



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2019

THE SKILLSOURCE GROUP, INC.

CONTENTS

| | PAGE NO. |
|--|-----------------|
| I. Financial Section | |
| Financial Statements, for the Year Ended June 30, 2019, with Summarized Financial Information for 2018, Including the Schedules of Expenditures of Federal Awards and Findings and Questioned Costs | I-(1 - 22) |
| II. Report 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 | II-(1 - 2) |
| III. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> | III-(1 - 2) |

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

THE SKILLSOURCE GROUP, INC.

CONTENTS

| | PAGE NO. |
|--|-----------------|
| INDEPENDENT AUDITOR'S REPORT | I-(3 - 4) |
| EXHIBIT A - Statement of Financial Position, as of June 30, 2019, with Summarized Financial Information for 2018 | I-5 |
| EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2019, with Summarized Financial Information for 2018 | I-6 |
| EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2019, with Summarized Financial Information for 2018 | I-7 |
| EXHIBIT D - Statement of Cash Flows, for the Year Ended June 30, 2019, with Summarized Financial Information for 2018 | I-8 |
| NOTES TO FINANCIAL STATEMENTS | I-(9 - 14) |
| SUPPLEMENTAL INFORMATION | |
| SCHEDULE 1 - Schedule of Grants, Awards and Activities, for the Year Ended June 30, 2019 | I-(15 - 17) |
| SCHEDULE 2 - Schedule of Expenditures of Federal Awards, for the Year Ended June 30, 2019 | I-(18 - 20) |
| SCHEDULE 3 - Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2019 | I-(21 - 22) |



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The SkillSource Group, Inc.
Vienna, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The SkillSource Group, Inc. (SkillSource), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to 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 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 SkillSource as of June 30, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRF CPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited SkillSource's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Grants, Awards, and Activities on pages I-(15 - 17) are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards on pages I-(18 - 20), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of SkillSource'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 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 SkillSource's internal control over financial reporting and compliance.



October 2, 2019

THE SKILLSOURCE GROUP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

| ASSETS | | 2019 | 2018 |
|---|----|----------------------------|----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 404,309 | \$ 548,086 |
| Cash and cash equivalents - funds held for others | | 242,934 | 166,352 |
| Grants receivable | | 901,210 | 1,123,858 |
| Prepaid expenses | | <u>33,898</u> | <u>65,212</u> |
| Total current assets | | <u>1,582,351</u> | <u>1,903,508</u> |
| FIXED ASSETS | | | |
| Equipment | | 32,099 | 32,099 |
| Leasehold improvements | | <u>29,782</u> | <u>29,782</u> |
| | | 61,881 | 61,881 |
| Less: Accumulated depreciation and amortization | | <u>(41,752)</u> | <u>(33,282)</u> |
| Net fixed assets | | <u>20,129</u> | <u>28,599</u> |
| OTHER ASSETS | | | |
| Security deposits | | <u>10,787</u> | <u>10,787</u> |
| TOTAL ASSETS | | <u>\$ 1,613,267</u> | <u>\$ 1,942,894</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ | 481,268 | \$ 933,578 |
| Deferred revenue | | 16,615 | 19,268 |
| Funds held for others | | <u>242,934</u> | <u>166,352</u> |
| Total current liabilities | | <u>740,817</u> | <u>1,119,198</u> |
| NET ASSETS | | | |
| Without donor restrictions | | 751,850 | 767,242 |
| With donor restrictions | | <u>120,600</u> | <u>56,454</u> |
| Total net assets | | <u>872,450</u> | <u>823,696</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 1,613,267</u> | <u>\$ 1,942,894</u> |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

