

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

The FEDCAP Group

September 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The FEDCAP Group

Opinion

We have audited the consolidated financial statements of The FEDCAP Group (collectively, "FEDCAP"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FEDCAP as of September 30, 2022 and 2021, 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.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FEDCAP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FEDCAP's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FEDCAP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FEDCAP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 3, 2023

The FEDCAP Group

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,956,803	\$ 42,982,639
Accounts receivable (net of allowance for doubtful accounts of approximately \$3,241,000 in 2022 and \$7,794,000 in 2021)	48,355,344	57,363,861
Contributions and grants receivable (net of allowance for uncollectible receivables of approximately \$250,000 in 2022 and 2021)	1,179,787	1,968,683
Inventories, net	415,327	464,262
Prepaid expenses and other assets	11,828,888	7,358,965
	<u>117,736,149</u>	<u>110,138,410</u>
Investments	9,089,033	11,004,556
Goodwill, net	251,669	758,574
Property, plant and equipment, net	126,130,025	81,797,004
Beneficial interest in trusts	4,274,291	5,478,830
Other assets	957,480	2,489,899
	<u>140,702,498</u>	<u>101,528,863</u>
Total assets	<u>\$ 258,438,647</u>	<u>\$ 211,667,273</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 43,401,743	\$ 36,996,755
Deferred revenues	12,901,051	11,832,483
Advance from government agency	564,276	749,426
Current portion of obligations under capital leases	532,198	597,696
Current portion of Paycheck Protection Program notes payable	-	7,121,362
Current portion of notes payable	1,181,142	1,313,631
	<u>58,580,410</u>	<u>58,611,353</u>
Capital lease obligations	78,523,502	35,145,994
Notes payable	24,731,624	25,655,630
Revolving loans	25,893,587	28,173,061
Paycheck Protection Program notes payable	-	3,163,579
Other liabilities	22,425,532	17,373,076
	<u>210,154,655</u>	<u>168,122,693</u>
Net assets		
Without donor restrictions	36,895,261	33,166,395
Without donor restrictions - non-controlling interest	2,406,738	973,877
With donor restrictions	8,981,993	9,404,308
	<u>48,283,992</u>	<u>43,544,580</u>
Total liabilities and net assets	<u>\$ 258,438,647</u>	<u>\$ 211,667,273</u>

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,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contract services and products	\$ 117,491,258	\$ -	\$ 117,491,258	\$ 117,740,604	\$ -	\$ 117,740,604
Rehabilitation and vocational programs	223,896,100	-	223,896,100	198,546,052	-	198,546,052
Contribution and grant revenues	11,070,378	200,000	11,270,378	4,485,739	603,890	5,089,629
Gain on Paycheck Protection Program loan forgiveness	10,718,192	-	10,718,192	5,379,479	-	5,379,479
Realized and unrealized (losses) gains on investments	(3,592,359)	47,221	(3,545,138)	2,006,171	327,535	2,333,706
Interest income	770,513	-	770,513	528,690	-	528,690
Miscellaneous revenue	1,037,731	-	1,037,731	972,885	-	972,885
Net assets released from restrictions	669,536	(669,536)	-	113,913	(113,913)	-
Total revenues	362,061,349	(422,315)	361,639,034	329,773,533	817,512	330,591,045
Expenses						
Program services:						
Contract services and products	102,095,694	-	102,095,694	99,587,090	-	99,587,090
Rehabilitation and vocational programs	189,772,003	-	189,772,003	162,442,512	-	162,442,512
	291,867,697	-	291,867,697	262,029,602	-	262,029,602
Supporting services:						
Management and general	60,400,583	-	60,400,583	60,770,707	-	60,770,707
Development	4,631,342	-	4,631,342	2,318,643	-	2,318,643
	65,031,925	-	65,031,925	63,089,350	-	63,089,350
Total expenses	356,899,622	-	356,899,622	325,118,952	-	325,118,952
Change in net assets	5,161,727	(422,315)	4,739,412	4,654,581	817,512	5,472,093
Net assets at beginning of year	34,140,272	9,404,308	43,544,580	29,485,691	8,586,796	38,072,487
Net assets at end of year	\$ 39,301,999	\$ 8,981,993	\$ 48,283,992	\$ 34,140,272	\$ 9,404,308	\$ 43,544,580

