

*Entity Identification Number 30-0129320  
Office of Management and Budget  
Circular A-133 Audit Report  
Year Ended June 30, 2010*

*The SkillSource Group, Inc.*



Certified Public Accountants  
Specialized Services  
Business Solutions

# *The SkillSource Group, Inc.*

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***Report of Independent Auditors on Financial Statements and  
Supplementary Schedule of Expenditures of Federal Awards***

Board of Directors  
***The SkillSource Group, Inc.***

We have audited the accompanying statements of financial position of ***The SkillSource Group, Inc.*** (a not-for-profit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of ***The SkillSource Group, Inc.*** 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, 2010 and 2009, 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 November 8, 2010, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Goodman & Company, LLP*

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Rockville, Maryland  
November 8, 2010

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*The SkillSource Group, Inc.*

*Statements of Financial Position*

<b>June 30,</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 629,365	\$ 201,803
Cash and cash equivalents - funds held for others	212,843	611,894
Restricted cash	40,308	42,432
Investments	-	200,000
Accounts receivable	32,858	439
Grants receivable	558,392	668,675
Prepaid expenses	20,868	8,811
<b>Total current assets</b>	<b>1,494,634</b>	<b>1,734,054</b>
<b>Property and equipment - net</b>	<b>413</b>	<b>888</b>
	<b>\$ 1,495,047</b>	<b>\$ 1,734,942</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 694,033	\$ 549,308
Accrued expenses	12,539	8,488
Deferred revenue	23,315	21,920
Funds held for others	212,843	611,894
<b>Total current liabilities</b>	<b>942,730</b>	<b>1,191,610</b>
<b>Net assets</b>		
Unrestricted	512,009	500,900
Temporarily restricted	40,308	42,432
<b>Total net assets</b>	<b>552,317</b>	<b>543,332</b>
	<b>\$ 1,495,047</b>	<b>\$ 1,734,942</b>

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

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total 2010</b>
<b>Revenue, support and other changes</b>			
Grants	\$ 3,487,036	\$ -	\$ 3,487,036
Contributions	114,814	46,557	161,371
Rental income	104,779	-	104,779
Investment income	182	-	182
Net assets released from restrictions:			
Satisfaction of program restrictions	48,681	(48,681)	-
	<u>3,755,492</u>	<u>(2,124)</u>	<u>3,753,368</u>
<b>Expenses</b>			
Program services			
Northern Virginia Regional Partnership Contribution	4,401	-	4,401
BRAC National Emergency Grant	574,734	-	574,734
Virginia Department of Corrections	138,977	-	138,977
Workforce Investment Act:			
Dislocated worker	480,477	-	480,477
Adult program	457,327	-	457,327
Youth program	260,990	-	260,990
Local incentive	48,593	-	48,593
Project E.Y.E.	46,875	-	46,875
ARRA Youth	213,474	-	213,474
ARRA Adult	269,469	-	269,469
ARRA Dislocated Worker	532,023	-	532,023
NOVA Gate	232,278	-	232,278
Registered Apprenticeship	63,096	-	63,096
PW Center MOU	50,000	-	50,000
PW Comprehensive Center	177,367	-	177,367
PRC Career Center	28,513	-	28,513
	<u>3,578,594</u>	<u>-</u>	<u>3,578,594</u>
Supporting Services			
Management and general	165,789	-	165,789
	<u>3,744,383</u>	<u>-</u>	<u>3,744,383</u>
<b>Change in net assets</b>	11,109	(2,124)	8,985
<b>Net assets - beginning of year</b>	500,900	42,432	543,332
<b>Net assets - end of year</b>	<u>\$ 512,009</u>	<u>\$ 40,308</u>	<u>\$ 552,317</u>