| | 2019 | | | 2018 |
|--|----------------------------------|----------------------------|--------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Federal grants | \$ 4,693,616 | \$ - | \$ 4,693,616 | \$ 5,070,005 |
| Rental income | 669,376 | - | 669,376 | 515,003 |
| Non-Federal grants and contracts | 364,337 | 235,285 | 599,622 | 510,296 |
| Contributions | 382 | - | 382 | 14,089 |
| Interest income | 3,928 | - | 3,928 | 5,030 |
| Net assets released from donor restrictions | <u>171,139</u> | <u>(171,139)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>5,902,778</u> | <u>64,146</u> | <u>5,966,924</u> | <u>6,114,423</u> |
| EXPENSES | | | | |
| Program Services | <u>5,489,414</u> | <u>-</u> | <u>5,489,414</u> | <u>5,806,865</u> |
| Supporting Services: | | | | |
| Management and General | 424,183 | - | 424,183 | 392,400 |
| Fundraising | <u>4,573</u> | <u>-</u> | <u>4,573</u> | <u>40,395</u> |
| Total supporting services | <u>428,756</u> | <u>-</u> | <u>428,756</u> | <u>432,795</u> |
| Total expenses | <u>5,918,170</u> | <u>-</u> | <u>5,918,170</u> | <u>6,239,660</u> |
| Change in net assets | (15,392) | 64,146 | 48,754 | (125,237) |
| Net assets at beginning of year | <u>767,242</u> | <u>56,454</u> | <u>823,696</u> | <u>948,933</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 751,850</u> | <u>\$ 120,600</u> | <u>\$ 872,450</u> | <u>\$ 823,696</u> |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

| | 2019 | | | 2018 | | |
|----------------------------------|---------------------|---------------------------|-----------------|-------------------|---------------------|---------------------------------|
| | Supporting Services | | | Total Expenses | Total Expenses | |
| | Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Personnel | \$ 3,277,691 | \$ 264,573 | \$ - | \$ 264,573 | \$ 3,542,264 | \$ 3,942,740 |
| Customer training and services | 1,413,634 | 6 | - | 6 | 1,413,640 | 1,487,179 |
| Depreciation and amortization | 8,470 | - | - | - | 8,470 | 6,807 |
| Facilities supplies and services | 517,526 | 20,350 | - | 20,350 | 537,876 | 411,090 |
| Insurance | 2,223 | 21,355 | - | 21,355 | 23,578 | 14,820 |
| Office supplies and services | 92,008 | 8,393 | 460 | 8,853 | 100,861 | 85,272 |
| Outreach and communication | 61,424 | 12,868 | 2,500 | 15,368 | 76,792 | 103,739 |
| Professional services | 68,249 | 96,373 | 1,613 | 97,986 | 166,235 | 156,396 |
| Travel, meetings and conferences | 28,840 | 103 | - | 103 | 28,943 | 28,686 |
| Other | 19,349 | 162 | - | 162 | 19,511 | 2,931 |
| TOTAL | \$ 5,489,414 | \$ 424,183 | \$ 4,573 | \$ 428,756 | \$ 5,918,170 | \$ 6,239,660 |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 48,754 | \$ (125,237) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 8,470 | 6,807 |
| Decrease (increase) in: | | |
| Grants receivable | 222,648 | (24,129) |
| Prepaid expenses | 31,314 | (31,855) |
| Security deposits | - | (10,787) |
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | (452,310) | 144,520 |
| Deferred revenue | (2,653) | (10,319) |
| Funds held for others | <u>76,582</u> | <u>(150,649)</u> |
| Net cash used by operating activities | <u>(67,195)</u> | <u>(201,649)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed assets | <u>-</u> | <u>(20,621)</u> |
| Net cash used by investing activities | <u>-</u> | <u>(20,621)</u> |
| Net decrease in cash and cash equivalents | (67,195) | (222,270) |
| Cash and cash equivalents at beginning of year | <u>714,438</u> | <u>936,708</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 647,243</u> | <u>\$ 714,438</u> |

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The SkillSource Group, Inc. (SkillSource) is a non-profit organization, incorporated in the State of Virginia and located in Vienna, Virginia. SkillSource was organized to support the workforce and economic development policies and programs determined by the Northern Virginia Workforce Development Board (NVWDB) and to promote and implement NVWDB activities in the Northern Virginia region. SkillSource was established in March 2002 and began operations in January 2003.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SkillSource's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Cash and cash equivalents -

SkillSource considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, SkillSource maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Funds held for others -

SkillSource has an agreement with the Northern Virginia Health Care Work Force Alliance (NoVaHealthFORCE) to act as its fiscal agent. SkillSource receives funds and makes disbursements on behalf of NoVaHealthFORCE. SkillSource has no control over the decision making process for NoVaHealthFORCE disbursements and accordingly, these funds are considered restricted cash, with a corresponding agency liability in the accompanying financial statements.

Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost, and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2019 totaled \$8,470.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

SkillSource is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. SkillSource is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2019, SkillSource has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

Deferred revenue consists of program fees. SkillSource recognizes revenue when the related activity has occurred.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions." Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Revenue received that is restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted revenue is reported as increases in "net assets with donor restrictions," depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Revenue recognition -

SkillSource receives funding under grants from the Federal government as well as from the Commonwealth of Virginia for direct and indirect program costs.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue recognition (continued) -

This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are recorded as revenue without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of SkillSource are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

New accounting pronouncements (not yet adopted) -

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. SkillSource has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. SkillSource has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

SkillSource plans to adopt the new ASUs at the required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$767,242 are now classified as net assets without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$56,454 are now classified as net assets with donor restrictions.

2. **LINE OF CREDIT**

SkillSource has a \$100,000 line of credit, which matures March 10, 2020. Amounts borrowed under this agreement bear interest at 5.25%. The line of credit is secured by all business assets of SkillSource and also contains various restrictive and finance covenants, including a minimum debt service ratio requirement and a limitation on the incurrence of additional debt. As of June 30, 2019, there were no outstanding borrowings on the line of credit.

3. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2019:

| | |
|---|--------------------------|
| Community Foundation (NVITE) | \$ 43,096 |
| United Way Financial Education Center | <u>77,504</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 120,600</u> |

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

| | |
|--|--------------------------|
| Metropolitan Washington Council of Governments | \$ 1,453 |
| Consolidated Community Funding Pool | 85,286 |
| Community Foundation (NVITE) | 6,904 |
| Herb Block Foundation | 5,000 |
| United Way Financial Education Center | <u>72,496</u> |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | \$ <u>171,139</u> |

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 404,309 |
| Grants receivable | <u>901,210</u> |
| Subtotal financial assets available within one year | 1,305,519 |
| Less: Donor restricted funds | <u>(120,600)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | \$ <u>1,184,919</u> |

The SkillSource has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, SkillSource has financial assets equal to approximately two months of operating expenses. In addition, SkillSource has a line of credit agreement (as further discussed in Note 2) which allows for additional available borrowings up to \$100,000.

5. LEASE COMMITMENTS

SkillSource leases office space through three separate leasing arrangements. The first lease is an annual lease that is renewed each year. Base rent is \$37,072 per year. The second lease is for additional office space under a fourteen-year agreement in Woodbridge, Virginia, which originated in January 2010. Base rent is \$205,976 per year, increasing by a factor of 2.5% per year. The third lease is for office space under a 126-month agreement in Alexandria, Virginia, which originated in October 2017. Base rent is \$129,444 per year, increasing by a factor of 2.75% per year.

The following is a schedule of the future minimum lease payments:

Year Ending June 30,

| | |
|------------|----------------------------|
| 2020 | \$ 412,779 |
| 2021 | 404,877 |
| 2022 | 415,343 |
| 2023 | 426,081 |
| 2024 | 437,097 |
| Thereafter | <u>814,537</u> |
| | \$ <u>2,910,714</u> |

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

5. LEASE COMMITMENTS (Continued)

Rent expense for the year ended June 30, 2019 was \$428,858.

SkillSource subleases a portion of its office spaces in Woodbridge and Alexandria, Virginia, whereby approximately 90% of the leased space in Woodbridge and Alexandria were subleased to several organizations. The subleases include annual rental escalations of 2.5% and expire in 2020.

The following is a schedule of the future minimum rental income:

| | |
|---------------------------------|--------------------------|
| Year Ended June 30, 2020 | \$ <u>355,206</u> |
|---------------------------------|--------------------------|

Rental income for the year ended June 30, 2019 was \$669,376.

6. RETIREMENT PLAN

SkillSource provides a defined contribution tax-deferred 401(k) pension plan (the Plan). All employees are eligible to participate in the Plan and are fully vested upon their employment. SkillSource contributes 3% of gross salaries, plus a discretionary contribution, and matches up to \$520 of employee deferrals. Contributions to the Plan during the year ended June 30, 2019 totaled \$136,502.

7. CONCENTRATION OF REVENUE

For the year ended June 30, 2019, approximately 60% of SkillSource's revenue was derived from grants awarded by the U.S. Department of Labor (DOL) under the Workforce Innovation and Opportunity Act (WIOA) and 69% of the total revenue came from DOL.

SkillSource has no reason to believe that its relationship with DOL will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect SkillSource's ability to finance ongoing operations.

