Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES

September 30, 2017 and 2016

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
FEDCAP Rehabilitation Services, Inc.:

We have audited the accompanying consolidated financial statements of FEDCAP Rehabilitation Services, Inc. and Subsidiaries (collectively, "FEDCAP"), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities 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 FEDCAP Rehabilitation Services, Inc. and Subsidiaries as of September 30, 2017 and 2016, 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
May 11, 2018

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of September 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 14,353,025	$ 10,969,236
Accounts receivable (net of allowance for doubtful accounts of approximately ($1,476,000 in 2017 and $2,080,000 in 2016)	42,224,021	33,441,617
Contributions receivable (net of allowance for uncollectible contributions of approximately $0 and $115,000 in 2017 and 2016)	3,085,378	1,041,133
Inventories, net	402,669	414,939
Prepaid expenses and other assets	5,120,104	2,298,491
Total current assets	65,185,197	48,165,416
LONG-TERM ASSETS		
Investments	14,724,135	17,345,073
Fixed assets, net	74,924,787	75,855,170
Art objects	21,750	21,750
Beneficial interest in remainder trust	628,759	575,912
Other assets	108,000	575,020
	90,407,431	94,372,925
Total assets	$ 155,592,628	$ 142,538,341
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 32,382,996	$ 26,530,000
Deferred revenues	5,064,293	1,156,919
Loans and advances from government contracts	1,500,000	-
Current portion of revolving loans	14,653,273	-
Current portion of obligations under capital leases	1,672,075	1,663,775
Current portion of long-term debt	674,420	754,995
Total current liabilities	55,947,057	30,105,689
LONG-TERM LIABILITIES		
Obligations under capital leases	34,867,513	35,008,645
Long-term debt, net of current portion	22,750,756	23,415,325
Long-term revolving loans	3,000,000	16,486,698
Other liabilities	3,407,780	2,191,849
Total liabilities	119,973,106	107,208,206
Commitments and contingencies		
NET ASSETS		
Unrestricted	32,810,556	33,176,435
Temporarily restricted	2,224,538	1,569,272
Permanently restricted	584,428	584,428
Total net assets	35,619,522	35,330,135
Total liabilities and net assets	$ 155,592,628	$ 142,538,341

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

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Activities
For the years ended September 30, 2017 and 2016

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Adjustment	Total
REVENUES					
Contract services and products	$ 102,267,073	$ -	$ -	$ -	$ 102,267,073
Rehabilitation and vocational programs	137,272,899	-	-	-	137,272,899
Contributions	13,067,009	1,434,417	-	-	14,501,426
Inherent contribution	1,985,805	-	-	-	1,985,805
Unrealized gains on investments	976,558	-	-	-	976,558
Interest income	319,607	-	-	-	319,607
Miscellaneous revenue	1,180,845	-	-	-	1,180,845
Net assets released from restrictions	779,151	(779,151)	-	-	-
Total revenues	257,848,947	655,266	-	-	258,504,213
EXPENSES					
Program services:					
Contract services and products	91,718,680	-	-	-	91,718,680
Rehabilitation and vocational programs	131,181,632	-	-	-	131,181,632
	222,900,312	-	-	-	222,900,312
Supporting services:					
Management and general	33,702,035	-	-	-	33,702,035
Development	1,612,479	-	-	-	1,612,479
	35,314,514	-	-	-	35,314,514
Total expenses	258,214,826	-	-	-	258,214,826
Change in net assets	(365,879)	655,266	-	-	289,387
Net assets at beginning of year	33,176,435	1,569,272	584,428	-	35,330,135
Net assets at end of year	$ 32,810,556	$ 2,224,538	$ 584,428	$ -	$ 35,619,522

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Adjustment	Total
REVENUES					
Contract services and products	$ 102,312,128	$ -	$ -	$ -	$ 102,312,128
Rehabilitation and vocational programs	120,306,703	-	-	-	120,306,703
Contributions	3,416,316	140,000	-	-	3,556,316
Inherent contribution	202,380	-	-	-	202,380
Unrealized gains on investments	129,415	-	-	-	129,415
Interest income	124,717	-	-	-	124,717
Miscellaneous revenue	1,797,383	-	-	-	1,797,383
Net assets released from restrictions	745,820	(745,820)	-	-	-
Total revenues	229,034,862	(605,820)	-	-	228,429,042
EXPENSES					
Program services:					
Contract services and products	90,986,554	-	-	-	90,986,554
Rehabilitation and vocational programs	105,862,539	-	-	-	105,862,539
	196,849,093	-	-	-	196,849,093
Supporting services:					
Management and general	29,504,519	-	-	-	29,504,519
Development	1,676,578	-	-	-	1,676,578
	31,181,097	-	-	-	31,181,097
Total expenses	228,030,190	-	-	-	228,030,190
Change in net assets	1,004,672	(605,820)	-	-	398,852
Net assets at beginning of year	32,171,763	2,175,092	584,428	-	34,931,283
Net assets at end of year	$ 33,176,435	$ 1,569,272	$ 584,428	$ -	$ 35,330,135