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, 2022

	Program Services			Supporting Services			Total Expenses
	Contract Services and Products	Rehabilitation and Vocational Programs	Total	Management and General	Development	Total	
Salaries and related expenses	\$ 76,509,229	\$ 95,122,196	\$ 171,631,425	\$ 18,180,981	\$ 2,940,833	\$ 21,121,814	\$ 192,753,239
Professional fees	223,699	28,844,344	29,068,043	6,722,419	657,885	7,380,304	36,448,347
Professional development and evaluation	10,942	1,036,603	1,047,545	1,349,267	1,552	1,350,819	2,398,364
Materials and supplies	3,373,321	3,816,965	7,190,286	1,175,784	11,086	1,186,870	8,377,156
Commissions	2,791,910	11,328	2,803,238	48,149	-	48,149	2,851,387
Telephone	164,753	1,043,759	1,208,512	1,215,075	4,723	1,219,798	2,428,310
Postage and shipping	144,814	136,560	281,374	188,409	5,385	193,794	475,168
Insurance	1,621,293	1,483,263	3,104,556	5,573,972	44,463	5,618,435	8,722,991
Occupancy costs	1,481,728	14,884,468	16,366,196	5,451,989	137,566	5,589,555	21,955,751
Equipment rental and maintenance	959,072	474,310	1,433,382	272,156	37,441	309,597	1,742,979
Equipment purchases	302,142	116,338	418,480	201,200	23	201,223	619,703
Client transportation and travel	402,105	1,473,493	1,875,598	579,821	57,345	637,166	2,512,764
Subscription and printing	19,565	103,308	122,873	1,171,618	71,094	1,242,712	1,365,585
Technology	293,901	2,116,872	2,410,773	4,686,157	27,408	4,713,565	7,124,338
Interest expense	2,959	36,336	39,295	3,886,229	-	3,886,229	3,925,524
Bank charges and processing fees	92,732	164,669	257,401	987,729	55,616	1,043,345	1,300,746
Bad debt provision	-	2,598,778	2,598,778	-	-	-	2,598,778
Subcontractor expense	13,445,481	25,948,302	39,393,783	2,192,097	(977)	2,191,120	41,584,903
Stipends	147,646	6,580,876	6,728,522	476,327	994	477,321	7,205,843
Security guard expense	11,600	262,857	274,457	14,530	614	15,144	289,601
Other	-	2,911,346	2,911,346	-	569,780	569,780	3,481,126
Total expenses before depreciation and amortization	101,998,892	189,166,971	291,165,863	54,373,909	4,622,831	58,996,740	350,162,603
Depreciation and amortization	96,802	605,032	701,834	6,026,674	8,511	6,035,185	6,737,019
Total expenses	<u>\$ 102,095,694</u>	<u>\$ 189,772,003</u>	<u>\$ 291,867,697</u>	<u>\$ 60,400,583</u>	<u>\$ 4,631,342</u>	<u>\$ 65,031,925</u>	<u>\$ 356,899,622</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, 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 STATEMENTS OF CASH FLOWS

For the years ended September 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,739,412	\$ 5,472,093
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,230,114	6,241,960
Amortization of goodwill	506,905	84,286
Bad debt provision	2,598,778	8,718,125
Realized and unrealized losses (gains) on investments	3,545,138	(2,333,706)
Paycheck Protection Program loan forgiveness	(10,718,192)	(5,379,479)
Changes in assets and liabilities:		
Accounts receivable	6,409,739	(9,216,321)
Contribution receivable	788,896	163,291
Inventories	48,935	(57,260)
Prepaid expenses and other assets	(2,937,504)	(3,900,483)
Beneficial interest in remainder trust	85,026	(765,315)
Accounts payable and accrued liabilities	6,404,988	6,796,735
Deferred revenue	1,068,568	5,766,276
Other liabilities	<u>5,052,456</u>	<u>14,171,700</u>
Net cash provided by operating activities	<u>23,823,259</u>	<u>25,761,902</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	192,628
Purchase of investments	(510,102)	(254,774)
Cash received in acquisition	-	145,163
Capital expenditures	<u>(6,653,430)</u>	<u>(3,975,471)</u>
Net cash used in investing activities	<u>(7,163,532)</u>	<u>(3,892,454)</u>
Cash flows from financing activities:		
Decrease in advances from government agencies	(185,150)	(2,870,995)
Change in revolving loans	(2,279,474)	1,519,789
Proceeds from Paycheck Protection Program notes payable	537,005	3,183,453
Repayment of Paycheck Protection Program notes payable	(103,754)	-
Repayment of notes payable	(1,056,495)	(5,048,220)
Repayment of capital lease obligations	<u>(597,695)</u>	<u>(597,606)</u>
Net cash used in financing activities	<u>(3,685,563)</u>	<u>(3,813,579)</u>
Increase in cash and cash equivalents	12,974,164	18,055,869
Cash and cash equivalents:		
Beginning of year	<u>42,982,639</u>	<u>24,926,770</u>
End of year	<u>\$ 55,956,803</u>	<u>\$ 42,982,639</u>
Supplemental disclosure of cash flow information:		
Acquisition of property, plant and equipment through capital lease	<u>\$ 43,909,705</u>	<u>\$ -</u>
Cash interest paid during the year	<u>\$ 2,443,534</u>	<u>\$ 2,738,964</u>

