Experience Works, Inc.
and Affiliate

Consolidated Financial Report
June 30, 2014

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Experience Works, Inc.
Arlington, Virginia

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Experience Works, Inc. and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 the entity'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 the entity'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 Experience Works, Inc. and Affiliate as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

McGladrey LLP

McLean, Virginia
March 31, 2015

Experience Works, Inc. and Affiliate

Consolidated Balance Sheet
June 30, 2014

Assets	
Cash and Cash Equivalents	$ 2,042,123
Receivables	
Federal grants receivable	5,853,674
Other receivables	10,440
Prepaid Expenses and Deposits	431,335
Property and Equipment, Net	506,054
Total assets	$ 8,843,626
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	$ 1,346,864
Accrued payroll and vacation	4,898,341
Deferred grant revenue	
Deferred rent	499,840
Total liabilities	6,745,045
Commitments and Contingencies (Notes 5 and 6)	
Net Assets	
Unrestricted	1,893,895
Temporarily restricted	204,686
Total net assets	2,098,581
Total liabilities and net assets	$ 8,843,626

See Notes to Consolidated Financial Statements.

Experience Works, Inc. and Affiliate

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Federal grant revenues	$ 100,468,889	$ -	$ 100,468,889
Community contributions	32,316	-	32,316
Other revenues and contributions	43,278	4,000	47,278
Released from restriction	236,137	(236,137)	-
Total support and revenue	100,780,620	(232,137)	100,548,483
Expenses			
Program services:			
Federal programs	94,667,458	-	94,667,458
Other activities – non-federal	325,049	-	325,049
	94,992,507	-	94,992,507
Supporting services:			
Management and general	5,895,637	-	5,895,637
Fundraising	740	-	740
	5,896,377	-	5,896,377
Total expenses	100,888,884	-	100,888,884
Change in net assets	(108,264)	(232,137)	(340,401)
Net Assets			
Beginning of year	2,002,159	436,823	2,438,982
End of year	$ 1,893,895	$ 204,686	$ 2,098,581

See Notes to Consolidated Financial Statements.

Experience Works, Inc. and Affiliate

Consolidated Statement of Cash Flows
Year Ended June 30, 2014

Cash Flows From Operating Activities	
Change in net assets	$ (340,401)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	67,465
(Increase) decrease in assets:	
Receivables	
Federal grants	2,014,039
Other	92,413
Prepaid expenses and deposits	285,417
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(557,504)
Accrued payroll and vacation	(1,271,759)
Deferred grant revenue	(46,606)
Deferred rent	(85,979)
Net cash provided by operating activities	157,085
Cash Flows From Investing Activities	
Purchase of software	(248,000)
Net cash used in investing activities	(248,000)
Decrease in cash and cash equivalents	(90,915)
Cash and Cash Equivalents	
Beginning of year	2,133,038
End of year	$ 2,042,123

See Notes to Consolidated Financial Statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of activities: Experience Works, Inc. and Affiliate (the Organization) consists of two entities: Experience Works, Inc. incorporated in 1965 and Swift Innovative Technologies, LLC formed in 2014.

Experience Works, Inc. (EW), a nonprofit corporation, was incorporated in 1965 in the District of Columbia pursuant to the District of Columbia Nonprofit Corporation Act. The Organization's mission is to improve the lives of older people through training, community service, and employment. In support of this mission, the Organization operates job training programs, work placement projects, blended learning training programs, volunteer, and other community-based programs funded through federal grant awards, state contracts, corporate grants, and individual donors.

Swift Innovative Technologies, LLC (the LLC or Affiliate) is a single member limited liability company, created and wholly owned by EW, formed in the commonwealth of Virginia in March 2014. The LLC's primary business purpose is to administer and provide case management, e-learning and certification, as well as online assessment platform.

During Program Year 2014, the Organization received approximately 99% of its funding under the Senior Community Service Employment Program (SCSEP), authorized by Title V of the Older Americans Act of 1965, as amended. The purpose of the SCSEP is to promote employment and training opportunities for low-income persons 55 years of age and older, while providing services to local communities. SCSEP funding, was provided through direct grants awarded to the Organization by the U.S. Department of Labor (DOL), Employment and Training Administration, and through subgrants passed through to the Organization by government agencies in various states from their Title V awards. During 2014, the Organization operated the SCSEP in 30 states and Puerto Rico, providing services to over 15,000 participants.

