

*Entity Identification Number 30-0129320  
Office of Management and Budget  
Circular A-133 Audit Report  
Year Ended June 30, 2008*

*The SkillSource Group, Inc.*



Certified Public Accountants  
Specialized Services  
Business Solutions

***The SkillSource Group, Inc.***

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Certified Public Accountants  
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## ***Report of Independent Auditors on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards***

To the Finance Committee and  
the Board of Directors  
***The SkillSource Group, Inc.***

We have audited the accompanying statements of financial position of ***The SkillSource Group, Inc.*** (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ***The SkillSource Group, Inc.***'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***The SkillSource Group, Inc.*** as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of ***The SkillSource Group, Inc.***'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of ***The SkillSource Group, Inc.*** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Goodman & Company, LLP*

Rockville, Maryland  
October 31, 2008

An independent firm associated with  
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*The SkillSource Group, Inc.*

*Statements of Financial Position*

June 30,	2008	2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 687,873	\$ 528,704
Restricted cash	43,912	186,151
Accounts receivable	15,000	-
Grants receivable	382,449	436,423
Prepaid expenses	26,492	7,880
<b>Total current assets</b>	<b>1,155,726</b>	<b>1,159,158</b>
<b>Property and equipment - net</b>	<b>2,278</b>	<b>1,878</b>
	<b>\$ 1,158,004</b>	<b>\$ 1,161,036</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 283,813	\$ 223,537
Deferred revenue	25,000	20,000
Funds held in trust	294,180	217,601
<b>Total current liabilities</b>	<b>602,993</b>	<b>461,138</b>
<b>Net assets</b>		
Unrestricted	511,099	513,747
Temporarily restricted	43,912	186,151
<b>Total net assets</b>	<b>555,011</b>	<b>699,898</b>
	<b>\$ 1,158,004</b>	<b>\$ 1,161,036</b>

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

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2008**

	<b>Unrestricted Funds</b>	<b>Temporarily Restricted Funds</b>	<b>Total 2008</b>
<b>Revenue, support and other changes</b>			
Grants	\$ 1,666,396	\$ -	\$ 1,666,396
Contributions	-	68,082	68,082
Program income	26,900	-	26,900
Investment income	19,249	4,182	23,431
Net assets released from restrictions			
Satisfaction of program restrictions	214,503	(214,503)	-
	<u>1,927,048</u>	<u>(142,239)</u>	<u>1,784,809</u>
<b>Expenses</b>			
Program services			
Northern Virginia regional partnership contribution	99,157	-	99,157
BRAC national emergency grant	151,211	-	151,211
Northern Virginia career assistance loan program	23,136	-	23,136
Virginia Department of Corrections	119,783	-	119,783
Workforce investment act:			
Dislocated worker	500,096	-	500,096
Adult program	483,678	-	483,678
Youth program	294,112	-	294,112
Project E.Y.E.	56,809	-	56,809
Pre-release employment center grant	26,466	-	26,466
	<u>1,754,448</u>	<u>-</u>	<u>1,754,448</u>
Supporting Services			
Management and general	117,950	-	117,950
Fundraising	57,298	-	57,298
	<u>1,929,696</u>	<u>-</u>	<u>1,929,696</u>
<b>Change in net assets</b>	(2,648)	(142,239)	(144,887)
<b>Net assets - beginning of year</b>	<u>513,747</u>	<u>186,151</u>	<u>699,898</u>
<b>Net assets - end of year</b>	<u>\$ 511,099</u>	<u>\$ 43,912</u>	<u>\$ 555,011</u>

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

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2007**

	<b>Unrestricted Funds</b>	<b>Temporarily Restricted Funds</b>	<b>Total 2007</b>
<b>Revenue, support and other changes</b>			
Grants	\$ 2,262,051	\$ -	\$ 2,262,051
Contributions	35,000	22,868	57,868
Program income	25,326	-	25,326
Investment income	27,988	7,737	35,725
In-kind contribution	45,000	-	45,000
Net assets released from restrictions			
Satisfaction of program restrictions	27,868	(27,868)	-
	<u>2,423,233</u>	<u>2,737</u>	<u>2,425,970</u>
<b>Expenses</b>			
Program services			
BRAC national emergency grant	142,232	-	142,232
Faith and community based organizations grant	198,728	-	198,728
Medical assistant training contract	49,482	-	49,482
Northern Virginia regional partnership contribution	61,914	-	61,914
Virginia Department of Corrections	116,540	-	116,540
Workforce investment act:			
Dislocated worker	500,826	-	500,826
Adult program	426,107	-	426,107
Youth program	408,796	-	408,796
Independence air neg	213,137	-	213,137
Local incentive	90,000	-	90,000
Project E.Y.E.	19,031	-	19,031
	<u>2,226,793</u>	<u>-</u>	<u>2,226,793</u>
Supporting Services			
Management and general	131,190	-	131,190
Fundraising	34,044	-	34,044
	<u>2,392,027</u>	<u>-</u>	<u>2,392,027</u>
<b>Change in net assets</b>	<b>31,206</b>	<b>2,737</b>	<b>33,943</b>
<b>Net assets - beginning of year</b>	<b>482,541</b>	<b>183,414</b>	<b>665,955</b>
<b>Net assets - end of year</b>	<b>\$ 513,747</b>	<b>\$ 186,151</b>	<b>\$ 699,898</b>