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

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 289,387	$ 398,852
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,116,984	3,918,260
Bad debt provision	299,600	1,046,376
Inherent contribution	(1,985,805)	(202,380)
Unrealized gain on investments	(976,558)	(129,415)
Changes in assets and liabilities:		
Accounts receivable	(8,829,574)	(4,741,245)
Contribution receivable	(594,742)	1,292,092
Inventories	12,270	258,879
Prepaid expenses and other assets	(1,951,224)	(527,750)
Beneficial interest in remainder trust	(52,847)	152,897
Accounts payable and accrued liabilities	3,181,808	(1,455,478)
Deferred revenue	1,421,674	74,331
Other liabilities	822,186	221,501
Net cash (used in) provided by operating activities	(4,246,841)	306,920
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	8,015,797	6,000,000
Purchase of investments	(4,415,301)	(6,283,333)
Cash received in acquisition	4,470,103	10,202
Capital expenditures	(2,228,568)	(2,627,789)
Net cash provided by (used in) investing activities	5,842,031	(2,900,920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in loan and advance from government contracts	1,500,000	(1,800,000)
Change in revolving loans	1,166,575	4,020,068
Repayment of long-term debt	(745,144)	(738,317)
Repayment of capital lease obligations	(132,832)	(130,071)
Net cash provided by financing activities	1,788,599	1,351,680
Increase (decrease) in cash and cash equivalents	3,383,789	(1,242,320)
CASH AND CASH EQUIVALENTS		
Beginning of year	10,969,236	12,211,556
End of year	$ 14,353,025	$ 10,969,236
Supplemental disclosure of cash flow information:		
Cash interest paid during the year	$ 1,443,501	$ 1,079,151

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

Fedcap Rehabilitation Services, Inc. ("FRS") is a private, nonprofit organization incorporated under the laws of New York State. FRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

FRS was 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 of FRS. The primary customers in these divisions are federal, and New York State and City agencies and certified home health agencies, that contract with FRS for services.

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.

On July 1, 2011, FRS acquired and became the sole member of Wildcat Services Corporation ("Wildcat"), a nonprofit entity located in New York City that provides employment training, jobs placement and "supportive employment" opportunities for individuals with barriers to employment.

On October 1, 2012, FRS acquired and became the sole member of ReServe Elder Service, Inc. ("ReServe"), 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.

On October 1, 2013, FRS acquired and became the sole member of Community Workshops, Inc. (d/b/a Community Work Services) ("CWS"), 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.

On September 1, 2015, FRS acquired and became the sole member of Easter Seals New York, Inc. ("ESNY"), a nonprofit entity whose purpose is to provide program and services for people with disabilities, assistance to people with disabilities and their families, assistance to communities in developing necessary and appropriate resources for residents, and a climate of acceptance for people with disabilities which will enable them to contribute to the well-being of the community.

On May 1, 2016, ESNY received a contribution in the form of a Red Mango franchise, incorporated as 1184 Deer Park Ave., Inc. ("1184"). 1184 is currently managed as a for profit corporation, and operates as a social enterprise which includes a training center and employment opportunities for veterans.

On May 1, 2016, FRS acquired and became the sole member of Granite Pathways, Inc. ("GP"), 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.

On September 1, 2016, FRS acquired and became the sole member of Easter Seals Rhode Island, Inc. ("ESRI"), 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.

On November 1, 2016, GP became the sole member of Seacoast Pathways, Inc ("Seacoast") a nonprofit entity whose mission is to support adults living with mental illness on their paths to recovery through the work-ordered day.

On February 1, 2017, FRS became the sole member of Single Stop USA Inc. ("SS"), 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.

Collectively, FRS, Wildcat, ReServe, CWS, ESNY, 1184, GP, ESRI, Seacoast and SS are referred to as "FEDCAP."

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

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

Accordingly, FEDCAP's consolidated financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets as follows:

Unrestricted Net Assets - consist of all funds which are expendable, at the discretion of FEDCAP's management and Board of Directors, for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose.

Temporarily Restricted Net Assets - net assets that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of FEDCAP pursuant to those stipulations.

Permanently Restricted Net Assets - net assets subject to donor-imposed stipulations that require resources to be maintained as funds of a permanent duration.

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.

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 either permanently restricted if FEDCAP is required to maintain the contribution permanently or temporarily restricted if the stipulation limits the use of the contribution to specific purposes or a time period. Contributions with donor restrictions that are received and met in the same fiscal year are recorded as unrestricted contributions. Otherwise, once stipulated time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets as “net assets released from restrictions” in the accompanying consolidated statements of activities.

Revenue Recognition and Deferred Revenue

FEDCAP’s revenue primarily relates to contract services and products, and rehabilitation and vocational programs. FEDCAP recognizes such revenue ratably over a contract’s term for those with fixed rates. 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. FEDCAP also generates revenue from the sale of related products, which is recognized at the time of shipment.

Deferred revenue represents cash received in advance of services and will be recognized as the services are performed. Deferred revenue amounted to $5,064,293 and $1,156,919 as of September 30, 2017 and 2016, respectively.