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

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022 and 2021

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 or its subsidiaries are 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"), 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, These Our Treasures, Inc. ("TOTS"), 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, 2022 and 2021

ESNY is the sole member of 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, 2022 and 2021

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.

Fedcap Apex Acquisition LLC is a nonprofit entity that runs Apex Technical School (“Apex”), which is an adult vocational technical school and offers seven certificate courses designed to focus on basic trade skills and labor skills for its students.

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.

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 NYTA, an organization that supports the technology community and ecosystems in their 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, 2022 and 2021

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, 2022 and 2021 is summarized below:

	Total Without Donor Restrictions	Without Donor Restrictions	Non-controlling Interest
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	34,140,272	33,166,395	973,877
Change in net assets from operations	<u>5,161,727</u>	<u>3,728,866</u>	<u>1,432,861</u>
Balance, September 30, 2022	<u>\$ 39,301,999</u>	<u>\$ 36,895,261</u>	<u>\$ 2,406,738</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 and rehabilitation and vocational programs 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 (\$12,501,051 and \$10,506,683, as of September 30, 2022 and 2021, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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

Contract Services and Products

FEDCAP's contract services and products revenue includes 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, which was fully utilized during fiscal 2022, 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 (\$400,000 and \$1,325,800, as of September 30, 2022 and 2021, respectively). There were no outstanding conditional contributions yet to be received as of September 30, 2022 or 2021.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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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 \$2,850,048 and \$2,776,919 for the years ended September 30, 2022 and 2021, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

At September 30, 2022 and 2021, 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.

	2022	2021
Balance, beginning of year	\$ 5,478,830	\$ 4,713,515
Distributions	(131,208)	(132,237)
Appreciation/(depreciation)	(1,073,331)	897,552
Balance, end of year	\$ 4,274,291	\$ 5,478,830

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 years ending September 30, 2022 and 2021, is \$2,503,334 and \$2,566,552, respectively, and is reported in other liabilities on the accompanying consolidated statements of financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 2022 or 2021.

Reclassifications

Certain reclassifications were made to the fiscal 2021 consolidated financial statements in order to conform to the fiscal 2022 presentation. Such reclassifications did not result in a change to total net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2021 consolidated financial statements.

NOTE 3 - CONTRIBUTIONS AND GRANTS RECEIVABLE

At September 30, 2022 and 2021, contributions and grants receivable consisted of receivables amounting to \$1,179,787 and \$1,968,683, respectively, net of an allowance for doubtful accounts of \$250,000 for each year. Contributions and grants receivable as of September 30, 2022 and 2021 are expected to be collected within one year.

Approximately 24% and 27% of the contributions and grants receivable (gross) is due from one donor at September 30, 2022 and 2021, respectively.

NOTE 4 - INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 643,829	\$ 600,570
Mutual funds	<u>8,445,204</u>	<u>10,403,986</u>
	<u>\$ 9,089,033</u>	<u>\$ 11,004,556</u>

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 5 - INVENTORIES, NET

Inventories consisted of the following at September 30:

	2022	2021
Inventories		
Raw materials	\$ 207,225	\$ 390,158
Work-in-process and finished goods	298,102	164,104
Reserve	(90,000)	(90,000)
	<u>\$ 415,327</u>	<u>\$ 464,262</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET

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

	2022	2021
Land	\$ 1,617,809	\$ 1,617,809
Building improvements	6,476,577	4,496,457
Buildings	39,742,759	40,172,758
Capital leases - buildings	79,828,252	35,918,547
Furniture, fixtures and computer systems	26,960,289	23,142,700
Leasehold improvements	10,896,079	9,945,974
	<u>165,521,765</u>	<u>115,294,245</u>
Less: accumulated depreciation	<u>(39,391,740)</u>	<u>(33,497,241)</u>
	<u>\$ 126,130,025</u>	<u>\$ 81,797,004</u>

