Experience Works, Inc. and Affiliate

Consolidated Financial Report
June 30, 2016

Contents

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Independent Auditor's Report

To the Board of Directors
Experience Works, Inc.

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, 2016, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Experience Works, Inc. and Affiliate as of June 30, 2016, 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 June 8, 2017, 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.

RSM US LLP

McLean, Virginia
June 8, 2017

Experience Works, Inc. and Affiliate

Consolidated Balance Sheet
June 30, 2016

Assets		
Cash and cash equivalents	$	796,808
Receivables		
Federal grants receivable		2,141,701
Other receivables		1,776
Prepaid expenses and deposits		641,810
Property and equipment, net		205,791
Total assets	$	3,787,886
Liabilities and Net Assets (Deficit)		
Liabilities:		
Accounts payable and accrued expenses	$	529,297
Accrued payroll and vacation		2,802,498
Line of credit		700,000
Deferred rent		273,950
Total liabilities		4,305,745
Commitments and contingencies (Notes 4, 5 and 6)		
Net assets (deficit):		
Unrestricted		(528,743)
Temporarily restricted		10,884
Total net deficit		(517,859)
Total liabilities and net deficit	$	3,787,886

See notes to consolidated financial statements.

Experience Works, Inc. and Affiliate

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Federal grant revenues	$ 97,451,846	$ -	$ 97,451,846
Community contributions	19,097	-	19,097
Other revenues and contributions	67,031	-	67,031
Released from restriction	30,139	(30,139)	-
Total support and revenue	97,568,113	(30,139)	97,537,974
Expenses:			
Program services:			
Federal programs	91,803,763	-	91,803,763
Other activities – non-federal	101,923	-	101,923
	91,905,686	-	91,905,686
Supporting services:			
Management and general	5,797,306	-	5,797,306
Fundraising	8,072	-	8,072
	5,805,378	-	5,805,378
Total expenses	97,711,064	-	97,711,064
Change in net assets	(142,951)	(30,139)	(173,090)
Net assets:			
Beginning of year	(385,792)	41,023	(344,769)
End of year	$ (528,743)	$ 10,884	$ (517,859)

See notes to consolidated financial statements.

Experience Works, Inc. and Affiliate

Consolidated Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from operating activities:	
Change in net assets	$ (173,090)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization expense	150,131
(Increase) decrease in assets:	
Receivables	
Federal grants	346,944
Other	132,542
Prepaid expenses and deposits	(123,975)
Decrease in liabilities:	
Accounts payable and accrued expenses	(958,442)
Accrued payroll and vacation	(2,626,863)
Deferred grant revenue	(479)
Deferred rent	(122,687)
Net cash used in operating activities	(3,375,919)
Cash flows from financing activities:	
Borrowings on line of credit	700,000
Net cash provided by financing activities	700,000
Decrease in cash and cash equivalents	(2,675,919)
Cash and cash equivalents:	
Beginning	3,472,727
Ending	$ 796,808

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 an online assessment platform.

During Program Year 2016, 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 2016, the Organization operated the SCSEP in 30 states and Puerto Rico, providing services to over 14,000 participants.

SCSEP funding is authorized and appropriated by the U.S. Congress. The DOL then determines the allocation of funds among the approximately 20 SCSEP sponsors, including the Organization. The grant is re-bid every four years, and the most recent allocation of funds by DOL occurred in September 2016. The Organization SCSEP funding directly funded by U.S. DOL was reduced effective February 1, 2017. The funding was $49,139,873 for the period July 2016 to January 2017 and $4,784,347 for the period February 2017 to June 2017. See Note 6 for the Organization's future plans.

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.

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 $1,133, which represents funds paid by the Department of Labor (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 liability for accrued vacation and related fringe benefits of $903,708 as of June 30, 2016, is included in the accrued payroll and vacation on the consolidated balance sheet. The restricted cash and liability vary due to timing of vacation billed and taken by employees at year end.

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, 2016.

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, 2016, 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 accumulated depreciation was $165,333 as of June 30, 2016. Software depreciation for the year ended June 30, 2016, was $82,667.

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 $551,526. Amortization expense for the year ended June 30, 2016, was $67,464. The Organization's capitalization policy is $5,000 and useful life greater than one year.

Valuation of long-lived assets: Leasehold improvements and software 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 asset exceeds the estimated fair value of the asset. 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 leasehold 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. As of June 30, 2016, the Organization has no permanently restricted net assets.

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 allowable expenses have been incurred for the purposes specified by the approved grant. Grant funds not yet received are accrued to the extent allowable 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.

Unconditional 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 consolidated 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 and other in-kind contributions, which totaled approximately $18,704,212 for the year ended June 30, 2016. Although the value of these services is significant, the Organization does not record such value in its consolidated financial statements since the criteria for accounting 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.