Allowance for Doubtful Accounts

The carrying value of contributions 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 receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Inventories

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

Fixed Assets

Fixed assets purchased for a value greater than $1,000 and with depreciable lives greater than one year are carried at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful life of the respective asset and ranges from 3 to 40 years. Significant additions or improvements extending asset lives are capitalized; normal maintenance and repair costs are expensed as incurred. Leasehold improvements are amortized based on the lesser of the estimated useful life or remaining lease term.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 0.88% to 3.85% of the contract amount. Commissions paid relating to these contracts amounted to $2,568,642 and $1,728,663 for the years ended September 30, 2017 and 2016, respectively, and is included within contract services and products expense in the accompanying consolidated statements of activities.

Use of Estimates

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

Fair Value of Financial Instruments

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

Fair Value Measurements

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

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

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

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

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

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

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

Beneficial Interest in Remainder 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. Upon termination of the trusts, FEDCAP will receive the assets remaining in the trusts. Trusts are recorded 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. At September 30, 2017 and 2016, FEDCAP's interest in these trusts is reflected at fair value in the accompanying consolidated statements of financial position and is classified as Level 3 within the fair value hierarchy.

	2017	2016
Balance, beginning of year	$ 575,912	$ 693,049
Contributions and purchases	8,578	7,930
Sales and distributions	(13,516)	(10,580)
Appreciation (depreciation)	57,785	(114,487)
Balance, end of year	$ 628,759	$ 575,912

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

FRS, Wildcat, ReServe, CWS, ESNY, 1184, GP, ESRI, Seacoast, and SS follow 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.

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

1184, a for-profit corporation, commenced business operations in May of 2016; the organization has not calculated a tax provision as the projected tax liability is immaterial from a financial statement perspective. In addition, 1184 has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain reclassifications were made to the 2016 consolidated financial statements to conform to the 2017 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as previously reflected in the 2016 consolidated financial statements.

3. CONTRIBUTIONS RECEIVABLE

At September 30, 2017 and 2016, contributions receivable, net of the allowance for doubtful accounts, consisted of the following:

	2017	2016
Amounts due within one year	$ 3,074,667	$ 656,133
Amounts due in one to five years	10,711	500,000
	3,085,378	1,156,133
Less: allowance for uncollectible receivables	-	(115,000)
	$ 3,085,378	$ 1,041,133

Approximately 69% of the contributions receivable (gross) is due from two donors at September 30, 2017. Approximately 89% of the contributions receivable (gross) is due from one donor at September 30, 2016.

4. INVESTMENTS

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

	2017	2016
Money market funds	$ 3,176,676	$ 10,492,741
Mutual funds	11,547,459	6,852,332
	$ 14,724,135	$ 17,345,073

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

5. INVENTORIES

Inventories consisted of the following at September 30:

	2017	2016
Inventories:		
Raw materials	$ 369,867	$ 382,137
Work-in-process and finished goods	122,802	122,802
Reserve	(90,000)	(90,000)
	$ 402,669	$ 414,939

6. FIXED ASSETS, NET

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

	2017	2016
Fixed assets:		
Land	$ 1,017,809	$ 1,017,809
Building improvements	531,382	498,951
Buildings	33,280,420	33,280,420
Capital lease - building	35,918,547	35,918,547
Furniture, fixtures and computer systems	11,509,522	9,023,535
Leasehold improvements	7,002,207	6,357,782
	89,259,887	86,097,044
Less: accumulated depreciation	(14,335,100)	(10,241,874)
	$ 74,924,787	$ 75,855,170

Depreciation and amortization expense for the years ended September 30, 2017 and 2016 was $4,116,984 and $3,918,260, respectively.

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 "Fixed assets, net" in the accompanying consolidated statements of financial position at September 30, 2017 and 2016. FRS occupied the condominium in December 2014 and recorded depreciation expense of $1,238,571 in fiscal 2017 and 2016. The outstanding principal balance on the lease as of September 30, 2017 and 2016, is $36,461,573 and $36,564,980, respectively.

During fiscal 2015, FRS obtained financing pursuant to a capital lease to finance vehicles in the amount of $22,074, principal and interest are paid monthly. As of September 30, 2017, and 2016, accumulated depreciation associated with this lease agreement is $11,037 and $6,662, respectively. The outstanding principal balance on the lease as of September 30, 2017 and 2016, is $11,038 and $15,452, respectively. The maturity date is March 31, 2020 and the interest rate is fixed at 6.73%.

During fiscal 2015, CWS obtained financing pursuant to a capital lease to finance vehicles in the amount of $44,464, principal and interest are paid monthly. As of September 30, 2017, and 2016, accumulated depreciation associated with this lease agreement is $22,232 and $12,893, respectively. The outstanding principal balance on the lease as of September 30, 2017 and 2016, is $22,233 and $31,125, respectively. The maturity date is March 31, 2020 and the interest rate is fixed at 6.73%.

During fiscal 2015, ESNY obtained financing pursuant to a capital lease to finance vehicles in the amount of $80,785, principal and interest are paid monthly. As of September 30, 2017, and 2016, the accumulated depreciation balance was $36,040 and $19,922, respectively. The outstanding principal balance on the lease as of September 30, 2017 and 2016, was $44,745 and $60,863, respectively. The maturity date is June 30, 2020 and the interest rate is fixed at 6.97%.