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 was \$6,230,114 and \$6,241,960, 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, 2022 and 2021. Depreciation expense of \$1,238,571 was recorded in fiscal years 2022 and 2021. The outstanding principal balance on the lease, inclusive of accrued interest expense, as of September 30, 2022 and 2021, is \$35,051,553 and \$35,480,647, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

During fiscal 2018, ESNY obtained financing pursuant to capital leases to finance vehicles in the amount of \$128,298, principal and interest are paid monthly. As of September 30, 2022, the assets were fully depreciated, and the principal balances were fully paid off. The outstanding principal balance on the leases as of September 30, 2021 was \$16,383. 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, 2022 and 2021, the accumulated depreciation balance was \$370,074 and \$313,258, respectively. The outstanding principal balance on the lease as of September 30, 2022 and 2021 was \$0 and \$23,893, respectively. The interest rate varies from 3.31% to 5.21%.

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, 2022 and 2021, accumulated depreciation associated with these lease agreements was \$81,226 and \$66,274, respectively. The outstanding principal balance on the lease as of September 30, 2022 and 2021 was \$1,596 and \$16,547, 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, 2022, and 2021, the accumulated depreciation balance was \$264,854 and \$198,641, respectively. The outstanding principal balance on the lease as of September 30, 2022 and 2021 was \$77,623 and \$185,487, 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, 2022 and 2021, the accumulated depreciation balance was \$12,098 and \$6,049, respectively. The outstanding principal balance on the lease as of September 30, 2022 and 2021 was \$15,223 and \$20,733, respectively. The maturity date goes through September 2024 and the interest rate is 3.80%.

In December of 2021, FRS entered into a condominium leasehold agreement for a building located at 11-05 44th Drive in Queens, New York for approximately 50,000 square feet of space for use by Apex. Apex will begin occupying the space in fiscal 2023 and the agreement expires in May 2054. FRS accounted for this agreement as a capital lease, and as such, the related cost of \$43,909,705 representing the present value of the total future minimum lease payments due at the inception of the agreement, determined using an incremental borrowing rate of 4.6%, is included within property, plant and equipment, net in the accompanying consolidated statement of financial position at September 30, 2022. Depreciation expense will begin in fiscal 2023 when occupancy begins. Payments on the lease will begin in March 2023 and the outstanding principal balance on the lease, inclusive of accrued interest expense, as of September 30, 2022 is \$43,909,705.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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, 2022:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 3,707,389
2024	4,471,864
2025	4,465,407
2026	4,803,639
2027	4,803,639
Thereafter	<u>116,983,515</u>
Total minimum lease payments	139,235,453
Less: amount representing interest	<u>(60,179,753)</u>
Present value of net minimum lease payments	<u>\$ 79,055,700</u>

NOTE 8 - REVOLVING LOANS

Investors Bank

On October 27, 2020, FEDCAP entered into an agreement with Investors Bank for (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%. The maturity date was subsequently extended to January 27, 2023. The revolving line of credit agreement requires that FEDCAP maintain minimum unrestricted liquid assets of \$10,000,000. As of September 30, 2022, and 2021, FEDCAP had borrowings on this line of credit of \$25,893,587 and \$28,173,061 at an interest rate of 3.06% and 4.00%, respectively.

Provident Bank

On January 27, 2023, FEDCAP entered into an agreement with Provident 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 (Facility A) with a borrowing limit of \$42,500,000, with a maturity date of March 25, 2025 and interest payable quarterly at a rate of one month CME Term Secured Overnight Financing Rate ("SOFR") plus 2.90% but no less than 5.00%; and (2) an additional \$7,500,000 credit line (Facility B) interest payable quarterly at a rate of one month CME Term SOFR plus 2.90% but no less than 5.00%. The revolving line of credit agreement requires that FEDCAP maintain minimum unrestricted liquid assets of \$15,000,000. The proceeds from the revolving line of credit were used to repay the existing revolving credit line held by Investors Bank, mentioned above.

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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, 2022 and 2021, the outstanding principal balance was \$121,884 and \$173,791, respectively.

FEDCAP entered into an agreement with Investors Bank for two term loans in the amounts of \$6,000,000 and \$6,600,000, 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%. At September 30, 2022 and 2021, the outstanding principal balance of the term loans was \$11,659,271 and \$12,174,762, respectively.