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

Functional allocation of expenses: Program and supporting services have been presented on a functional basis on the consolidated 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 consolidated statement of activities.

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, 2016.

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 2013.

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.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The Organization is currently evaluating the impact of adopting this new standard on its consolidated financial statement disclosures.

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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

Subsequent events: The Organization evaluated subsequent events through June 8, 2017, 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, 2016, due to the time restriction ending or satisfaction of purpose restrictions.

Changes in temporarily restricted net assets during the year ended June 30, 2016, are as follows:

	June 30, 2015 Balance	Additions	Releases	June 30, 2016 Balance
Wal-Mart Foundation grant	$ 30,228	$ -	$ (29,816)	$ 412
Other programs	10,795	-	(323)	10,472
	$ 41,023	$ -	$ (30,139)	$ 10,884

Note 3. Major Sources of Funding

During the year ended June 30, 2016, the Organization was heavily dependent on grants from the DOL or pass through grants from State Agencies. Funding from these sources comprised 85.40% and 14.40%, respectively, of support and revenue during the year ended June 30, 2016. 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 $717,261 for the year ended June 30, 2016.

Note 5. Commitments

Operating leases: The Organization has entered into an office space lease for its headquarters in Virginia which expires on April 30, 2018. The lease is cancellable periodically throughout the lease, but an advance notice of 12 months is required be provided to the landlord. 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. During the year ended June 30, 2016, there were two certificates of deposit remaining, which were in the process of being transferred to a new bank, and therefore $68,000 was included in cash and equivalents on the consolidated balance sheet at June 30, 2016.

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

Years ending June 30:	
2017	$ 661,517
2018	567,802
	$ 1,229,319

The Organization has also entered into other leases for field offices in approximately 30 states that are subject to cancellation clauses as defined. All offices for which rent is paid, with the exception of Texas and headquarters, were closed by April 2017. The future minimum payments for the field office leases are considered nominal for the year ending June 30, 2017.

Rent expense applicable to operating leases for the year ended June 30, 2016, was $1,350,969.

Workers' compensation: Under its 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, 2016, no liability in excess of the insurance program payments made is anticipated, and therefore no liability is recorded as of June 30, 2016. For the year ended June 30, 2016, the Organization incurred expenses of $3,977,564 relating to the plan. An additional payment was made in 2016 related to the premiums paid for the 2015 policy totaling $155,503.

Self-funded health plan: As of July 1, 2015, the self-funded medical insurance plan was terminated in favor of a traditional coverage plan. The Organization estimates that there is no remaining liability as of June 30, 2016, related to the self-funded health plan.

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. Management believes that the Organization is in compliance with all grant restrictions and no such liabilities are anticipated. However, due to the matters in the paragraphs below, this estimate could change by a significant amount in the near term.

Department of Labor audit: During 2015, the Department of Labor (DOL) performed a final compliance review of the SCSEP program covering the period July 1, 2013, to June 30, 2015, and issued a related monitoring report in December 2015, containing findings and questioned costs. The Organization has reviewed the report and believes it has appropriate responses to resolve findings and resolve all of the questioned costs, or use stand-in funds to cover any unresolved costs. Any questioned costs that may relate to events after June 30, 2015, which were a result of events of the two prior years, may be resolved with stand-in funds. There is no assurance that the DOL will agree with the Organization's beliefs. The Organization formally responded to the DOL's December 2015 monitoring report in February 2016, and the DOL formally responded to the Organization in August 2016, which resulted in an increase in the findings and questioned costs. The Organization formally responded to DOL's August 2016 response in September 2016. There has been no resolution of these matters prior to report issuance.

Office of the Inspector's General (OIG) of the Department of Labor (DOL) audit: During 2016, the OIG commenced a compliance review of the Organization covering the period July 1, 2010, to June 30, 2015. No findings or reports have been issued to the Organization related to this review prior to report issuance.

Future plans: As disclosed in Note 3, the Organization has a significant revenue concentration related to the DOL and pass through grants from State Agencies for the SCSEP program. As mentioned in Note 1, the DOL reduced the funding for the Organization during the re-bid process in September 2016 by approximately 86% of the total received during the year ended June 30, 2016. The funding reduction that began in February 2017 required that the Organization begin to transition to a smaller organization in October 2016.

In December 2016, the Organization terminated a portion of its employees and participants and is downsizing and realigning its operations. While employees earned accrued leave during their tenure, those accrued annual leave funds were paid into an earned annual leave fund and used to cover annual leave as staff took leave. The earned annual leave funds were used to cover the grant overspending in the program year 2014/2015. In December 2016, due to the large reduction in staff, the Board approved a payout of the employee annual leave fund totaling 40% of the balance due to each terminated employee. The remaining 60% still owed is expected to be paid to the employees over time as the employee annual leave fund balance is restored.