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, 2017:

Year Ending September 30,		
2018	$	1,672,075
2019		1,672,075
2020		1,888,151
2021		1,911,084
2022		1,911,084
Thereafter		54,589,528
Total minimum lease payments		63,643,997
Less: Amount representing interest		(27,104,409)
Present value of net minimum lease payments	$	36,539,588

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 $15,000,000. The line is collateralized by FRS's accounts receivable and matures on July 2018. The interest rate for the revolving loan agreement is the Prime Rate. As of September 30, 2017, and 2016, FEDCAP had borrowings on this line of credit of $14,653,273 and $13,453,272, respectively, at an interest rate of 4.25% and 3.50%, respectively.

RBS Citizens Bank, N.A.

ESNY has an agreement with RBS Citizens Bank, N.A for a $3,500,000 revolving line of credit with FRS as the co-borrower. The line of credit matured on December 15, 2016 and was extended to mature on December 15, 2018, at which time the line was decreased to $3,000,000. As of September 30, 2017, and 2016, ESNY had borrowings on this line of credit of $3,000,000 and $3,033,426 at an interest rate of 3.50% and 2.77%, respectively.

9. LONG-TERM DEBT

Notes Payable

In conjunction with leasing space for a program operated in the Bronx, New York, FRS borrowed $220,000 during fiscal 2012 from the landlord, LMKW L.P., for the costs to build out the space. This loan is being repaid over a period of six years at an interest rate of 5%. As of September 30, 2017, and 2016, the principal balance outstanding was $-0- and $55,544, respectively.

On January 1, 2013, CWS borrowed $219,181 from the Georgianna Goddard Eaton Memorial Fund ("Eaton Fund"), a related party, to fund leasehold improvements. Under the terms of the note, payments, including interest at a rate of 3%, are due on a monthly basis commencing on April 1, 2013 and ending on January 1, 2017. At September 30, 2017 and 2016, the principal balance outstanding was $-0- and $28,989, respectively.

On September 15, 2014, ESNY entered into a $63,045 note payable to finance the purchase of computers. The interest rate charged on the outstanding borrowings is fixed at a rate equal to 3.15%. Monthly principal and interest payments of $1,841 commenced November 2014 and in October 2017 all remaining outstanding principal and interest were due. The note is secured by the computers. At September 30, 2017 and 2016, the principal balance outstanding was $-0- and $21,475, 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 FRS. The interest rate is 3.66% for the first 60 months then, as of the first day of the sixty-first month, the interest rate will reset to 1.75% in excess of the then bank's five-year Cost of Funds. In no event shall the reset rate be less than 3.66%. Principal and interest of $9,153 is payable monthly through the maturity date of January 1, 2025. At September 30, 2017 and 2016, the outstanding principal balance was $1,874,696 and $1,914,257, 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 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, 2017 and 2016. At September 30, 2017 and 2016, the outstanding principal balance of the Series 2013A bonds was $17,520,000 and $17,995,000, respectively.

In December 2010, ESNY in connection with the Monroe County Industrial Development Corporation and RBS Citizens Bank, N.A. issued $5,250,000 in Series 2010 tax-exempt Revenue Bonds ("Series 2010"). The Series 2010 bonds were used to finance the acquisition of certain property located in Irondequoit, New York and to refinance certain ESNY debt. The Series 2010 bonds are secured by a mortgage on all properties and improvements financed by the bond and are guaranteed by FRS. ESNY may elect to prepay some portion or all of the outstanding bonds subject to a prepayment fee as defined in the agreement. The agreement also requires bank approval prior to ESNY incurring additional indebtedness. The Series 2010 bonds are subject to tender for mandatory purchase at the election of the bondholder beginning June 1, 2016 and thereafter every five years through June 1, 2036. At September 30, 2017 and 2016, the outstanding principal balance of the Series 2010 bonds was $4,537,395 and $4,683,050, respectively.

On February 23, 2011, ESNY entered into an interest rate swap agreement with a bank in connection with the Series 2010 Bonds. The swap agreement had an outstanding notional amount of $4,526,910 and $4,929,360 at September 30, 2017 and 2016, respectively. The outstanding notional amount decreases, in conjunction with bond principal reductions, until the agreement terminates in January 2031. ESNY remits interest at fixed rate of 2.99% and receives interest at a variable rate (68% of the sum of the monthly LIBOR rate plus 2.65% (2.99% and 1.93% at September 30, 2017 and 2016, respectively)). The fair value of the interest rate swap agreement as of September 30, 2017 and 2016 reflected a liability of $625,315 and $977,731, respectively. The swap is included within other liabilities in the accompanying consolidated statement of financial position, and is classified as Level 2 within the fair value hierarchy.

The following is a summary of minimum principal payments due on the notes and bonds at September 30, 2017:

	Notes Payable	Bonds Payable	Total
Year Ending September 30,			
2018	$ 40,967	$ 633,453	$ 674,420
2019	42,513	657,500	700,013
2020	43,934	681,670	725,604
2021	45,776	706,050	751,826
2022	47,504	735,490	782,994
Thereafter	1,654,002	18,643,232	20,297,234
Total	$ 1,874,696	$ 22,057,395	$ 23,932,091
Less: current portion			674,420
Less: bond issuance cost			506,915
Long-term debt, net of current portion			$ 22,750,756

10. LOANS AND ADVANCES FROM GOVERNMENT CONTRACTS

On August 1, 2012, FRS entered in a contract with New York City Human Resources Agency ("HRA") to operate HRA's WeCare program in the Boroughs of Brooklyn and Queens. Under the terms of the contract, HRA may make advances for working capital purposes. These advances are non-interest bearing and will be recouped during the course of the contract in accordance with HRA policy, but no later than the last year of the contract. On July 13, 2015, HRA made an advance of $1,800,000 for working capital purposes. This advance was non-interest bearing and was to be recouped during the course of the contract in accordance with HRA policy beginning January 2016, but no later than July of 2016. This advance was fully recouped in fiscal year ending September 30, 2016.