8. CONTINGENCY

SkillSource receives grants from various agencies of the United States Government. Beginning for fiscal year ended June 30, 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

9. SUBSEQUENT EVENTS

In preparing these financial statements, SkillSource has evaluated events and transactions for potential recognition or disclosure through October 2, 2019, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| | Pass-Through | | | | | |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|-----------------|
| | Total | Indirect Costs | VCCS WIOA* | VCCS WIF* | Bay Consortium | NCOA SCSEP* |
| Personnel Expenses: | | | | | | |
| SkillSource salaries and wages | \$ 1,348,971 | \$ 145,991 | \$ 250,242 | \$ 73,864 | \$ 49,000 | \$ - |
| SkillSource fringe benefits | 439,782 | 36,348 | 66,544 | 36,417 | 29,400 | - |
| SkillSource total compensation | 1,788,753 | 182,339 | 316,786 | 110,281 | 78,400 | - |
| One-Stop operator wages | 1,161,949 | - | 1,149,375 | - | - | 8,344 |
| One-Stop operator fringe benefits | 591,562 | - | 590,535 | - | - | - |
| One-Stop operator compensation | 1,753,511 | - | 1,739,910 | - | - | 8,344 |
| Total Personnel Expenses | 3,542,264 | 182,339 | 2,056,696 | 110,281 | 78,400 | 8,344 |
| Non-Personnel Expenses: | | | | | | |
| Customer training and services | 1,413,640 | 5 | 1,101,323 | 27,347 | 67,304 | - |
| Depreciation | 8,470 | - | - | - | - | - |
| Facilities supplies and services | 537,876 | 31,767 | 2,996 | 15,795 | 8,173 | - |
| Insurance | 23,578 | 21,709 | - | - | - | - |
| Office supplies and services | 100,861 | 14,270 | 18,785 | 1,093 | 2,957 | - |
| Outreach and communication | 76,792 | 23,301 | 3,442 | 1,198 | 3,856 | 27 |
| Professional services | 166,235 | 105,064 | 11,881 | 290 | 140 | - |
| Travel, meetings and conferences | 28,943 | 289 | 5,148 | 1,945 | 921 | - |
| Other | 19,511 | 350 | 51 | 2,525 | - | - |
| Total Non-Personnel Expenses | 2,375,906 | 196,755 | 1,143,626 | 50,193 | 83,351 | 27 |
| Total expenses before indirect costs | 5,918,170 | 379,094 | 3,200,322 | 160,474 | 161,751 | 8,371 |
| Allocation of indirect costs | - | (379,094) | 231,861 | 12,433 | 9,259 | 941 |
| Total Expenses per Financial Statements | \$ 5,918,170 | \$ - | \$ 3,432,183 | \$ 172,907 | \$ 171,010 | \$ 9,312 |

* **VCCS WIOA** - Virginia Community College System Workforce Innovation and Opportunity Act

* **VCCS WIF** - Virginia Community College System Workforce Innovation Fund, Virginia Families Success Network

* **NCOA SCSEP** - National Council on Aging Senior Community Service Employment Program

