



AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2020

THE SKILLSOURCE GROUP, INC.

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

THE SKILLSOURCE GROUP, INC.

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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, 2020, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited SkillSource's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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-(16 - 18) 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-(19 - 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 December 23, 2020 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.



December 23, 2020

THE SKILLSOURCE GROUP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	220,350	\$ 404,309
Cash and cash equivalents - funds held for others		245,933	242,934
Grants and accounts receivable		1,324,356	901,210
Prepaid expenses		<u>25,495</u>	<u>33,898</u>
Total current assets		<u>1,816,134</u>	<u>1,582,351</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>(45,584)</u>	<u>(41,752)</u>
Net fixed assets		<u>16,297</u>	<u>20,129</u>
OTHER ASSETS			
Security deposits		<u>10,787</u>	<u>10,787</u>
TOTAL ASSETS		<u>\$ 1,843,218</u>	<u>\$ 1,613,267</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	668,917	\$ 481,268
Deferred revenue		16,167	16,615
Funds held for others		<u>245,933</u>	<u>242,934</u>
Total liabilities		<u>931,017</u>	<u>740,817</u>
NET ASSETS			
Without donor restrictions		790,134	751,850
With donor restrictions		<u>122,067</u>	<u>120,600</u>
Total net assets		<u>912,201</u>	<u>872,450</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,843,218</u>	<u>\$ 1,613,267</u>

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Federal grants	\$ 4,796,009	\$ -	\$ 4,796,009	\$ 4,693,616
Rental income	683,165	-	683,165	669,376
Non-Federal grants and contracts	440,665	218,273	658,938	599,622
Contributions	10,344	-	10,344	382
Interest income	3,582	-	3,582	3,928
Net assets released from donor restrictions	<u>216,806</u>	<u>(216,806)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,150,571</u>	<u>1,467</u>	<u>6,152,038</u>	<u>5,966,924</u>
EXPENSES				
Program Services	<u>5,685,447</u>	<u>-</u>	<u>5,685,447</u>	<u>5,489,414</u>
Supporting Services:				
Management and General	421,486	-	421,486	424,183
Fundraising	<u>5,354</u>	<u>-</u>	<u>5,354</u>	<u>4,573</u>
Total supporting services	<u>426,840</u>	<u>-</u>	<u>426,840</u>	<u>428,756</u>
Total expenses	<u>6,112,287</u>	<u>-</u>	<u>6,112,287</u>	<u>5,918,170</u>
Change in net assets	38,284	1,467	39,751	48,754
Net assets at beginning of year	<u>751,850</u>	<u>120,600</u>	<u>872,450</u>	<u>823,696</u>
NET ASSETS AT END OF YEAR	<u>\$ 790,134</u>	<u>\$ 122,067</u>	<u>\$ 912,201</u>	<u>\$ 872,450</u>

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019		
	Program Services	Supporting Services		Total Supporting Services	Total Expenses	Total Expenses
		Management and General	Fundraising			
Personnel	\$ 3,093,322	\$ 239,698	\$ 1,823	\$ 241,521	\$ 3,334,843	\$ 3,542,264
Customer training and services	1,606,545	531	-	531	1,607,076	1,413,640
Depreciation and amortization	3,832	-	-	-	3,832	8,470
Facilities supplies and services	514,047	16,377	-	16,377	530,424	537,876
Insurance	3,313	16,434	-	16,434	19,747	23,578
Office supplies and services	53,401	8,148	400	8,548	61,949	100,861
Outreach and communication	72,186	6,352	3,105	9,457	81,643	76,792
Professional services	70,576	133,158	-	133,158	203,734	166,235
Travel, meetings and conferences	20,105	159	26	185	20,290	28,943
Professional development	9,795	629	-	629	10,424	-
Rapid response reimbursement - supplies	238,325	-	-	-	238,325	-
Other	-	-	-	-	-	19,511
TOTAL	\$ 5,685,447	\$ 421,486	\$ 5,354	\$ 426,840	\$ 6,112,287	\$ 5,918,170

See accompanying notes to financial statements.