On September 29, 2017 FRS received a loan of $1,500,000 from the Fund for the City of New York to cover operating expenses pending contract registration and receipt of funds from HRA. This loan is non-interest bearing and will be repaid no later than 30 days from the date of the loan, upon receipt of the funds from HRA or on demand for payment by the Fund for the City of New York. At September 30, 2017, the balance from this loan was $1,500,000. This loan was repaid in November of 2017.

11. COMMITMENTS AND CONTINGENCIES

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

Year Ending September 30,	
2018	$ 10,159,601
2019	5,691,351
2020	3,448,781
2021	2,853,460
2022	2,543,432
Thereafter	6,307,258
Total	$ 31,003,883

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 $1,773,782 and $1,161,996 at September 30, 2017 and 2016, respectively, which is included in other liabilities in the accompanying consolidated statements of financial position. In addition to the base rents, FEDCAP is obligated to pay additional amounts for increased operating costs.

Rent expense was $11,208,061 and $10,118,415 for the years ended September 30, 2017 and 2016, respectively.

CWS sublets a portion of its facilities to tenants under operating leases that expire between April 2017 and May 2020. For the years ended September 30, 2017 and 2016, rental income from these subleases was $293,318 and $324,857, respectively. The future minimum sublease rental payments to be received are as follows:

Year Ending September 30,	
2018	$ 242,815
2019	170,000
2020	57,500
Total	$ 470,315

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.

12. TUITION REVENUE

FRS receives funding for the Career Design School from the New York State Education Department, administered by the Bureau of Proprietary School Supervision. Gross tuition income, which equaled net tuition income, was $1,094,605 and $1,158,080 for the years ended September 30, 2017 and 2016, respectively, and has been included within rehabilitation and vocational programs in the accompanying consolidated statements of activities.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of September 30, 2017 and 2016:

	2017	2016
For use in future periods for:		
Employment and job search programs	$ 602,111	$ 413,139
Time restricted	1,622,427	1,156,133
Total	$ 2,224,538	$ 1,569,272

Net assets released from restrictions during the years ended September 30, 2017 and 2016 were as follows:

	2017	2016
Employment and job search programs	$ 779,151	$ 745,820

14. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of the following as of September 30, 2017 and 2016:

	2017	2016
Easter Seals endowment	$ 509,428	$ 509,428
ReServe endowment	75,000	75,000
	$ 584,428	$ 584,428

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 $312,012 and $285,776 during the years ended September 30, 2017 and 2016, respectively.

A CWS Board member is a trustee of the Eaton Fund, the holder of the CWS promissory note (refer to Note 9). CWS also leases its facilities from the Eaton Fund. Rent paid to Eaton Fund for the years ended September 30, 2017 and 2016 was $129,996.

16. EMPLOYEE BENEFIT PLANS

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

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

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

Plan contributions are invested in one or more of the funding vehicles available to participants under the plans. Each participant is fully and immediately vested in employee contributions. Employer contributions to the plans amounted to $6,186,322 and $6,492,132 for the years ended September 30, 2017 and 2016, respectively.

17. ACQUISITION

Effective February 1, 2017, FRS entered into a combination agreement with Single Stop USA, Inc. to become its sole member. The determination to acquire Single Stop USA, Inc. was predicated on the similarities in mission. Single Stop provides coordinated services to holistically connect people to the resources they need to attain higher education, obtain good jobs, and achieve financial self-sufficiency. This acquisition was affected without the transfer of consideration, and as such an inherent contribution of $1,947,081 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	$	4,434,379
Accounts receivable, net		252,430
Contributions receivable		1,449,503
Prepaid expenses and other assets		131,553
Other assets		271,816
Fixed assets		958,033
Accounts payable and accrued expenses		(2,671,188)
Deferred revenue		(2,485,700)
Other liabilities		(393,745)
	$	1,947,081

Effective November 1, 2016, GP entered into a combination agreement with Seacoast Pathways, Inc. to become its sole member. The determination to acquire Seacoast Pathways, Inc. was predicated on the similarities in mission and a geographic expansion of services in the New England Region. The mission of Seacoast Pathways is to support adults living with mental illness on their paths to recovery through the work-ordered day.

This acquisition was effected without the transfer of consideration, and as such an inherent contribution of $38,724 was recognized, which represented the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	$	35,724
Investments		3,000
	$	38,724

18. CONCENTRATIONS

FEDCAP provides building services for federal buildings, which comprised 20% and 21% of total revenues during the years ended September 30, 2017 and 2016, 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 10% of total revenues during the years ended September 30, 2017 and 2016, respectively. FEDCAP provides homecare services to one customer comprising 1.1% and 2% of total revenues during the years ended September 30, 2017 and 2016, respectively.