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

*The SkillSource Group, Inc.*

*Statements of Cash Flows*

<b>Years Ended June 30,</b>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (144,887)	\$ 33,943
Adjustments to reconcile net cash from operating activities:		
Depreciation	1,024	2,382
Change in:		
Accounts receivable	(15,000)	244,281
Grants receivable	53,974	151,221
Prepaid expenses	(18,612)	26,669
Accounts payable and accrued expenses	60,276	(407,697)
Deferred revenue	5,000	13,136
Funds held in trust	76,579	171,811
<b>Net cash from operating activities</b>	<b>18,354</b>	<b>235,746</b>
<b>Cash flows from investing activities</b>		
Change in restricted cash	142,239	(7,737)
Purchase of property and equipment	(1,424)	-
<b>Net cash from investing activities</b>	<b>140,815</b>	<b>(7,737)</b>
<b>Net change in cash and cash equivalents</b>	<b>159,169</b>	<b>228,009</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>528,704</b>	<b>300,695</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 687,873</b>	<b>\$ 528,704</b>

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

## ***The SkillSource Group, Inc.***

### ***Notes to Financial Statements***

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**June 30, 2008 and 2007**

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#### **1. Organization and Nature of Activities**

*The SkillSource Group, Inc.* (Corporation) is a not-for-profit organization organized to support the workforce and economic development policies and programs determined by the Northern Virginia Workforce Investment Board (NVWIB) and to promote and implement NVWIB activities in the northern Virginia region. The Corporation was established in March 2002 but did not begin operations until January 2003.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

##### **Basis of Presentation**

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 based on the existence or absence of donor-imposed restrictions.

##### **Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 in the statement of activities as net assets released from restrictions.

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

##### **Cash and Cash Equivalents**

For purposes of the financial statement presentation, cash and cash equivalents include all demand accounts for which it is not the intention of management to hold for long-term purposes.



**Restricted Cash**

In accordance with certain agreements, funds included in the restricted cash account are used as a guarantee against potential loan defaults in the Northern Virginia career skills loan program and are held in a separate account. See note 4 for additional information.

**Accounts and Grants Receivable**

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. A substantial portion of the amount due is receivable from the federal government. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over estimated useful life of three years. The Corporation capitalizes any purchases of property and equipment that benefit future periods.

**Funds Held in Trust**

The Corporation has an agreement with the Northern Virginia Health Care Workforce Alliance (NoVaHealthFORCE) to act as its fiscal agent. The Corporation receives contributions and makes disbursements on behalf of NoVaHealthFORCE. Revenue and expenses for NoVaHealthFORCE are not reported in the Corporation's statement of activities.

**Donated Services**

During 2007, the Corporation received donated space from the Manassas Mall. The fair value of the space has been estimated at \$45,000.

**Advertising Costs**

The Corporation expenses advertising costs as they are incurred. Advertising and promotion expense was \$10,428 and \$10,905 for 2008 and 2007, respectively.

**Allocation of Expenses**

The allocation of expenses among the various programs is based on direct expenses incurred. Salaries and related benefits are allocated to programs based on the employees' responsibilities towards that specific function. Overhead costs have been allocated among the programs benefited based on management's estimated usage of these costs by program.

**Income Taxes**

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation.

### 3. Property and Equipment

Property and equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 9,588	\$ 8,164
Less - accumulated depreciation	<u>(7,310)</u>	<u>(6,286)</u>
	<u>\$ 2,278</u>	<u>\$ 1,878</u>

Depreciation expense for 2008 and 2007 was \$1,024 and \$2,382 respectively.

### 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Northern Virginia career skills loan program	\$ 43,912	\$ 186,151

The amount for the loan program represents funds to guarantee student loans and the restricted cash represents collateral against those student loans. All interest earned on the cash account is held as restricted to the program.