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 39,751	\$ 48,754
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	3,832	8,470
(Increase) decrease in:		
Grants and accounts receivable	(423,146)	222,648
Prepaid expenses	8,403	31,314
Increase (decrease) in:		
Accounts payable and accrued expenses	187,649	(452,310)
Deferred revenue	(448)	(2,653)
Funds held for others	<u>2,999</u>	<u>76,582</u>
Net cash used by operating activities	<u>(180,960)</u>	<u>(67,195)</u>
Net decrease in cash and cash equivalents	(180,960)	(67,195)
Cash and cash equivalents at beginning of year	<u>647,243</u>	<u>714,438</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 466,283</u>	<u>\$ 647,243</u>

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 Virginia Career Works - Northern (VCWN) and to promote and implement VCWN 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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** - Contributions restricted by donors 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 contributions are 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2019, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2020, SkillSource early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way SkillSource recognized revenue; however, the presentation and disclosures of revenue have been enhanced. SkillSource has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

New accounting pronouncements adopted (continued) -

Also during 2020, SkillSource adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. SkillSource adopted the ASU using a modified prospective basis.

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 and accounts receivable -

Grants and accounts 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, 2020 totaled \$3,832.

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.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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, 2020, 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.

Revenue -

Grants, contracts and contributions -

The majority of SkillSource's activities are supported by grants and contracts with the U.S. Government and other private entities. These awards are for various activities performed by SkillSource. Contributions and grants are recognized in the appropriate category of net assets in the period received. The SkillSource performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have 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.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, SkillSource recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants and contracts treated as contributions, SkillSource had approximately \$2,233,813 in unrecognized conditional awards as of June 30, 2020.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Revenue (continued) -

Grants, contracts and contributions (continued) -

The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Rental income -

Rental income is is recognized as revenue over the lease period on a straight line basis.

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) -

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

SkillSource plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact SkillSource's operations. The overall potential impact is unknown at this time.

2. **LINE OF CREDIT**

SkillSource has a \$100,000 line of credit, which matures on demand. The next review will be on or before February 28, 2022. Amounts borrowed under this agreement bear interest at 4.25%. 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, 2020, 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, 2020:

Community Foundation (NVITE)	\$ 16,876
United Way Financial Education Center	<u>105,191</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 122,067</u>

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

Consolidated Community Funding Pool	\$ 68,273
Community Foundation (NVITE)	26,220
United Way Financial Education Center	<u>122,313</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 216,806</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	\$ 220,350
Grants and accounts receivable	<u>1,324,356</u>
Subtotal financial assets available within one year	1,544,706
Less: Donor restricted funds	<u>(122,067)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,422,639</u>

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. LIQUIDITY AND AVAILABILITY (Continued)

SkillSource has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020, 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 \$35,840 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:

<u>Year Ending June 30,</u>	
2021	\$ 441,101
2022	415,343
2023	426,081
2024	437,097
2025	299,241
Thereafter	<u>515,296</u>
	<u>\$ 2,534,159</u>

Rent expense for the year ended June 30, 2020 was \$423,838 and is included in the Statement of Functional Expenses as part of facilities supplies and services.

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 2021.

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

Year Ended June 30, 2021	<u>\$ 364,389</u>
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Rental income for the year ended June 30, 2020 was \$683,165.

6. RETIREMENT PLAN

SkillSource provides a defined contribution tax-deferred 401(k) pension plan (the Plan). All fulltime employees (no trainees) are eligible to participate in the Plan and are fully vested upon their fourth month of 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, 2020 totaled \$129,636.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

7. CONCENTRATION OF REVENUE

For the year ended June 30, 2020, approximately 54% 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 71% 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. 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 2020. 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 December 23, 2020, 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, 2020