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| | Pass-Through (continued) | | | | | |
|--|--------------------------|----------------------|---------------------|-------------------|------------------|------------------------|
| | US DOT MWCOG* | US HHS TANF/ESLA* | US HHS TOGETHER* | US DOL DEI* | US DOE CPID* | Total Pass- through |
| Personnel Expenses: | | | | | | |
| SkillSource salaries and wages | \$ 38,531 | \$ 250,635 | \$ 79 | \$ 134,148 | \$ 37,338 | \$ 833,837 |
| SkillSource fringe benefits | 8,432 | 85,548 | 41 | 68,652 | 10,550 | 305,584 |
| SkillSource total compensation | 46,963 | 336,183 | 120 | 202,800 | 47,888 | 1,139,421 |
| One-Stop operator wages | - | - | 3,570 | - | - | 1,161,289 |
| One-Stop operator fringe benefits | - | - | 977 | - | - | 591,512 |
| One-Stop operator compensation | - | - | 4,547 | - | - | 1,752,801 |
| Total Personnel Expenses | 46,963 | 336,183 | 4,667 | 202,800 | 47,888 | 2,892,222 |
| Non-Personnel Expenses: | | | | | | |
| Customer training and services | 6,614 | 116,141 | - | 22,575 | - | 1,341,304 |
| Depreciation | - | - | - | - | - | - |
| Facilities supplies and services | - | 17,305 | - | 6,213 | - | 50,482 |
| Insurance | 1,869 | - | - | - | - | 1,869 |
| Office supplies and services | - | 3,292 | - | 2,009 | 909 | 29,045 |
| Outreach and communication | 17 | 3,986 | - | 2,200 | - | 14,726 |
| Professional services | - | 120 | - | - | - | 12,431 |
| Travel, meetings and conferences | - | 5,165 | - | 5,523 | 18 | 18,720 |
| Other | - | 758 | - | 4,253 | 307 | 7,894 |
| Total Non-Personnel Expenses | 8,500 | 146,767 | - | 42,773 | 1,234 | 1,476,471 |
| Total expenses before indirect costs | 55,463 | 482,950 | 4,667 | 245,573 | 49,122 | 4,368,693 |
| Allocation of indirect costs | 5,294 | 36,365 | 508 | 22,863 | 5,399 | 324,923 |
| Total Expenses per Financial Statements | \$ 60,757 | \$ 519,315 | \$ 5,175 | \$ 268,436 | \$ 54,521 | \$ 4,693,616 |

* **MWCOG** - Metropolitan Washington Council of Governments

* **TANF** - Employment for Temporary Assistance for Needy Families

* **ESLA** - Employment Supports for Lifelong Achievement

* **TOGETHER** - A Couples' Model to Enhance Relationship and Economic Stability

* **DEI** - Disability Employment Initiative

* **CPID** - Career Pathways for Individuals with Disabilities

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| | Non-Federal Awards and Activities | | | | |
|--|-----------------------------------|------------------|------------------------------|---------------------------------|-----------------|
| | EYE* | CCFP* | Other Awards and Programs | Total Non- Federal Awards | Fundraising |
| Personnel Expenses: | | | | | |
| SkillSource salaries and wages | \$ 52,354 | \$ 52,232 | \$ 264,557 | \$ 369,143 | \$ - |
| SkillSource fringe benefits | 6,065 | 11,036 | 80,749 | 97,850 | - |
| SkillSource total compensation | 58,419 | 63,268 | 345,306 | 466,993 | - |
| One-Stop operator wages | 660 | - | - | 660 | - |
| One-Stop operator fringe benefits | 50 | - | - | 50 | - |
| One-Stop operator compensation | 710 | - | - | 710 | - |
| Total Personnel Expenses | 59,129 | 63,268 | 345,306 | 467,703 | - |
| Non-Personnel Expenses: | | | | | |
| Customer training and services | 2,343 | 8,684 | 61,304 | 72,331 | - |
| Depreciation | - | - | 8,470 | 8,470 | - |
| Facilities supplies and services | - | - | 455,627 | 455,627 | - |
| Insurance | - | - | - | - | - |
| Office supplies and services | 451 | 459 | 56,176 | 57,086 | 460 |
| Outreach and communication | 705 | 3,765 | 31,795 | 36,265 | 2,500 |
| Professional services | 3,540 | 1,045 | 42,542 | 47,127 | 1,613 |
| Travel, meetings and conferences | 3,763 | 1,569 | 4,602 | 9,934 | - |
| Other | - | - | 11,267 | 11,267 | - |
| Total Non-Personnel Expenses | 10,802 | 15,522 | 671,783 | 698,107 | 4,573 |
| Total expenses before indirect costs | 69,931 | 78,790 | 1,017,089 | 1,165,810 | 4,573 |
| Allocation of indirect costs | 6,666 | 7,133 | 40,374 | 54,173 | - |
| Total Expenses per Financial Statements | \$ 76,597 | \$ 85,923 | \$ 1,057,463 | \$ 1,219,983 | \$ 4,573 |