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

19. SUBSEQUENT EVENTS

FEDCAP evaluated its September 30, 2017 consolidated financial statements for subsequent events through May 11, 2018, the date the consolidated financial statements were available for issuance. Except as discussed in Note 8, above, and the subsequent paragraphs, FEDCAP is unaware of any events which would require recognition or disclosure in the accompanying consolidated financial statements.

On October 31, 2017, FRS entered into a combination agreement with Benevolent to become its sole member. This combination was predicated on the similarities of mission and enhancement of our ability to provide economic wellbeing for the individuals we serve. The combination further diversifies funding to individuals and families in need, through non-government sources.

On November 21, 2017, FRS entered into a combination agreement with MVLE to become its sole member. MVLE provides employment, support and rehabilitation services to individuals with disabilities in the Northern Virginia and Washington, D.C. area. This combination was predicated on the synergies of mission and geographic expansion of services in the Mid-Atlantic Region.

On January 3, 2018, FRS entered into a combination agreement with Easter Seals Central Texas ("ESCT") to become its sole member. ESCT provides services to individuals with disabilities throughout the life cycle through outpatient medical rehabilitation, workforce development and community housing and integration programs in the Central Texas region. This combination was predicated on the similarities of mission and geographic expansion of services into the Southwest Region. The addition of ESCT expands the core services to the populations served through our Easter Seals brand whose current operations are in New York and Rhode Island.

In December 2017, FRS entered into a Loan Agreement with Build NYC, a local development corporation, for Build NYC to issue bonds to finance the renovations of the headquarters site located at 633 Third Avenue in New York City, program operations site located at 210 East 43 Street in New York City and the acquisition and installation of equipment for Oracle enterprise resource planning infrastructure. Build NYC issued $9,280,000 of tax-exempt revenue bonds ("Series 2017A") and $715,000 of taxable revenue bonds ("Series 2017B") carrying an interest rate of 3.912% and 4.53%, respectively. Monthly payment of interest and principal commenced on February 1, 2018, with a maturity date of December 1, 2042. The Series 2017A and 2017B bonds were placed with TD Bank.

On April 4, 2018, FRS entered into a combination agreement with Easter Seals North Texas ("ESNT") to become its sole member. ESNT provides services to individuals with disabilities throughout the life cycle through early childhood programs, outpatient rehabilitation, home care, employment and veterans integration programs in the North Texas region. This combination was predicated on the similarities of mission and geographic expansion of services into the Southwest Region. The addition of ESNT expands the core services to the populations served through our Easter Seals brand whose current operations are in New York and Rhode Island.

SUPPLEMENTARY INFORMATION

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position
As of September 30, 2017