	Total	Indirect Costs	Pass-Through			Bay Consortium
			VCCS WIOA	VCCS Rapid Response	Economic Equity	
Personnel Expenses:						
SkillSource salaries and wages	\$ 1,268,600	\$ 166,830	\$ 292,585	\$ -	\$ 21,936	\$ 56,954
SkillSource fringe benefits	391,736	41,375	73,597	-	5,043	38,172
SkillSource total compensation	1,660,336	208,205	366,182	-	26,979	95,126
One-Stop operator wages	1,115,359	-	1,024,167	-	16,840	-
One-Stop operator fringe benefits	559,148	-	522,029	-	6,038	-
One-Stop operator compensation	1,674,507	-	1,546,196	-	22,878	-
Total Personnel Expenses	3,334,843	208,205	1,912,378	-	49,857	95,126
Non-Personnel Expenses:						
Customer training and services	1,607,076	547	678,948	-	37	75,680
Depreciation and amortization	3,832	-	-	-	-	-
Facilities supplies and services	530,424	23,961	8,002	-	-	6,275
Insurance	19,747	17,294	-	-	-	-
Office supplies and services	61,949	13,866	6,784	-	4,262	292
Outreach and communication	81,643	10,202	7,751	-	1,106	2,541
Professional services	203,734	124,642	6,428	-	-	-
Travel, meetings and conferences	20,290	272	3,982	-	-	696
Professional development	10,424	1,510	70	-	-	-
Rapid response reimbursement - supplies	238,325	-	-	238,325	-	-
Total Non-Personnel Expenses	2,777,444	192,294	711,965	238,325	5,405	85,484
Total expenses before indirect costs	6,112,287	400,499	2,624,343	238,325	55,262	180,610
Allocation of indirect costs	-	(400,499)	236,087	-	6,270	11,744
TOTAL EXPENSES PER FINANCIAL STATEMENTS	\$ 6,112,287	\$ -	\$ 2,860,430	\$ 238,325	\$ 61,532	\$ 192,354

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Pass-Through (continued)						
	NCOA SCSEP	VEC Wagner- Peyser	VEC PPE	MWCOG	TANF/ESLA	DEI	Total Pass- Through
Personnel Expenses:							
SkillSource salaries and wages	\$ 5,700	\$ 1,243	\$ -	\$ 9,426	\$ 151,013	\$ 255,076	\$ 793,933
SkillSource fringe benefits	1,265	-	-	2,042	63,180	81,697	264,996
SkillSource total compensation	6,965	1,243	-	11,468	214,193	336,773	1,058,929
One-Stop operator wages	65,835	-	-	-	-	-	1,106,842
One-Stop operator fringe benefits	30,429	-	-	-	-	-	558,496
One-Stop operator compensation	96,264	-	-	-	-	-	1,665,338
Total Personnel Expenses	103,229	1,243	-	11,468	214,193	336,773	2,724,267
Non-Personnel Expenses:							
Customer training and services	450,518	-	-	1,519	116,133	37,273	1,360,108
Depreciation and amortization	-	-	-	-	-	-	-
Facilities supplies and services	-	-	-	-	13,598	-	27,875
Insurance	-	-	-	2,312	-	-	2,312
Office supplies and services	1,163	-	12,582	-	161	5,492	30,736
Outreach and communication	5,276	-	-	-	2,184	5,220	24,078
Professional services	19,128	1,900	-	-	-	-	27,456
Travel, meetings and conferences	-	-	-	-	3,077	7,751	15,506
Professional development	-	-	-	-	447	8,397	8,914
Rapid response reimbursement - supplies	-	-	-	-	-	-	238,325
Total Non-Personnel Expenses	476,085	1,900	12,582	3,831	135,600	64,133	1,735,310
Total expenses before indirect costs	579,314	3,143	12,582	15,299	349,793	400,906	4,459,577
Allocation of indirect costs	12,743	154	-	1,416	26,442	41,576	336,432
TOTAL EXPENSES PER FINANCIAL STATEMENTS	\$ 592,057	\$ 3,297	\$ 12,582	\$ 16,715	\$ 376,235	\$ 442,482	\$ 4,796,009