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 Israel Discount Bank ("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, 2022 and 2021. At September 30, 2022 and 2021, the outstanding principal balance of the Series 2013A bonds was \$14,840,000 and \$15,420,000, respectively. The following is a summary of minimum principal payments due on the notes and bonds at September 30, 2022:

<u>Year Ending September 30,</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Total</u>
2023	\$ 576,142	\$ 605,000	\$ 1,181,142
2024	584,655	630,000	1,214,655
2025	544,230	655,000	1,199,230
2026	541,215	685,000	1,226,215
2027	548,331	715,000	1,263,331
Thereafter	<u>8,986,582</u>	<u>11,550,000</u>	<u>20,536,582</u>
Total	<u>\$ 11,781,155</u>	<u>\$ 14,840,000</u>	26,621,155
Less: current portion			(1,181,142)
Less: bond issuance cost			<u>(708,389)</u>
Long-term debt, net of current portion			<u>\$ 24,731,624</u>

NOTE 10 - ADVANCES FROM GOVERNMENT AGENCY

During fiscal 2022 and 2021, FEDCAP received contract advances from various New York City government agencies. The refundable balance related to these advances as of September 30, 2022 and 2021 is \$564,276 and \$749,426, respectively. These advances are non-interest bearing and will be offset by future receivables within these programs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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 following table summarizes the forgivable capital advances as of September 30, 2022:

	<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, 2022 and 2021, \$238,335 and \$248,660, 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, 2022 and 2021, \$456,407 and \$474,247, 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, 2022 and 2021, \$332,292 and \$344,792, 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, 2022 and 2021, \$521,013 and \$539,510, 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, 2022 and 2021, \$348,379 and \$360,748, 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, 2022 and 2021, \$813,950 and \$840,710, 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, 2022 and 2021, \$475,183 and \$490,805, respectively, was included in net assets with donor restrictions related to the Note.	<u>624,898</u>
Total	<u>\$ 4,556,538</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

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>
2023	\$ 14,593,814
2024	13,093,972
2025	12,245,259
2026	10,557,672
2027	8,763,622
Thereafter	<u>92,407,054</u>
Total commitments and contingencies	<u>\$ 151,661,393</u>

During September 2022, FEDCAP entered into a lease for approximately 85,000 square feet of office and program space in New York City for use by Civic Hall Labs with aggregate lease payments of approximately \$95,000,000 commencing in March 2023 and ending in September 2047, which is reflected within the commitments above. In connection with the lease, FEDCAP funded a security deposit of \$2,500,000, which is reflected within prepaid expense and other assets on the accompanying consolidated statement of financial position as of September 30, 2022 and obtained a letter of credit in the amount of \$2,500,000, which is collateralized by FEDCAP's cash and cash equivalents.

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 \$1,222,662 and \$1,136,082 at September 30, 2022 and 2021, 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 \$15,289,496 and \$15,172,888 for the years ended September 30, 2022 and 2021, respectively.

During fiscal 2021, FEDCAP provided for a reserve for lease abandonment costs in the amount of \$2,116,214 for its leased property in Staten Island, NY. This liability, amounting to \$1,724,722 and \$2,116,214, as of September 30, 2022 and 2021, respectively, consists 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 consolidated statements 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, 2022 and 2021, rental income from these subleases was \$1,014,144 and \$1,036,837, respectively.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

The future minimum sublease rental payments to be received are as follows:

Year Ending September 30,	Amount
2023	\$ 1,308,339
2024	1,052,258
2025	729,248
2026	236,751
Total	\$ 3,326,596

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

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

NOTE 13 - TUITION REVENUE

FEDCAP receives funding for 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, 2022 and 2021 as follows:

	2022	
	Fedcap Apex Acquisition d/b/a Apex Technical School	Career Design School
Tuition	\$ 19,824,972	\$ 287,248
Less: book and tool sales	(1,780,298)	-
Less: application and insurance fees	(137,865)	-
Subtotal	17,906,809	287,248
Add: student Refunds and Returns to Federal Family Education Loan Programs included above	505,802	-
Gross tuition for tuition assessment calculations	\$ 18,412,611	\$ 287,248

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	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	<u>19,030,428</u>	<u>407,697</u>
Add: student refunds and returns to federal family education loan programs included above	859,820	-
Gross tuition for tuition assessment calculations	<u>\$ 19,890,248</u>	<u>\$ 407,697</u>

NOTE 14 - 90/10 REVENUE PROCEDURE

Apex derives a substantial portion of its revenues from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, Apex must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges for eligible programs to not be more than 90 percent from Title IV programs. The failure of Apex to meet the 90 percent limitation for two consecutive years will result in the loss of Apex's ability to participate in Title IV programs. If a school receives more than 90 percent of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years. This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

