Cash and cash equivalents	\$ 24,926,770
Accounts receivable, net	56,865,665
Contributions and grants receivable, net	2,131,974
Investments convertible to cash over the next 12 months	<u>9,317,759</u>
Total financial assets available within the next 12 months	93,242,168
Less amounts unavailable for general expenditure due to:	
Donor-imposed restrictions	(3,827,534)
Minimum liquidity requirement under borrowing arrangements	<u>(10,000,000)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 79,414,634</u>

**NOTE 20 - CARES ACT**

As of September 30, 2021 and 2020, FEDCAP's affiliates were granted the following loans, pursuant to the Small Business Administration ("SBA") Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act (the "PPP Loans"):

Affiliate	Balance as of September 30,		Date of Note	Maturity Date
	2021	2020		
	Amount	Amount		
Easter Seals Rhode Island Inc. (ESRI)	\$ 307,757	\$ 307,757	5/7/2020	5/7/2022
Community Workshop Inc' (CWS)	104,255	104,255	4/30/2020	4/30/2022
Wildcat Service Corporation	-	2,438,225	4/10/2020	4/10/2022
Single Stop USA Inc	-	329,967	4/10/2020	4/10/2022
MVLE	-	2,359,900	4/23/2020	4/23/2022
Easter Seals North Texas	1,423,400	1,423,400	4/17/2020	4/17/2022
Easter Seals Central Texas	1,356,335	1,356,335	4/27/2020	4/27/2022
These Our Treasures Inc (TOTS)	-	231,600	5/2/2020	5/2/2022
Easter Seals New York (ESNY)	3,929,615	3,929,615	7/3/2020	7/3/2022
Civic Hall Labs, Inc.	291,295	-	2/26/2021	2/26/2026
MVLE	1,181,155	-	3/26/2021	3/26/2026
Easter Seals North Texas	437,300	-	3/29/2021	3/29/2026
Easter Seals Central Texas	1,037,171	-	3/23/2021	3/23/2026
Easter Seals Rhode Island Inc. (ESRI)	216,658	-	4/8/2021	4/8/2026
	<u>\$ 10,284,941</u>	<u>\$ 12,481,054</u>		

The PPP Loans, which are in the form of notes payable, mature 24 months or 60 months from the date of issuance and bear interest at a rate of 1% per annum. The PPP Loans may be prepaid by FEDCAP at any time prior to maturity with no prepayment penalties. Funds from the PPP Loans may only be used for certain costs, such as payroll costs and occupancy expenses. FEDCAP intends to use the entire loan amounts for qualifying expenses. Under the terms of the PPP, certain amounts of the PPP Loans may be

## The FEDCAP Group

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

forgiven if they are used for qualifying expenses as described in the CARES Act. When FEDCAP is legally released from the debt, or forgiveness is granted, the extinguishment will be recognized into income at that time. During the fiscal year ending September 30, 2021, forgiveness was granted by the SBA for certain of FEDCAP's PPP Loans, amounting to \$5,379,479. This forgiveness has been reflected as gain on Paycheck Protection Program loan forgiveness in the consolidated statement of activities for the year ended September 30, 2021.

The CARES Act also allowed for employers to defer the deposit and payment of the employer share of payroll taxes that would otherwise be due on or after March 27, 2020, and before January 1, 2021. FEDCAP elected to defer payment of payroll taxes under this arrangement. These deferred payroll taxes are payable in two equal installments on December 31, 2021 and December 31, 2022. As of September 30, 2021 and 2020, FEDCAP has recorded \$3,628,007 and \$2,098,963, respectively, of deferred payroll taxes, which is reflected within accounts payable and accrued liabilities and other liabilities on the accompanying consolidated statement of financial position.

#### **NOTE 21 - COVID-19**

In March 2020, the World Health Organization officially declared COVID-19, a disease caused by the novel coronavirus, a pandemic. This caused many local and national governments, including New York State, to impose restrictions on business operations, travel and public gatherings. The outbreak has adversely impacted the level of economic activity around the world and disrupted normal business activity in every sector of the economy.