* EYE - Educating Youth through Employment

* CCFP - Consolidated Community Funding Pool

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Pass-Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|---|----------------------------|---|--------------------------------------|-----------------------------------|
| U.S. Department of Labor (DOL) | | | | |
| Workforce Innovation and Opportunity Act Cluster: | | | | |
| Pass-through from Virginia Community College System: | | | | |
| Dislocated Worker Formula Grants | 17.278 | LWDA 11-18-04 | \$ 716,328 | \$ 891,569 |
| Dislocated Worker Formula Grants | 17.278 | LWDA 11-17-04 | <u>300,559</u> | <u>456,543</u> |
| Sub-total CFDA 17.278 | | | <u>1,016,887</u> | <u>1,348,112</u> |
| Youth Activities | 17.259 | LWDA 11-17-04 | 266,948 | 310,945 |
| Youth Activities | 17.259 | LWDA 11-18-04 | 664,530 | 808,212 |
| Youth Activities | 17.259 | N/A | <u>-</u> | <u>171,010</u> |
| Sub-total CFDA 17.259 | | | <u>931,478</u> | <u>1,290,167</u> |
| Adult Program | 17.258 | LWDA 11-18-04 | 724,606 | 940,383 |
| Dislocated Worker National Reserve Technical Assistance and Training | 17.281 | LWDA-11-17-01-VCW | <u>-</u> | <u>24,531</u> |
| Sub-total Workforce Innovation and Opportunity Act Cluster | | | <u>2,672,971</u> | <u>3,603,193</u> |
| Pass-through from National Council on Aging: Senior Community Service Employment Program | 17.235 | REQ-001622 | 8,344 | 9,312 |
| Pass-through from Virginia Department for Aging and Rehabilitative Services: Employment Service/Wagner-Peyser Funded Activities | 17.207 | A262-78821 | - | 268,436 |
| Pass-through from Virginia Community College System: Workforce Innovation Fund | 17.283 | LWIA 11-MOU 1 2015 | <u>-</u> | <u>172,907</u> |
| Total U.S. Department of Labor (DOL) | | | <u>2,681,315</u> | <u>4,053,848</u> |

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Pass-Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|--|----------------------------|---|--------------------------------------|-----------------------------------|
| U.S. Department of Health and Human Services (DHHS): | | | | |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-16-047-023 | \$ - | \$ 278,541 |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-17-056-16 | - | 192,483 |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-19-024-18 | - | 48,291 |
| Sub-total CFDA 93.558 | | | - | 519,315 |
| Pass-through from Virginia Polytechnic Institute and State University: Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | 90FM0077-01-00 | - | 5,175 |
| Total U.S. Department of Health and Human Services (DHHS) | | | - | 524,490 |
| U.S. Department of Education (DOE): | | | | |
| Pass-through from Virginia Department for Aging and Rehabilitative Services: Rehabilitation Services Demonstration and Training Programs | 84.235 | A262-77305 | - | 54,521 |
| Total U.S. Department of Education (DOE) | | | - | 54,521 |
| U.S. Department of Transportation (DOT): | | | | |
| Pass-through from Metropolitan Washington Council of Governments: Job Access And Reverse Commute Program | 20.516 | 17-033 | - | 60,757 |
| Total U.S. Department of Transportation (DOT) | | | - | 60,757 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 2,681,315 | \$ 4,693,616 |

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of SkillSource under programs of the Federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of SkillSource, it is not intended to and does not present the financial position, changes in net assets or cash flows of SkillSource.

Note 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. SkillSource has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

5). Type of auditor's report issued on compliance for major federal programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7). Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------------|--|
| 17.278, 17.258, 17.259, 17.281 | Workforce Innovation and Opportunity Act Cluster |

8). Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9). Auditee qualified as a low-risk auditee? Yes No

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.



CPAs & ADVISORS

REPORT 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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The SkillSource Group, Inc.
Vienna, Virginia

We have audited, in accordance with the 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, the financial statements of The SkillSource Group, Inc. (SkillSource) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise SkillSource's basic financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SkillSource's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SkillSource's internal control. Accordingly, we do not express an opinion on the effectiveness of SkillSource's internal control.

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 SkillSource's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SkillSource's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

October 2, 2019



CPAs & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The SkillSource Group, Inc.
Vienna, Virginia

Report on Compliance for Each Major Federal Program

We have audited The SkillSource Group, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SkillSource's major federal programs for the year ended June 30, 2019. SkillSource's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SkillSource's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 SkillSource'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 on compliance for each major federal program. However, our audit does not provide a legal determination of SkillSource's compliance.

Opinion on Each Major Federal Program

In our opinion, SkillSource complied, in all material respects, with the types of 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, 2019.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Internal Control Over Compliance

Management of SkillSource is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SkillSource's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 SkillSource'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



October 2, 2019