### 5. Lease

The Corporation signed an agreement to lease office space in August 2005. The initial term was from September 1, 2005 through June 30, 2006 with an option to renew. The lease was renewed in June 2006, June 2007 and in June 2008 for terms of one year each. Total annual payments per the lease agreement are \$24,120 for 2008 and \$28,290 for 2007. Rent expense for 2008 and 2007 was \$24,120 and \$73,290 respectively, which includes in-kind contributions of \$45,000 for 2007.

The following is a schedule of future minimum lease payments required under the operating lease for the year ending June 30:

2009	<u>\$ 24,120</u>
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### 6. Concentration of Income

A substantial portion of the Corporation's activities and operations are funded by federal government grants. Total federal government grant revenue for 2008 and 2007 was \$1,546,614 and \$2,087,349, respectively.

### 7. Concentration of Credit Risk

At June 30, 2008 and 2007, the Corporation had bank deposits of \$610,631 and \$430,683, respectively, in excess of the federal insured limit.

## **8. Pension Plan**

The Corporation sponsors a defined contribution tax deferred 401(k) pension plan. All employees are eligible to participate after thirty days of service. The plan is administered by Fidelity Investments. The Corporation matches employees' contributions for up to 10.4% of their gross salaries. For 2008 and 2007, the pension plan expense was \$28,024 and \$23,022, respectively.

## **9. Reclassifications**

Certain reclassifications have been made to the 2007 financial statements to conform with the 2008 financial statement presentation. Such reclassifications had no effect on the change in net assets as previously reported.

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***Supplementary Information***

*The SkillSource Group, Inc.*

*Schedule of Expenditures of Federal Awards*

<b>Year Ended June 30,</b>		<b>2008</b>
<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA or Other Identifying Number</u>	<u>Federal Expenditures</u>
<b>Virginia Employment Commission</b>		
<b>(Pass-through for U.S. Department of Labor)</b>		
WIA adult program	17.258	\$ 519,118
WIA youth activities	17.259	319,823
WIA dislocated workers	17.260	<u>707,673</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 1,546,614</u></b>

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

***The SkillSource Group, Inc.***

***Notes to the Schedule of Expenditures of Federal Awards***

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**June 30, 2008**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ***The SkillSource Group, Inc.*** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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***Report of Independent Auditors on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards***

To the Finance Committee and  
the Board of Directors  
***The SkillSource Group, Inc.***

We have audited the financial statements of ***The SkillSource Group, Inc.*** as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered ***The SkillSource Group, Inc.***'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***The SkillSource Group, Inc.***'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ***The SkillSource Group, Inc.***'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether *The SkillSource Group, Inc.*'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, management, oversight audit agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Goodman & Company, LLP

Rockville, Maryland  
October 31, 2008





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***Report of Independent Auditors on Compliance with  
Requirements Applicable to Each Major Program and  
On Internal Control Over Compliance in Accordance  
With OMB Circular A-133***

To the Finance Committee and  
the Board of Directors  
***The SkillSource Group, Inc.***

**Compliance**

We have audited the compliance of ***The SkillSource Group, Inc.*** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. ***The SkillSource Group, Inc.***'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of ***The SkillSource Group, Inc.***'s management. Our responsibility is to express an opinion on ***The SkillSource Group, Inc.***'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***The SkillSource Group, Inc.***'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ***The SkillSource Group, Inc.***'s compliance with those requirements.

In our opinion, ***The SkillSource Group, Inc.*** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of *The SkillSource Group, Inc.* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered *The SkillSource Group, Inc.*'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *The SkillSource Group, Inc.*'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, management, oversight audit agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Goodman & Company, LLP

Rockville, Maryland  
October 31, 2008

***The SkillSource Group, Inc.***  
***Schedule of Findings and Questioned Costs***  
***Year Ended June 30, 2008***

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ☐ Material weakness(es) identified? \_\_\_ Yes    X No
- ☐ Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_ Yes    X None reported

Noncompliance material to financial statements noted? \_\_\_ Yes    X No

*Federal Awards*

Internal control over major programs:

- ☐ Material weakness(es) identified? \_\_\_ Yes    X No
- ☐ Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_ Yes    X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_ Yes    X No

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Name of Federal Program or Cluster</u>
17.258	WIA adult program
17.259	WIA youth activities
17.260	WIA dislocated workers

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X  Yes   No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

***The SkillSource Group, Inc.***

***Prior Audit Findings***

***Year Ended June 30, 2008***

There were no prior year audit findings.

***The SkillSource Group, Inc.***

***Corrective Action Plan***

***Year Ended June 30, 2008***

There are no current audit findings.