For the fiscal year ended September 30, 2022 Apex Technical School's cash basis calculation is:

Adjusted student Title IV revenue	\$ 11,488,151	62.51%
Total revenue	\$ 18,378,208	
	<u>Amount</u> <u>Disbursed</u>	<u>Adjusted</u> <u>Amount</u>
Adjusted student Title IV revenue:		
Subsidized loans	\$ 2,574,893	\$ 2,574,893
Unsubsidized loans up to pre-ESCALA loan limits	3,335,323	3,335,323
Federal Pell grant	4,645,817	4,645,817
FSEOG (subject to matching reduction of 25%)	405,487	304,115
Plus loan	1,138,387	1,138,387
Federal work study applied to tuition and fees (subject to matching reduction)		-
Student Title IV revenue		<u>11,998,535</u>
Revenue adjustment		
Reduction of student Title IV revenue for amount in excess of tuition and fees		(20,288)
Title IV funds returned for a student under 34 CFR 668.22 (withdrawal and other returns)		<u>(490,096)</u>
Adjusted student Title IV revenue		<u>\$ 11,488,151</u>
Student non-Title IV revenue		
Grant funds for the student from nonfederal public agencies or private sources independent of the school	\$ 285,546	
Funds provided for the student under a contractual arrangement with a federal, state or local government agency for the purpose of providing job training to low-income individuals		-
Funds used by a student from savings plans for educational expenses established by or on behalf of the student that qualify for special tax treatment under the Internal Revenue Code		-
Student payments	<u>6,604,511</u>	
Student non-Title IV revenue	<u>6,890,057</u>	

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

	Amount Disbursed	Adjusted Amount
Revenue from other sources		
Activities conducted by the institution that are necessary for education and training	\$ -	\$ -
Funds paid by a student, or on behalf of a student by a party other than the school for an education or training program that is not eligible	-	-
Allowable student payments plus allowable amounts from accounts receivable - any required payments under a recourse agreement	-	-
	-	-
Revenue from other sources		-
		\$ 6,890,057
Total non-title IV revenue		\$ 6,890,057
		\$ 18,378,208
Total revenue		\$ 18,378,208

NOTE 15 - NET ASSETS

Net assets with donor restrictions were restricted for the following purposes as of September 30, 2022 and 2021:

	2022	2021
For use in future periods for:		
Employment and job search programs	\$ 260,388	\$ 116,391
ESCT HUD capital advances	3,185,559	3,299,472
Time restricted - beneficial interest in remainder trust	2,395,264	3,132,036
Time restricted - general	1,137,708	456,065
	6,978,919	7,003,964
Beneficial interest in perpetual trusts and endowment funds subject to appropriation and satisfaction of donor restrictions	2,003,074	2,400,344
	\$ 8,981,993	\$ 9,404,308

Beneficial interest in perpetual trusts and endowment funds are comprised of the following as of September 30, 2022 and 2021:

	2022	2021
Easter Seals - beneficial interest in perpetual trusts	\$ 1,842,325	\$ 2,310,181
ReServe endowment	82,306	82,096
CWS endowment	78,443	8,067
	\$ 2,003,074	\$ 2,400,344

Net assets released from restrictions during the years ended September 30, 2022 and 2021 amounted to \$669,536 and \$113,913, respectively.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

Net assets released from restrictions are comprised of the following as of September 30, 2022 and 2021:

	2022	2021
ESCT HUD Capital Advances	\$ 113,913	\$ 113,913
Employment and job search programs	555,623	-
	<u>\$ 669,536</u>	<u>\$ 113,913</u>

NOTE 16 - RELATED-PARTY TRANSACTIONS

Members of the Board of Directors of FEDCAP were associated with a law firm that provided legal services to FEDCAP with fees totaling \$271,364 during the year ended September 30, 2021. These Members did not provide legal services during the year ended September 30, 2022.

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, 2022 and 2021 was \$97,500 and \$151,667, respectively.

NOTE 17 - 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.

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 \$12,381,925 and \$11,830,831 for the years ended September 30, 2022 and 2021, respectively.

NOTE 18 - ACQUISITIONS

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, 2022 and 2021

On September 23, 2021, Civic Hall Labs, Inc, acquired New York Tech Alliance (“NYTA”), an organization that supports the technology community and ecosystems in their 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 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 19 - CONCENTRATIONS

FEDCAP provides building services for federal buildings, which comprised 18% and 20% of total revenues during the years ended September 30, 2022 and 2021 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% of total revenues during the years ended September 30, 2022 and 2021.