SCSEP funding is authorized and appropriated by the U.S. Congress. The DOL then determines the allocation of funds among the approximately 18 SCSEP sponsors, including the Organization.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby support and revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of EW and the LLC. All significant intercompany transactions have been eliminated in the consolidation.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification or ASC). As required by the Non-Profit Entities Topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2014, the Organization has no permanently restricted net assets.

Financial risk: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents consist of cash in bank accounts. The Organization considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

Included in cash and cash equivalents is a balance of $1,171,552, which represents funds paid by the DOL and State grantees to the Organization for vacation earned by employees and accrued by the Organization, but not yet taken. These amounts are invested in money market accounts and will be paid to employees as vacation is taken. A related liability for accrued vacation and fringe benefits of $951,074 as of June 30, 2014, is included in the accrued payroll and vacation on the balance sheet. The restricted cash and liability vary due to timing of vacation billed and taken by employees at year end, and would be payable back to the DOL if forfeited.

Accounts and grants receivable: Receivables are for reimbursement of costs incurred under grant and contract agreements. Receivables are carried at original invoice amounts. The majority of the receivables are from federal grants. Accounts past due are individually analyzed for collectability. Management determines the allowance for doubtful accounts by regularly evaluating individual customer or grant receivables and considering a customer's or grantor's financial condition, credit history, and current economic conditions. Receivables are written off against the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts at June 30, 2014.

Property and equipment: The DOL holds residual title to furniture and equipment acquired using DOL grant funds with a unit acquisition cost of $5,000 or more. Therefore, the DOL controls the disposition thereof at the termination of the grant. The Organization periodically retires furniture and equipment due to obsolescence or damage and applies the proceeds, if any, from such dispositions to purchase replacements. There was no furniture or equipment purchased during the year ended June 30, 2014, by the Organization.

Software is stated at cost. Depreciation is computed by the straight-line method over its estimated useful life of three years. Software totaled $248,000 and was purchased in 2014, but was not placed in service until after June 30, 2014; therefore, there was no depreciation expense or accumulated depreciation in 2014.

Leasehold improvements are stated at cost. Amortization is computed using the straight-line method over the lesser of the remaining life of the lease or the estimated useful life of the improvements. Leasehold improvements totaled $674,650, with accumulated amortization of $416,596. Amortization expense for the year ended June 30, 2014, was $67,465. The Organization's capitalization policy is $5,000 and useful life greater than one year.

Valuation of long-lived assets: Leasehold improvements are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: The Organization has lease agreements for rental space that provide escalated payments over the life of the lease. Rent expense is being recognized on a straight-line basis over the term of the leases. The difference between the expense and the cash payments is reported as deferred rent. The amount also includes the improvement allowances which are amortized on a straight-line basis over the life of the lease.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Net assets: The financial statement presentation follows the recommendation of the Not-for-Profit Entities Topic of the FASB ASC, under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The donors of these assets permit the Organization to use the income and gains earned on these assets for general or specific purposes, as stipulated by the donors.

Revenue recognition: The Organization receives grants from federal agencies, mainly from the DOL under the Title V program. Revenue from the federal grants is recognized as expenses have been incurred for the purposes specified by the approved grant. Grant funds not yet received are accrued to the extent unreimbursed expenses have been incurred. The Organization defers cash received under approved grant awards to the extent they exceed expenses incurred for the purposes specified by the grant. The grant year of the Title V federal program is generally the same as the Organization's fiscal year.

Contributions are recorded as revenue in the year the contribution is received and are considered available for unrestricted support unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Donated services: Individuals contribute services to assist in the furtherance of the Organization's goals and objectives. The Organization receives in-kind contributions in the form of direct supervision provided to participants by their Host Agency supervisors, which totaled approximately $22,260,000 for the year ended June 30, 2014. Although the value of these services is significant, the Organization does not record such value in its consolidated financial statements since the criteria for recognition is not met.