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

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2009**

	Unrestricted	Temporarily Restricted	Total 2009
<b>Revenue, support and other changes</b>			
Grants	\$ 2,536,056	\$ -	\$ 2,536,056
Contributions	-	45,653	45,653
Investment income	12,163	693	12,856
Net assets released from restrictions:			
Satisfaction of program restrictions	47,826	(47,826)	-
	<u>2,596,045</u>	<u>(1,480)</u>	<u>2,594,565</u>
<b>Expenses</b>			
Program services			
Northern Virginia Regional Partnership Contribution	13,236	-	13,236
BRAC National Emergency Grant	678,596	-	678,596
Northern Virginia Career Assistance Loan Program	2,172	-	2,172
Virginia Department of Corrections	137,685	-	137,685
Workforce Investment Act:			
Dislocated worker	485,596	-	485,596
Adult program	478,350	-	478,350
Youth program	255,435	-	255,435
Local incentive	48,684	-	48,684
Project E.Y.E.	46,271	-	46,271
Pre-release Employment Center Grant	94,557	-	94,557
Herb Block Foundation Grant	15,787	-	15,787
ARRA Youth	24,228	-	24,228
ARRA Adult	45,089	-	45,089
ARRA Dislocated Worker	30,348	-	30,348
Gannett Foundation	2,293	-	2,293
Computer Literacy Training	7,610	-	7,610
NOVA Gate	76,182	-	76,182
	<u>2,442,119</u>	<u>-</u>	<u>2,442,119</u>
Supporting Services			
Management and general	155,616	-	155,616
Fundraising	8,509	-	8,509
	<u>2,606,244</u>	<u>-</u>	<u>2,606,244</u>
<b>Change in net assets</b>	(10,199)	(1,480)	(11,679)
<b>Net assets - beginning of year</b>	<u>511,099</u>	<u>43,912</u>	<u>555,011</u>
<b>Net assets - end of year</b>	<u>\$ 500,900</u>	<u>\$ 42,432</u>	<u>\$ 543,332</u>

*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>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 8,985	\$ (11,679)
Adjustments to reconcile net cash from operating activities:		
Depreciation	475	1,329
Loss on disposal of property and equipment	-	61
Change in:		
Accounts receivable	(32,419)	14,561
Grants receivable	110,283	(286,226)
Prepaid expenses	(12,057)	17,681
Accounts payable	144,725	271,718
Accrued expenses	4,051	2,265
Deferred revenue	1,395	(3,080)
Funds held for others	(399,051)	317,714
<b>Net cash from operating activities</b>	<b>(173,613)</b>	<b>324,344</b>
<b>Cash flows from investing activities</b>		
Change in restricted cash	2,124	1,480
Purchase and redemption of investments	200,000	(200,000)
<b>Net cash from investing activities</b>	<b>202,124</b>	<b>(198,520)</b>
<b>Net change in cash and cash equivalents</b>	<b>28,511</b>	<b>125,824</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>813,697</b>	<b>687,873</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 842,208</b>	<b>\$ 813,697</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, 2010 and 2009**

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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 Corporation 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. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Corporation and/or the passage of time.

##### **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 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.

##### **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 Assistance Loan Program and are held in a separate account. See note 3 for additional information.

## **Investments**

Investments consist of certificates of deposit. Investments are recorded at market value. Interest is recorded as unrestricted or temporarily restricted revenues.

## **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 a 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 for Others**

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. The Corporation has no control over the decision making process for NoVaHealthFORCE. Revenue and expenses for NoVaHealthFORCE are not reported in the Corporation's statement of activities. Activity for 2010 was as follows:

Beginning funds held for others	\$	611,894
Contributions received		604,838
Disbursements made on behalf of NoVaHealthFORCE		<u>(1,003,889)</u>
Remaining funds held for others	\$	<u>212,843</u>

## **Advertising Costs**

The Corporation expenses advertising costs as they are incurred. There was no advertising and promotion expense for 2010. Advertising and promotion expense was \$1,969 for 2009.

## **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.

## Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 8, 2010, the date the financial statements were available to be issued.

### 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Northern Virginia Career Assistance Loan Program	\$ 40,308	\$ 42,432

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.

### 4. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The net assets released from restrictions during 2010 and 2009 were \$48,681 and \$47,826, respectively.

### 5. Fair Value

Accounting Standards Codification (ASC) 820 provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Corporation had no investments at June 30, 2010. At June 30, 2009, the Corporation had \$200,000 in a certificate of deposit, which is a level 2 investment. The certificates of deposit are valued at carrying value, plus accrued interest which approximates fair value.