	Fedcap Rehabilitation Services, Inc.	Wildcat Services Corporation	ReServe	Community Work Service	Easter Seals NY	Granite Pathways	Red Mango	Easter Seals RI	Single Stop	Seacostal	Eliminations	Consolidated
ASSETS												
CURRENT ASSETS												
Cash and cash equivalents	$ 10,262,461	$ 244,613	$ 260,312	$ 275,387	$ 1,439,019	$ 167,716	$ (12,933)	$ 182,885	$ 1,466,781	$ 66,784	$ -	$ 14,353,025
Accounts receivable (net of allowance for doubtful accounts of approximately ($1,476,000 in 2017 and $2,080,000 in 2016)	30,930,249	4,660,940	816,271	791,660	4,208,462	200,840	-	615,599	-	-	-	42,224,021
Intercompany accounts receivable	80,443,447	19,823,436	8,600,038	10,282,564	18,002,231	1,550,418	608,223	533,455	20,871,903	3,103	(160,718,818)	-
Contributions receivable (net of allowance for uncollectible contributions of approximately $0 in 2017 and $115,000 in 2016)	722,339	-	-	-	16,454	274	-	22,228	2,324,083	-	-	3,085,378
Inventories, net	394,677	-	-	-	7,992	-	-	-	-	-	-	402,669
Prepaid expenses and other assets	4,877,576	14,913	1,607	25,110	131,848	1,751	8,965	8,704	46,380	3,250	-	5,120,104
Total current assets	127,630,749	24,743,902	9,678,228	11,374,721	23,806,006	1,920,999	604,255	1,362,871	24,709,147	73,137	(160,718,818)	65,185,197
Investments	14,433,682	-	115,742	-	160,580	-	-	11,131	-	3,000	-	14,724,135
Fixed assets, net	66,085,440	6,017	29,999	387,582	7,344,881	120,174	111,874	37,494	801,326	-	-	74,924,787
Art objects	21,750	-	-	-	-	-	-	-	-	-	-	21,750
Beneficial interest in remainder trust	37,810	-	-	-	554,460	-	-	36,489	-	-	-	628,759
Other assets	108,000	-	-	-	-	-	-	-	-	-	-	108,000
	80,686,682	6,017	145,741	387,582	8,059,921	120,174	111,874	85,114	801,326	3,000	-	90,407,431
Total assets	$ 208,317,431	$ 24,749,919	$ 9,823,969	$ 11,762,303	$ 31,865,927	$ 2,041,173	$ 716,129	$ 1,447,985	$ 25,510,473	$ 76,137	$ (160,718,818)	$ 155,592,628
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES												
Accounts payable and accrued liabilities	$ 26,061,807	$ 259,316	$ 23,060	$ 279,340	$ 1,323,423	$ 59,602	$ 13,276	$ 79,001	$ 4,283,971	$ 200	$ -	$ 32,382,996
Intercompany payable	74,651,262	25,817,047	10,838,099	11,388,823	20,274,124	1,607,137	781,852	1,482,078	13,756,745	121,651	(160,718,818)	-
Deferred revenues	228,743	19,269	-	-	1,105	-	1,157	-	4,814,019	-	-	5,064,293
Loan and advance from government contracts	1,500,000	-	-	-	-	-	-	-	-	-	-	1,500,000
Current revolving loans	14,653,273	-	-	-	-	-	-	-	-	-	-	14,653,273
Current portion of obligations under capital leases	1,672,075	-	-	-	-	-	-	-	-	-	-	1,672,075
Current portion of long-term debt	495,003	-	-	-	179,417	-	-	-	-	-	-	674,420
Total current liabilities	119,262,163	26,095,632	10,861,159	11,668,163	21,778,069	1,666,739	796,285	1,561,079	22,854,735	121,851	(160,718,818)	55,947,057
LONG-TERM LIABILITIES												
Obligations under capital leases	34,800,535	-	-	22,233	44,745	-	-	-	-	-	-	34,867,513
Long-term debt, net of current portion	16,683,320	-	-	-	6,067,436	-	-	-	-	-	-	22,750,756
Revolving loans	-	-	-	-	3,000,000	-	-	-	-	-	-	3,000,000
Other liabilities	2,296,795	-	-	34,637	655,578	-	-	-	420,770	-	-	3,407,780
Total liabilities	173,042,813	26,095,632	10,861,159	11,725,033	31,545,828	1,666,739	796,285	1,561,079	23,275,505	121,851	(160,718,818)	119,973,106
NET ASSETS												
Unrestricted	34,480,406	(1,345,713)	(1,108,099)	29,502	(181,561)	374,434	(80,156)	(113,094)	800,551	(45,714)	-	32,810,556
Temporarily restricted	794,212	-	(4,091)	-	-	-	-	-	1,434,417	-	-	2,224,538
Permanently restricted	-	-	75,000	7,768	501,660	-	-	-	-	-	-	584,428
Total net assets	35,274,618	(1,345,713)	(1,037,190)	37,270	320,099	374,434	(80,156)	(113,094)	2,234,968	(45,714)	-	35,619,522
Total liabilities and net assets	$ 208,317,431	$ 24,749,919	$ 9,823,969	$ 11,762,303	$ 31,865,927	$ 2,041,173	$ 716,129	$ 1,447,985	$ 25,510,473	$ 76,137	$ (160,718,818)	$ 155,592,628

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

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES

Consolidating Statement of Activities

For the year ended September 30, 2017

	Unrestricted										
	Fedcap Rehabilitation Services Inc.	Wildcat Services Corporation	ReServe	Community Work Services	Easter Seals New York	Granite Pathways	Red Mango	Easter Seals Rhode Island	Single Stop	Seacoast Pathways	Consolidated
REVENUES											
Contract services and products	$ 92,797,810	$ 8,099,132	$ -	$ 1,031,783	$ -	$ -	$ 338,348	$ -	$ -	$ -	$ 102,267,073
Rehabilitation and vocational programs	94,972,785	2,357,692	4,256,488	3,372,165	28,393,474	1,430,302	-	1,034,780	1,419,467	35,746	137,272,899
Contributions and grants	1,933,479	3,000	93,610	419,704	456,063	125,687	-	211,268	9,812,958	11,240	13,067,009
Inherent contribution	-	-	-	-	-	-	-	-	1,947,081	38,724	1,985,805
Unrealized gains on investments	976,558	-	-	-	-	-	-	-	-	-	976,558
Interest income	296,917	-	557	640	19,364	-	-	-	2,129	-	319,607
Miscellaneous revenue	766,496	4,981	2,287	110,611	296,416	-	-	-	54	-	1,180,845
Net assets released from restrictions	513,093	-	46,170	-	219,888	-	-	-	-	-	779,151
Total revenues	192,257,138	10,464,805	4,399,112	4,934,903	29,385,205	1,555,989	338,348	1,246,048	13,181,689	85,710	257,848,947
EXPENSES											
Program services:											
Contract services and products	83,150,225	7,274,833	-	1,293,570	52	-	-	-	-	-	91,718,680
Rehabilitation and vocational programs	80,802,229	2,371,489	4,818,954	2,554,070	26,308,023	1,251,068	535,056	1,010,905	11,398,414	131,424	131,181,632
	163,952,454	9,646,322	4,818,954	3,847,640	26,308,075	1,251,068	535,056	1,010,905	11,398,414	131,424	222,900,312
Supporting services:											
Management and general	27,508,867	1,205,178	182,815	1,190,977	2,654,030	30,503	-	134,110	795,555	-	33,702,035
Development	1,083,683	-	-	94,520	1,239	-	-	245,868	187,169	-	1,612,479
	28,592,550	1,205,178	182,815	1,285,497	2,655,269	30,503	-	379,978	982,724	-	35,314,514
Total expenses	192,545,004	10,851,500	5,001,769	5,133,137	28,963,344	1,281,571	535,056	1,390,883	12,381,138	131,424	258,214,826
Change in net assets - unrestricted	(287,866)	(386,695)	(602,657)	(198,234)	421,861	274,418	(196,708)	(144,835)	800,551	(45,714)	(365,879)
Net assets at beginning of year - unrestricted	34,768,272	(959,018)	(505,442)	227,736	(603,422)	100,016	116,552	31,741	-	-	33,176,435
Net assets at end of year - unrestricted	$ 34,480,406	$ (1,345,713)	$ (1,108,099)	$ 29,502	$ (181,561)	$ 374,434	$ (80,156)	$ (113,094)	$ 800,551	$ (45,714)	$ 32,810,556