Non-federal expenditures: Title V of the Older Americans Act, as amended, stipulates that no more than 90% of total program costs are to be paid from federal sources. SCSEP regulations require the Organization to match federal program expenses with program expenses provided from non-federal sources sufficient to ensure that this 90% limitation is met.

These non-federal costs are provided primarily by the sponsoring agencies in the form of in-kind contributions of supervisory time and related expenses. As discussed above, these in-kind contributions are not reflected in the accompanying consolidated financial statements.

Functional allocation of expenses: Program and supporting services have been presented on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of the Organization and are unallocated on the statement of activities
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Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes: EW is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). EW has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate tax income. EW did not have any net unrelated business income for the year ended June 30, 2014.

The LLC is a single member limited liability company which is a disregarded entity for tax purposes and, therefore, is not subject to income taxes.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal tax examinations by tax authorities before 2011.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: The Organization evaluated subsequent events through March 31, 2015, which is the date the consolidated financial statements were available to be issued.

Note 2. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds which are only available for specific programs or general support designated for future years. Temporarily restricted net assets were released from restrictions during the year ended June 30, 2014, due to the time restriction ending or satisfaction of purpose restrictions. Changes in temporarily restricted net assets during the year ended June 30, 2014, are as follows:

	June 30, 2013 Balance	Additions	Releases	June 30, 2014 Balance
Wal-Mart Foundation grant	$ 324,266	$ -	$ (233,805)	$ 90,461
Other programs	112,557	4,000	(2,332)	114,225
	$ 436,823	$ 4,000	$ (236,137)	$ 204,686

Note 3. Major Sources of Funding

During the year ended June 30, 2014, the Organization was heavily dependent on grants from the DOL or pass through grants from State Agencies. Funding from these sources comprised 81.65% and 18.27%, respectively, of support during the year ended June 30, 2014. Reduction of funding from these funding sources would have a significant impact on the operations of the Organization.

Note 4. Retirement Plan

Eligible employees of the Organization participate in the Experience Works, Inc. 401(a) DC Plan (the Plan). All employees are eligible to become participants in the Plan after completion of one year of continuous service (1,000 hours) and a participant is 100% vested upon participation in the Plan. If the Plan is terminated, each participant will have a fully vested interest in the value of his or her account on the date of termination. The Organization contributes to the Plan on behalf of each participant an amount equal to 7% of the compensation earned as defined in the summary plan description, totaling $718,708 for the year ended June 30, 2014.

Note 5. Commitments

Operating leases: The Organization has entered into a non-cancellable office space lease for its headquarters in Virginia which expires on April 30, 2018. The base rent is approximately $50,000 per month and is subject to 3% annual increases over the term of the lease. In April 2012, the Organization provided certificates of deposit totaling $204,000 to the lessor to serve as collateral in the event of non-payment of rent. In accordance with the lease agreement, this amount reduces by $34,000 each year. At June 30, 2014, the balance remaining totaled $136,000 and is included in prepaid expenses and deposits on the balance sheet.

Future minimum payments for the headquarters office lease are as follows:

Year Ending June 30,	
2015	$ 623,543
2016	642,250
2017	661,517
2018	567,802
	$ 2,495,112

The Organization has also entered into other leases for field offices in approximately 30 states that are subject to cancellation clauses as defined. The lease terms expire at various times through June 30, 2016. The leases require the tenant to make monthly rental payments ranging from approximately $25 to $5,000 depending on the size of the space.

Future minimum payments for the field office leases are as follows:

Year Ending June 30,	
2015	$ 302,926
2016	16,857
	$ 319,783

Rent expense applicable to operating leases for the year ended June 30, 2014, was $1,395,619.

Insurance plans: The Organization partially self-funds its workers' compensation and self-insures its employee medical insurance plans. The Organization maintains stop-loss insurance coverage both on an individual and aggregate basis.

Note 5. Commitments (Continued)

Workers' compensation: Under the workers' compensation plan, the Organization is responsible for claims up to $350,000 individually and aggregate claims up to $8,000,000 annually. The Organization will pay for all losses within the deductible (inclusive of Allocated Loss Adjustment Expense) up to the Program aggregate which shall be the greater of $8,000,000 or the amount computed by applying a rate of 7.651 times the Unmodified Undiscounted Workers' Compensation Premium. Once the Paid Losses equal the Aggregate Attachment, the insurance company shall have the obligation to pay any additional expenses. As of June 30, 2014, no liability in excess of the insurance limitations is anticipated, and therefore no liability is recorded as of June 30, 2014. For the year ended June 30, 2014, the Organization incurred expenses of $3,875,950 relating to the plan. A refund was received in 2014 related to the premiums paid for the 2013 policy totaling $799,470.