As a result of the pandemic, in mid-March 2020, FEDCAP moved certain programs to virtual program services for the remainder of the fiscal year. In order to mitigate the impact of the pandemic, for fiscal year 2021, FEDCAP continues to offer some programs virtually while shifting to in-person programs for others. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. External factors, including the duration and intensity of the pandemic, the shape of the economic recovery and its impact on potential government funding, as well as timing and widespread adoption of vaccines, could have a material impact on FEDCAP's future operating and programmatic results. The extent to which COVID-19 may impact FEDCAP's financial position, changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

#### **NOTE 22 - SUBSEQUENT EVENTS**

FEDCAP evaluated its September 30, 2021 consolidated financial statements for subsequent events through February 2, 2022, 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.

On November 23, 2021, FEDCAP entered into a combination agreement with Paul Smith's College to become its sole member. This combination was predicated on the synergies of mission and our ability to provide enhanced education and training opportunities for the individuals we serve. The combination is subject to regulatory approval.



SUPPLEMENTAL INFORMATION

The FEDCAP Group  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
As of September 30, 2021

	Fedcap Group	Fedcap Rehabilitation Services, Inc.	Fedcap Inc.	Wildcat Services Corporation	ReServe	Community Work Service	Easter Seals NY	Granite Pathways	Easter Seals RI	Single Stop	Seacoast Pathways	Benevolent	MVLE	Easter Seals CT	Easter Seals NT	These Our Treasures	Fedcap Apex Acquisition	Civic Hall Labs	New York Tech Alliance	Fedcap Canada	Fedcap UK	Eliminations	Consolidated	
<b>ASSETS</b>																								
<b>Current assets</b>																								
Cash and cash equivalents	\$ -	\$ 6,116,822	\$ 40,827	\$ 669,869	\$ 129,872	\$ 1,612,765	\$ 2,933,710	\$ 831,187	\$ 197,398	\$ 1,601,750	\$ (66)	\$ 46,726	\$ 1,951,357	\$ 1,476,548	\$ 661,456	\$ 1,546,031	\$ 3,907,751	\$ -	\$ 23,083	\$ 8,577,570	\$ 10,657,983	\$ -	\$ 42,982,639	
Accounts receivable (net of allowance for doubtful accounts of approximately \$7,794,000 in 2021 and \$4,394,000 in 2020)	2,850	25,619,189	735,254	9,589,379	1,090,126	313,812	3,726,554	525,825	468,808	318,377	-	-	2,419,873	1,292,568	269,290	20,612	2,183,481	20,300	31,852	-	8,735,711	-	57,363,861	
Intercompany accounts receivable	8,259,751	305,915,021	7,287,017	70,611,499	19,232,698	23,844,706	52,584,519	9,975,984	5,676,344	47,796,391	391,323	11,405	12,050,524	4,949,349	5,413,260	65,095	2,647,068	442,244	-	1,970,504	5,161,223	(584,285,925)	-	
Contributions and grants receivable (net of allowance for uncollectible contributions of approximately \$250,000 in 2021 and 2020)	-	269,632	-	6,976	-	81,056	113,070	274	48,937	1,085,769	2,395	-	28,997	213,697	70,800	47,080	-	-	-	-	-	-	1,968,683	