	Temporarily Restricted										
	Fedcap Rehabilitation Services Inc.	Wildcat Services Corporation	ReServe	Community Work Services	Easter Seals New York	Granite Pathways	Red Mango	Easter Seals Rhode Island	Single Stop	Seacoast Pathways	Consolidated
REVENUES											
Contributions and grants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,434,417	$ -	$ 1,434,417
Net assets released from restrictions	(513,093)	-	(46,170)	-	(219,888)	-	-	-	-	-	(779,151)
Total revenues	(513,093)	-	(46,170)	-	(219,888)	-	-	-	1,434,417	-	655,266
Change in net assets - Temporarily Restricted	(513,093)	-	(46,170)	-	(219,888)	-	-	-	1,434,417	-	655,266
Net assets at beginning of year - Temporarily Restricted	1,307,305	-	42,079	-	219,888	-	-	-	-	-	1,569,272
Net assets at end of year - Temporarily Restricted	$ 794,212	$ -	$ (4,091)	$ -	$ -	$ -	$ -	$ -	$ 1,434,417	$ -	$ 2,224,538

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

FEDCAP REHABILITATION SERVICES, INC. AND SUBSIDIARIES
Consolidated Schedule of Functional Expenses
For the year ended September 30, 2017 (with comparative totals for the year ended September 30, 2016)

	2017							2016
	Program Services			Supporting Services				
	Contract Services and Products	Rehabilitation and Vocational Programs	Total	Management and General	Development	Total	Total Expenses	Total Expenses
Salaries and related expenses	$ 62,495,423	$ 75,531,865	$ 138,027,288	$ 15,885,828	$ 747,382	$ 16,633,210	$ 154,660,498	$ 141,026,223
Professional fees	61,093	14,117,598	14,178,691	2,739,261	173,008	2,912,269	17,090,960	6,108,672
Professional development and evaluation	5,212	566,041	571,253	87,949	1,785	89,734	660,987	612,999
Materials and supplies	4,005,974	1,350,142	5,356,116	265,167	8,043	273,210	5,629,326	6,504,743
Commissions	2,933,502	-	2,933,502	10,018	-	10,018	2,943,520	2,550,631
Telephone	95,865	737,298	833,163	432,274	5,911	438,185	1,271,348	1,274,436
Postage and shipping	802,608	118,708	921,316	99,807	1,073	100,880	1,022,196	1,199,494
Insurance	1,055,962	870,960	1,926,922	443,601	1,187	444,788	2,371,710	2,614,504
Occupancy costs	547,684	13,734,382	14,282,066	1,358,804	115,357	1,474,161	15,756,227	13,642,766
Equipment rental and maintenance	631,204	500,178	1,131,382	385,369	3,431	388,800	1,520,182	889,987
Equipment purchases	274,331	649,616	923,947	38,797	243	39,040	962,987	330,557
Client transportation and travel	154,761	4,409,347	4,564,108	1,057,626	46,886	1,104,512	5,668,620	4,632,240
Subscription and printing	61,372	87,672	149,044	84,032	18,046	102,078	251,122	254,946
Technology	196,552	1,196,688	1,393,240	1,842,067	49,130	1,891,197	3,284,437	2,451,276
Interest expense and bank charges	11,212	43,878	55,090	3,023,970	90	3,024,060	3,079,150	3,476,490
Bad debt provision (recovery)	-	5,093	5,093	294,507	-	294,507	299,600	1,046,376
Subcontractor expense	17,653,581	10,109,133	27,762,714	45,193	-	45,193	27,807,907	27,191,804
Stipends	29,786	3,748,285	3,778,071	46,575	10,395	56,970	3,835,041	4,428,846
Security guard expense	1,225	891,233	892,458	31,673	-	31,673	924,131	750,358
Other	553,609	1,718,014	2,271,623	2,356,558	429,712	2,786,270	5,057,893	3,124,582
Total expenses before depreciation and amortization	91,570,956	130,386,131	221,957,087	30,529,076	1,611,679	32,140,755	254,097,842	224,111,930
Depreciation and amortization	147,724	795,501	943,225	3,172,959	800	3,173,759	4,116,984	3,918,260
Total expenses	$ 91,718,680	$ 131,181,632	$ 222,900,312	$ 33,702,035	$ 1,612,479	$ 35,314,514	$ 258,214,826	$ 228,030,190

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