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 20 - 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.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

As of September 30, 2022 and 2021, 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:

	2022	2021
Cash and cash equivalents	\$ 55,956,803	\$ 42,982,639
Accounts receivable, net	48,355,344	57,363,861
Contributions and grants receivable, net	1,179,787	1,968,683
Investments convertible to cash over the next 12 months	9,089,033	11,004,556
Total financial assets available within the next 12 months	114,580,967	113,319,739
Less amounts unavailable for general expenditure due to:		
Donor-imposed restrictions	(4,583,655)	(3,871,928)
Minimum liquidity/collateral under borrowing and other arrangements	(17,500,000)	(10,000,000)
Total financial assets available to meet general expenditures over the next 12 months	\$ 92,497,312	\$ 99,447,811

NOTE 21 - CARES ACT

During fiscal years 2020 through 2022, FEDCAP's affiliates were granted loans totaling \$16,201,425, pursuant to the Small Business Administration ("SBA") Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act (the "PPP Loans").

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 maturity dates of the PPP Loans range from April 2022 through April 2026. 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 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 ended September 30, 2021, forgiveness was granted by the SBA for certain of FEDCAP's PPP Loans, amounting to \$5,379,479. During the fiscal year ended September 30, 2022, forgiveness was granted by the SBA for certain of the PPP Loans, amounting to \$10,718,192, and one loan, amounting to \$103,754, was repaid. This forgiveness has been reflected as gain on Paycheck Protection Program loan forgiveness in the accompanying consolidated statements of activities.

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, 2022 and 2021, FEDCAP has recorded \$1,929,781 and \$3,628,007, 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.

The FEDCAP Group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2022 and 2021

NOTE 22 - 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 years 2022 and 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 23 - SUBSEQUENT EVENTS

FEDCAP evaluated its September 30, 2022 consolidated financial statements for subsequent events through February 3, 2023, 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, other than the event described in Note 8.

SUPPLEMENTAL INFORMATION

The FEDCAP Group
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the year ended September 30, 2022