Inventories, net	-	414,709	-	-	-	-	-	-	-	-	-	-	-	-	-	259	49,294	-	-	-	-	-	464,262	
Prepaid expenses and other assets	82,901	2,555,245	-	24,273	-	-	148,533	21,429	10,172	246,508	-	-	159,003	133,083	11,271	3,674	1,163,641	3,476	-	115,326	6,065,555	-	10,744,090	
<b>Total current assets</b>	<b>8,345,502</b>	<b>340,890,618</b>	<b>8,063,098</b>	<b>80,901,996</b>	<b>20,452,696</b>	<b>25,852,339</b>	<b>59,506,386</b>	<b>11,354,699</b>	<b>6,401,659</b>	<b>51,048,795</b>	<b>393,652</b>	<b>58,131</b>	<b>16,609,754</b>	<b>8,065,245</b>	<b>6,426,077</b>	<b>1,682,751</b>	<b>9,951,235</b>	<b>466,020</b>	<b>54,935</b>	<b>10,663,400</b>	<b>30,620,472</b>	<b>(584,285,925)</b>	<b>113,523,535</b>	
Investments	-	10,069,783	-	-	119,105	-	198,873	-	17,308	-	-	-	-	102,919	796,568	-	-	-	-	-	-	-	(300,000)	11,004,556
Goodwill, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	180,000	-	-	-	-	-	758,574	
Property, plant and equipment, net	-	63,354,503	26,728	29,593	11,145	70,651	6,316,315	64,066	5,414	1,462,707	-	-	919,296	3,525,249	74,296	3,640,792	534,088	30,000	-	57,758	-	1,674,403	81,797,034	
Beneficial interest in trust	-	-	-	-	-	-	688,887	-	36,953	-	-	-	-	-	4,752,990	-	-	-	-	-	-	-	5,478,830	
Other assets	-	1,715,766	-	-	-	-	-	-	-	-	-	-	41,921	-	103,351	-	-	-	-	-	-	628,861	2,489,899	
<b>Total assets</b>	<b>\$ 8,345,502</b>	<b>\$ 416,030,670</b>	<b>\$ 8,089,826</b>	<b>\$ 80,931,589</b>	<b>\$ 20,582,946</b>	<b>\$ 25,922,990</b>	<b>\$ 66,710,461</b>	<b>\$ 11,418,765</b>	<b>\$ 6,461,334</b>	<b>\$ 52,511,502</b>	<b>\$ 393,652</b>	<b>\$ 58,131</b>	<b>\$ 17,570,971</b>	<b>\$ 11,693,413</b>	<b>\$ 12,153,282</b>	<b>\$ 5,323,543</b>	<b>\$ 10,665,323</b>	<b>\$ 496,020</b>	<b>\$ 54,935</b>	<b>\$ 10,721,158</b>	<b>\$ 33,502,310</b>	<b>\$ (584,585,925)</b>	<b>\$ 215,052,398</b>	
<b>LIABILITIES AND NET ASSETS</b>																								
<b>Current liabilities</b>																								
Accounts payable and accrued liabilities	\$ -	\$ 23,336,758	\$ 195,948	\$ 519,119	\$ 974,825	\$ 296,006	\$ 1,189,457	\$ 18,816	\$ 64,808	\$ 245,597	\$ 478	\$ 6,359	\$ 950,118	\$ 245,177	\$ 148,668	\$ 30,922	\$ 1,340,517	\$ 202,565	\$ 3,401	\$ 381,050	\$ 6,846,166	\$ -	\$ 36,996,755	
Intercompany payable	8,043,826	270,645,256	7,316,101	75,536,266	21,750,968	25,508,583	57,689,335	12,800,390	6,304,862	50,942,887	803,420	376,994	8,627,045	9,274,751	4,256,033	863,094	6,186,119	961,344	-	8,657,639	7,741,012	(584,285,925)	-	
Deferred revenues	-	-	-	-	49,787	-	-	-	-	-	-	-	-	-	-	46,074	1,325,800	-	102,258	-	760,244	9,548,320	-	11,832,483
Advance from government agency	-	711,923	-	37,503	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	749,426	
Current portion of obligations under capital leases	-	581,313	-	-	-	-	16,383	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	597,696	
Current portion of Paycheck Protection Program notes payable	-	-	-	-	-	104,255	3,929,615	-	307,757	-	-	-	1,356,335	1,423,400	-	-	-	-	-	-	-	-	7,121,362	
