Financial Statements
Years Ended
June 30, 2008 and 2007

The SkillSource Group, Inc.

Goodman
& COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

The SkillSource Group, Inc.

Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

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Report of Independent Auditors

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, 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. 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 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.

Goodman & Company, LLP

Rockville, Maryland
October 31, 2008

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The SkillSource Group, Inc.

Statements of Financial Position

June 30,	2008	2007
Assets		
Current assets		
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
Total current assets	1,155,726	1,159,158
Property and equipment - net	2,278	1,878
	$ 1,158,004	$ 1,161,036
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 283,813	$ 223,537
Deferred revenue	25,000	20,000
Funds held in trust	294,180	217,601
Total current liabilities	602,993	461,138
Net assets		
Unrestricted	511,099	513,747
Temporarily restricted	43,912	186,151
Total net assets	555,011	699,898
	$ 1,158,004	$ 1,161,036

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

The SkillSource Group, Inc.

Statement of Activities

Year Ended June 30, 2008

	Unrestricted Funds	Temporarily Restricted Funds	Total 2008
Revenue, support and other changes			
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)	-
	1,927,048	(142,239)	1,784,809
Expenses			
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
	1,754,448	-	1,754,448
Supporting Services			
Management and general	117,950	-	117,950
Fundraising	57,298	-	57,298
	1,929,696	-	1,929,696
Change in net assets	(2,648)	(142,239)	(144,887)
Net assets - beginning of year	513,747	186,151	699,898
Net assets - end of year	$ 511,099	$ 43,912	$ 555,011

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

The SkillSource Group, Inc.

Statement of Activities

Year Ended June 30, 2007

	Unrestricted Funds	Temporarily Restricted Funds	Total 2007
Revenue, support and other changes			
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)	-
	2,423,233	2,737	2,425,970
Expenses			
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
	2,226,793	-	2,226,793
Supporting Services			
Management and general	131,190	-	131,190
Fundraising	34,044	-	34,044
	2,392,027	-	2,392,027
Change in net assets	31,206	2,737	33,943
Net assets - beginning of year	482,541	183,414	665,955
Net assets - end of year	$ 513,747	$ 186,151	$ 699,898

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

The SkillSource Group, Inc.

Statements of Cash Flows

Years Ended June 30,	**2008**	**2007**
Cash flows from operating activities		
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
Net cash from operating activities	18,354	235,746
Cash flows from investing activities		
Change in restricted cash	142,239	(7,737)
Purchase of property and equipment	(1,424)	-
Net cash from investing activities	140,815	(7,737)
Net change in cash and cash equivalents	159,169	228,009
Cash and cash equivalents - beginning of year	528,704	300,695
Cash and cash equivalents - end of year	$ 687,873	$ 528,704

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

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:

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

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:

		2008		2007
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	$	24,120

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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