### 6. Leases

The Corporation has two lease agreements for office space. The first lease is an annual lease renewed each year. Total annual payments per the annual lease agreement were \$24,120 for 2010 and 2009. In 2010, the Corporation entered into an additional lease for space in Woodbridge, Virginia with a term of ten years with rent starting at \$17,562 per month with an annual increase of 2.5%. The Corporation also entered into a sublease agreement in which about 88% of the newly leased space will be subleased to other parties over a term of ten years at 104% of the rent under the lease agreement which initially is \$16,066 per month. The sublease agreement also establishes an additional fee for operating expenses of 88% of the operating expenses incurred by the Corporation for the entire leased premises. Rental income for 2010 was \$104,779.

Total rent expense under these leases for 2010 and 2009 was \$107,533 and \$24,120, respectively.

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

2011	\$	241,498
2012		218,713
2013		224,181
2014		229,785
2015		235,530
Thereafter		<u>1,268,972</u>
	\$	<u>2,418,679</u>

#### **7. 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 2010 and 2009 was 89% and 92% of total revenues, respectively.

#### **8. Concentration of Credit Risk**

At June 30, 2010 the Corporation had bank deposits of \$658,140 in excess of the federal insured limit. There were no funds over the federal insured limit as of June 30, 2009. The Corporation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **9. Pension Plan**

The Corporation sponsors a defined contribution tax deferred 401(k) pension plan. All full-time 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 2010 and 2009, the pension plan expense was \$35,471 and \$28,456, respectively.

#### **9. Grant Revenue**

The Corporation receives a significant portion of its support under grants which are funded by the federal government. These grants may be audited by the federal government and the ultimate determination of allowable costs is determined by such audits.

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*Supplementary Information*

*The SkillSource Group, Inc.*

*Schedule of Expenditures of Federal Awards*

Year Ended June 30,		2010
Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA or Other Identifying Number	Federal Expenditures
<b>U.S. Department of Labor direct programs:</b>		
Employment programs for people with disabilities	17.720	\$ 63,096
<b>Pass-through program cluster from: Virginia Community College System</b>		
WIA dislocated workers	17.260	1,368,474
ARRA dislocated workers	17.260	579,489
WIA adult program	17.258	584,227
ARRA adult program	17.258	278,309
WIA youth activities	17.259	260,990
ARRA youth activities	17.259	213,474
<b>Total Virginia Community College System</b>		<b>3,284,963</b>
<b>Total U.S. Department of Labor</b>		<b>3,348,059</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 3,348,059</b>

*The SkillSource Group, Inc.*

*Notes to the Schedule of Expenditures of Federal Awards*

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June 30, 2010

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of *The SkillSource Group, Inc.* under programs of the federal government for the year ended June 30, 2010. 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*. Because the schedule presents only a selected portion of the operations of *The SkillSource Group, Inc.*, it is not intended to and does not present the financial position, changes in net assets, or cash flows of *The SkillSource Group, Inc.*

**2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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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***

Board of Directors  
***The SkillSource Group, Inc.***

We have audited the financial statements of ***The SkillSource Group, Inc.*** (a not-for-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. 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 entity's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

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our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of *The SkillSource Group, Inc.* in a separate letter dated November 8, 2010.

This report is intended solely for the information and use of management, the Finance Committee, the Audit Committee, Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Goodman & Company, LLP*

Rockville, Maryland  
November 8, 2010



***Report of Independent Auditors on Compliance with Requirements  
that Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133***

Board of Directors  
***The SkillSource Group, Inc.***

***Compliance***

We have audited the compliance of ***The SkillSource Group, Inc.*** (a not-for-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ***The SkillSource Group, Inc.***'s major federal programs for the year ended June 30, 2010. ***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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

***Internal Control Over Compliance***

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test

and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Finance Committee, the Audit Committee, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Goodman & Company, LLP*

Rockville, Maryland  
November 8, 2010

*The SkillSource Group, Inc.*  
*Schedule of Findings and Questioned Costs*  
*Year Ended June 30, 2010*

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 ☒ No

☐ Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

Internal control over major programs:

☐ Material weakness(es) identified? ☐ Yes ☒ No

☐ Significant deficiency(ies) identified? ☐ Yes ☒ 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 OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

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

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, 2010***

There were no prior year audit findings.

*The SkillSource Group, Inc.*  
*Corrective Action Plan*  
*Year Ended June 30, 2010*

There are no current audit findings.