Current portion of notes payable	-	726,488	-	-	-	-	369,000	-	-	-	-	-	-	1,070	-	51,907	165,166	-	-	-	-	-	1,313,631	
<b>Total current liabilities</b>	<b>8,043,826</b>	<b>296,001,738</b>	<b>7,512,049</b>	<b>76,092,888</b>	<b>22,775,580</b>	<b>25,908,844</b>	<b>63,193,790</b>	<b>12,819,206</b>	<b>6,677,427</b>	<b>51,188,484</b>	<b>803,898</b>	<b>383,353</b>	<b>9,577,163</b>	<b>10,877,333</b>	<b>5,828,101</b>	<b>991,997</b>	<b>9,017,602</b>	<b>1,163,909</b>	<b>105,659</b>	<b>9,798,933</b>	<b>24,135,498</b>	<b>(584,285,925)</b>	<b>58,611,353</b>	
Capital lease obligations	-	35,145,994	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,145,994	
Notes payable	-	19,723,553	-	-	-	-	5,810,193	-	-	-	-	-	-	-	-	121,884	-	-	-	-	-	-	25,655,630	
Revolving loans	-	28,173,061	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,173,061	
Paycheck Protection Program notes payable	-	-	-	-	-	-	-	-	216,658	-	-	-	1,181,155	1,037,171	437,300	-	291,295	-	-	-	-	-	3,163,579	
Other liabilities	2,116,214	6,236,414	-	43,628	15,278	94,089	873,814	14,390	802	142,570	-	-	506,852	(4,315)	181,430	129,042	1,554,552	165,652	25,571	-	8,662,218	-	20,758,201	
<b>Total liabilities</b>	<b>10,160,040</b>	<b>385,280,760</b>	<b>7,512,049</b>	<b>76,136,516</b>	<b>22,790,858</b>	<b>26,002,933</b>	<b>69,877,797</b>	<b>12,833,596</b>	<b>6,894,887</b>	<b>51,331,054</b>	<b>803,898</b>	<b>383,353</b>	<b>11,265,170</b>	<b>11,910,189</b>	<b>6,446,831</b>	<b>1,242,923</b>	<b>10,572,154</b>	<b>1,620,856</b>	<b>131,230</b>	<b>9,798,933</b>	<b>32,797,716</b>	<b>(584,285,925)</b>	<b>171,507,818</b>	
<b>Net assets</b>																								
Without donor restrictions	(1,814,538)	30,446,448	577,777	4,795,073	(2,305,736)	(300,497)	(3,856,235)	(1,414,831)	(433,553)	789,056	(410,246)	(325,222)	6,305,801	(3,516,250)	1,303,748	4,080,620	93,169	(1,124,836)	(76,295)	922,225	(269,283)	(300,000)	33,166,395	
Without donor restrictions - non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	973,877	-	973,877
With donor restrictions	-	303,462	-	-	97,824	220,554	688,899	-	-	391,392	-	-	3,299,474	4,402,703	-	-	-	-	-	-	-	-	-	9,404,308
<b>Total net assets</b>	<b>(1,814,538)</b>	<b>30,749,910</b>	<b>577,777</b>	<b>4,795,073</b>	<b>(2,207,912)</b>	<b>(79,943)</b>	<b>(3,167,336)</b>	<b>(1,414,831)</b>	<b>(433,553)</b>	<b>1,180,448</b>	<b>(410,246)</b>	<b>(325,222)</b>	<b>6,305,801</b>	<b>(216,776)</b>	<b>5,706,451</b>	<b>4,080,620</b>	<b>93,169</b>	<b>(1,124,836)</b>	<b>(76,295)</b>	<b>922,225</b>	<b>704,594</b>	<b>(300,000)</b>	<b>43,544,580</b>	
<b>Total liabilities and net assets</b>	<b>\$ 8,345,502</b>	<b>\$ 416,030,670</b>	<b>\$ 8,089,826</b>	<b>\$ 80,931,589</b>	<b>\$ 20,582,946</b>	<b>\$ 25,922,990</b>	<b>\$ 66,710,461</b>	<b>\$ 11,418,765</b>	<b>\$ 6,461,334</b>	<b>\$ 52,511,502</b>	<b>\$ 393,652</b>	<b>\$ 58,131</b>	<b>\$ 17,570,971</b>	<b>\$ 11,693,413</b>	<b>\$ 12,153,282</b>	<b>\$ 5,323,543</b>	<b>\$ 10,665,323</b>	<b>\$ 496,020</b>	<b>\$ 54,935</b>	<b>\$ 10,721,158</b>	<b>\$ 33,502,310</b>	<b>\$ (584,585,925)</b>	<b>\$ 215,052,398</b>	