Self funded health plan: Under the medical insurance plan, the Organization is responsible for claims up to $130,000 per participant annually and aggregate claims up to $3,003,421 annually. The Organization is insured for claims in excess of $130,000 per participant up to $2,120,000 lifetime maximum. The Organization has accrued for the expected cost of unpaid, reported claims and claims incurred but not yet reported. The accrual is based on historical claims experience and the level of employees. As of June 30, 2014, the accrual for the unpaid claims, net of insurance recoveries, totaled $31,864, which was included in accounts payable and accrued expenses on the balance sheet. Also included in the balance sheet is a termination reserve that totaled $241,827 at June 30, 2014.

Note 6. Contingencies

Legal matters: From time to time, the Organization may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of management, the potential adverse impact of these legal and administrative actions is insignificant to the consolidated financial statements of the Organization.

Federal grants: Under terms of the Organization's reimbursable government contracts and grants, the Organization is entitled to the reimbursement of direct and indirect costs incurred. All direct expenses and overhead rates charged under the Organization's government grants are subject to audit by a government agency. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits, since management believes that the Organization is in compliance with all grant restrictions and no such liabilities are anticipated.

McGladrey

Independent Auditor's Report
on the Supplementary Information

To the Board of Directors
Experience Works, Inc.
Arlington, Virginia

We have audited the consolidated financial statements of Experience Works, Inc. and Affiliate as of and for the year ended June 30, 2014, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements. See pages 1 – 2.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

McLean, Virginia
March 31, 2015

Experience Works, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services			Supporting Services			
	Federal	Non-Federal	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Staff salaries, wages and benefits	$ 14,342,862	$ 59,236	$ 14,402,098	$ 3,365,786	$ -	$ 3,365,786	$ 17,767,884
Travel and meetings	1,913,301	220,403	2,133,704	293,246	-	293,246	2,426,950
Occupancy	943,005	158	943,163	613,514	-	613,514	1,556,677
Outside services	142,278	21,021	163,299	806,962	-	806,962	970,261
Communications	716,013	3,665	719,678	130,822	-	130,822	850,500
Supplies	456,615	2,937	459,552	371,864	36	371,900	831,452
Insurance	423,737	-	423,737	22,897	-	22,897	446,634
Delivery	274,809	1,387	276,196	31,139	255	31,394	307,590
Other costs	156,855	84	156,939	140,955	449	141,404	298,343
Printing and publications	137,517	50	137,567	118,452	-	118,452	256,019
Participant assistance services	221,834	16,108	237,942	-	-	-	237,942
	$ 19,728,826	$ 325,049	$ 20,053,875	$ 5,895,637	$ 740	$ 5,896,377	$ 25,950,252

Expenses as presented above exclude expenses for participant wages and fringe benefits funded by the SCSEP program in the total amount of $74,938,632 for the year ended June 30, 2014.

Experience Works, Inc. and Affiliate

Schedule of Statutory Compliance Provisions
Year Ended June 30, 2014

The following represents a detail of the fiscal year 2014 Title V federal grant expenditures:

	Expenditures	Percent
Direct SCSEP		
Participant wages and fringe benefits	$ 60,177,819	73.3%
Other participant costs and participant support	14,639,923	17.8%
Administrative costs	5,937,378	7.3%
Training – participant wages and fringe benefits	579,335	0.7%
Training – other program costs	766,767	0.9%
Total direct SCSEP	82,101,222	100.0%
All other federal grant expenditures		
Participant wages and fringe benefits	14,062,255	76.6%
Other participant costs and participant support	2,748,524	15.0%
Administrative costs	1,421,126	7.7%
Training – participant wages and fringe benefits	119,223	0.6%
Training – other program costs	16,539	0.1%
Total other federal grant expenditures	18,367,667	100.0%
Total federal grant expenditures	$ 100,468,889	