Note 6. Contingencies (Continued)

Management and the Board are working to rebuild the Organization through the following efforts:

- Increasing the unrestricted revenue streams related to contributions as outlined in the Organization's restitution plan.
- Diversifying the revenue base through foundation and corporate giving to expand programs and services that will complement the SCSEP and benefit older workers.
- Apply for additional public funds that will also support additional programs and services such as RSVP and Ticket to Work, which have already started.
- Obtaining additional sources of cash, such as the line of credit described in Note 7.
- Incorporating a risk assessment to include an internal financial review, internal controls, policy analysis, and the prioritization of risks with a plan and timeline to correct them.
- Continue training so that staff fully understand policies and processes, and are following them.
- Incorporate a new financial system that will help streamline and simplify accounting and budget management.
- Monitoring cash flow, annual leave, and budgets versus actual expenses at least monthly through board and management meetings.
- Implementing cost cutting measures such as rent expense, personnel, supplies, travel, meetings, and others.
- The Board and executive leadership will continue to be focused on oversight and compliance with a heightened awareness.
- Continue to be innovative to provide the highest level of service to the stakeholders with outstanding outcomes.

Note 7. Line of Credit

During March 2016, the Organization obtained approval for additional financing from a separate entity, National Farmers Union. One of the Organization's board members also serves on the Board of Directors for National Farmers Union.

On June 27, 2016, the Organization obtained a revolving line of credit with maximum borrowings of $700,000 that is collateralized by the Organization's property and equipment, receivables, and cash accounts. The line of credit has an annual interest rate of 6%, with payments thereon due quarterly. Interest expense for the year ended June 30, 2016, totaled $345. The outstanding balance at June 30, 2016 was $700,000. Future payments are due as follows on the balance, unless paid in advance:

Years ending June 30:	
2019	$ 100,000
2020	150,000
2021	200,000
2022	250,000
	$ 700,000

Subsequent to year end, the Organization has repaid $386,000 of the outstanding balance at June 30, 2016.

The Organization is required to establish a deposit account for the future repayments which the lender would have control over. There are also subjective acceleration provisions in the agreement. The Organization was in violation of one of the covenants included in the agreement, which is to provide the audited financial statements within 280 days of year end. The Organization obtained a waiver for this violation for the year ended June 30, 2016.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Experience Works, Inc.

We have audited the consolidated financial statements of Experience Works, Inc. and Affiliate as of and for the year ended June 30, 2016, 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.

RSM US LLP

McLean, Virginia
June 8, 2017

Experience Works, Inc. and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services			Supporting Services			
	Federal	Non-Federal	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Staff salaries, wages and benefits	$ 14,099,438	$ -	$ 14,099,438	$ 3,661,454	$ 7,769	$ 3,669,223	$ 17,768,661
Travel and meetings	957,037	20,155	977,192	121,881	-	121,881	1,099,073
Occupancy	942,176	6,081	948,257	399,427	303	399,730	1,347,987
Outside services	355,071	26,512	381,583	710,720	-	710,720	1,092,303
Communications	646,152	25,067	671,219	130,520	-	130,520	801,739
Supplies	311,181	3,933	315,114	58,089	-	58,089	373,203
Insurance	394,936	11	394,947	31,007	-	31,007	425,954
Delivery	111,180	564	111,744	18,212	-	18,212	129,956
Other costs	211,787	15,851	227,638	641,969	-	641,969	869,607
Printing and publications	11,833	4	11,837	23,570	-	23,570	35,407
Participant assistance services	79,160	3,745	82,905	457	-	457	83,362
	$ 18,119,951	$ 101,923	$ 18,221,874	$ 5,797,306	$ 8,072	$ 5,805,378	$ 24,027,252

Expenses as presented above exclude expenses for participant wages and fringe benefits in the total amount of $73,683,812 for the year ended June 30, 2016.

Expenses for Swift Innovative Technologies, Inc. included in Management and General above total $153,709.

Experience Works, Inc. and Affiliate

Schedule of Statutory Compliance Provisions
Year Ended June 30, 2016

The following represents a detail of the fiscal year 2016 Title V federal grant expenditures:

	Expenditures	Percent
Direct SCSEP:		
Participant wages and fringe benefits	$ 62,423,427	75.0%
Other participant costs and participant support	14,089,812	16.9%
Administrative costs	6,065,091	7.3%
Training – participant wages and fringe benefits	559,631	0.7%
Training – other program costs	65,265	0.1%
Total direct SCSEP	83,203,226	100.0%
All other federal grant expenditures:		
Participant wages and fringe benefits	10,617,297	74.5%
Other participant costs and participant support	2,543,515	17.9%
Administrative costs	1,004,351	7.0%
Training – participant wages and fringe benefits	83,457	0.6%
Total other federal grant expenditures	14,248,620	100.0%
Total federal grant expenditures	$ 97,451,846	