	Fedcap Rehabilitation Services, Inc.	Fedcap Inc.	Wildcat Services Corporation	ReServe	Community Work Service	Easter Seals NY	Granite Pathways	Easter Seals RI	Single Stop	Suscoast Pathways	Benevolent	MLVE	Easter Seals CT	Easter Seals NT	Those Our Treasures	Fedcap Apex Acquisition	Civic Hall Labs	New York Tech Alliance	Fedcap Canada	Fedcap UK	Eliminations	Consolidated	
Revenues																							
Contract services and products	\$ -	\$ 99,831,496	\$ -	\$ 20,839,846	\$ 169,444	\$ 1,023,647	\$ -	\$ -	\$ -	\$ 4,212,603	\$ 394,222	\$ -	\$ -	\$ -	\$ 19,874,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,461,298	
Rehabilitation and vocational programs	207,847	14,781,300	23,667,706	2,494,811	7,873,276	2,333,836	24,553,374	1,549,339	3,324,424	634	-	4,468,437	6,799,171	3,256,297	966,484	19,874,892	150,000	41,725	42,063,683	62,057,642	-	223,996,100	
Contribution and grant revenues	744,270	1,310,892	174,324	55,209	75,067	1,021,123	520,590	27,464	342,148	(86,712)	-	124,642	493,390	951,844	-	-	9,425,000	152,368	-	-	-	11,070,378	
Gain on Psychiatric Protection Program loan forgiveness	-	-	-	-	-	104,250	3,929,615	-	524,415	637,000	-	1,181,150	2,393,506	1,756,846	-	-	291,290	-	-	-	-	10,718,162	
Realized and unrealized (losses) gains on investments	(1,900)	(2,332,431)	-	-	(7,306)	(70,874)	(187,610)	-	476	-	-	-	(902,914)	-	-	-	-	-	-	-	-	(3,562,399)	
Interest income	40	700,594	-	-	47	433	-	-	132	-	-	10	37	-	147	-	1	-	-	-	7	770,913	
Miscellaneous revenue	153,096	-	-	-	-	1,090	516,300	1,206	250	12,785	-	17,993	119,737	14,072	-	194,569	-	6,583	-	-	-	1,037,731	
Net assets released from restrictions	-	151,731	-	-	-	-	-	-	391,392	-	-	-	113,913	12,500	-	-	-	-	-	-	-	609,596	
Total revenues	1,103,353	105,441,382	23,842,030	23,389,866	8,130,528	4,413,510	29,332,319	1,678,009	4,191,713	4,286,024	140,912	49,891	10,204,867	10,313,839	4,615,834	966,631	20,269,461	5,866,296	200,676	42,063,680	62,059,418	362,061,349	
Expenses																							
Program services:																							
Contract services and products	-	79,249,322	-	17,494,153	128,114	1,703,167	-	-	-	-	-	-	3,121,504	399,434	-	-	-	-	-	-	-	102,095,694	
Rehabilitation and vocational programs	238,787	29,451,699	15,576,333	3,414,180	6,842,530	990,626	26,782,313	1,514,625	2,351,562	3,147,607	184,964	-	3,323,308	7,159,453	2,465,373	1,048,635	8,883,508	1,221,561	178,221	36,572,844	47,706,063	189,572,003	
Supporting services:	238,787	99,709,821	15,576,333	20,969,333	6,970,644	2,693,796	26,782,313	1,514,625	2,351,562	3,147,607	184,964	-	6,344,812	7,556,898	2,465,373	1,048,635	8,883,508	1,221,561	178,221	36,572,844	47,706,063	291,967,697	
Management and general	6,976,935	3,460,542	2,763,540	2,814,231	1,002,201	1,381,201	2,819,909	211,810	472,406	2,798,633	16,960	6,903	4,535,479	1,486,769	1,131,272	383,604	12,282,007	1,054,247	10,161	4,568,795	10,923,370	60,400,583	
Development	845,196	1,812,977	1,623,564	1,599	4	123,634	59,184	2,600	6,161	104	6,846	36,136	65,001	161,664	87,072	-	-	-	-	-	-	4,631,342	
Total expenses	7,421,121	5,093,119	4,387,104	2,815,830	1,002,205	1,504,835	2,670,093	214,210	478,587	2,798,735	23,806	42,939	4,600,480	1,628,433	1,218,344	383,604	12,282,007	1,054,247	10,161	4,568,795	10,923,370	65,031,925	
Change in net assets without donor restrictions	(6,556,565)	649,442	3,878,593	(394,297)	197,679	254,879	(120,087)	(150,726)	1,361,544	(1,660,318)	(87,848)	5,952	(940,425)	1,126,621	932,117	(435,608)	(896,054)	3,590,488	14,304	982,041	3,429,995	-	5,161,727
Net assets at beginning of year - without donor restrictions	(1,814,538)	30,446,448	577,777	4,795,073	(2,305,736)	(300,497)	(3,956,235)	(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	704,594	(300,000)	34,140,278
Net assets at end of year - without donor restrictions	\$ (8,371,103)	\$ 31,095,890	\$ 4,456,370	\$ 4,400,776	\$ (2,148,057)	\$ (45,618)	\$ (3,878,320)	\$ (1,565,507)	\$ 927,991	\$ (871,260)	\$ (478,094)	\$ (319,270)	\$ 5,365,376	\$ (2,389,629)	\$ 2,235,865	\$ 3,645,012	\$ (802,885)	\$ 2,465,692	\$ (61,891)	\$ 1,904,266	\$ 4,134,589	\$ (300,000)	\$ 39,301,699
Revenues																							
Contribution and grant revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ 200,000	
Realized and unrealized gains (losses) on investments	-	-	-	-	7,306	70,874	20,532	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,221	
Net assets released from restrictions	(151,731)	-	-	-	-	-	-	-	(391,392)	-	-	-	(113,913)	(12,500)	-	-	-	-	-	-	-	(669,636)	
Total revenues	(151,731)	-	-	-	7,306	70,874	20,532	-	(391,392)	-	-	-	(113,913)	(63,781)	-	-	200,000	-	-	-	-	(422,315)	
Change in net assets with donor restrictions	(151,731)	-	-	-	7,306	70,874	20,532	-	(391,392)	-	-	-	(113,913)	(63,781)	-	-	200,000	-	-	-	-	(422,315)	
Net assets at beginning of year - with donor restrictions	-	303,462	-	-	97,824	220,554	688,899	-	391,392	-	-	-	3,299,474	4,402,703	-	-	-	-	-	-	-	9,404,308	
Net assets at end of year - with donor restrictions	-	151,731	-	-	105,130	291,228	709,431	-	-	-	-	-	-	-	-	-	200,000	-	-	-	-	8,981,993	

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the consolidated financial statements and notes thereto.