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Non-Federal Awards and Activities					
	EYE	CCFP	GO Virginia	Other Awards and Programs	Total Non-Federal Awards	Fundraising
Personnel Expenses:						
SkillSource salaries and wages	\$ 2,079	\$ 46,653	\$ 34,971	\$ 222,684	\$ 306,387	\$ 1,450
SkillSource fringe benefits	503	9,660	8,753	66,076	84,992	373
SkillSource total compensation	2,582	56,313	43,724	288,760	391,379	1,823
One-Stop operator wages	8,517	-	-	-	8,517	-
One-Stop operator fringe benefits	652	-	-	-	652	-
One-Stop operator compensation	9,169	-	-	-	9,169	-
Total Personnel Expenses	11,751	56,313	43,724	288,760	400,548	1,823
Non-Personnel Expenses:						
Customer training and services	55,753	-	10,001	180,667	246,421	-
Depreciation and amortization	-	-	-	3,832	3,832	-
Facilities supplies and services	-	-	-	478,588	478,588	-
Insurance	-	-	-	141	141	-
Office supplies and services	10	1,997	28	14,912	16,947	400
Outreach and communication	1,084	2,209	403	40,562	44,258	3,105
Professional services	2,680	880	-	48,076	51,636	-
Travel, meetings and conferences	2,225	-	88	2,173	4,486	26
Professional development	-	-	-	-	-	-
Rapid response reimbursement - supplies	-	-	-	-	-	-
Total Non-Personnel Expenses	61,752	5,086	10,520	768,951	846,309	3,531
Total expenses before indirect costs	73,503	61,399	54,244	1,057,711	1,246,857	5,354
Allocation of indirect costs	1,451	6,874	5,397	50,345	64,067	-
TOTAL EXPENSES PER FINANCIAL STATEMENTS	\$ 74,954	\$ 68,273	\$ 59,641	\$ 1,108,056	\$ 1,310,924	\$ 5,354

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
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 11-19-04	\$ 619,515	\$ 850,902
Dislocated Worker Formula Grants	17.278	LWDA 11-18-04	190,245	310,697
COVID-19 - Dislocated Worker Formula Grants	17.278	RR COVID 11-19-01	-	<u>238,325</u>
Sub-total CFDA 17.278			<u>809,760</u>	<u>1,399,924</u>
Youth Activities	17.259	LWDA 11-19-04	650,107	730,379
Youth Activities	17.259	LWDA 11-18-04	135,492	173,315
Youth Activities	17.259	N/A	-	<u>192,354</u>
Sub-total CFDA 17.259			<u>785,599</u>	<u>1,096,048</u>
Adult Program	17.258	LWDA 11-19-04	655,522	795,137
Adult Program	17.258	LWDA EEI 11-18-01	-	<u>61,532</u>
Sub-total CFDA 17.258			<u>655,522</u>	<u>856,669</u>
Sub-total Workforce Innovation and Opportunity Act Cluster			<u>2,250,881</u>	<u>3,352,641</u>
Pass-through from National Council on Aging: Senior Community Service Employment Program	17.235	REQ-001622	<u>106,137</u>	<u>592,057</u>
Pass-through from Virginia Department for Aging and Rehabilitative Services: Employment Service/Wagner-Peyser Funded Activities	17.207	A262-78821	-	442,482
Pass-through from Virginia Employment Commission: Employment Service/Wagner- Peyser Funded Activities	17.207	102500183	-	<u>3,297</u>
Sub-total CFDA 17.207			<u>-</u>	<u>445,779</u>
Total U.S. Department of Labor (DOL)			<u>2,357,018</u>	<u>4,390,477</u>

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<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	\$ -	\$ 77,615
Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families	93.558	BEN-19-024-18	-	92,455
Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families	93.558	BEN-17-056	<u>-</u>	<u>206,165</u>
Total U.S. Department of Health and Human Services (DHHS)			<u>-</u>	<u>376,235</u>
U.S. Department of Transportation (DOT):				
Pass-through from Metropolitan Washington Council of Governments: Job Access And Reverse Commute Program	20.516	17-033	<u>-</u>	<u>16,715</u>
Pass-through from Virginia Employment Commission: COVID-19 and the Virginia Career Works Centers Reopening Plan: Personal Protective Equipment, Hand Sanitizer, Sanitizing Offices, Protective Shields, and Associated Services	21.019	102500183	<u>-</u>	<u>12,582</u>
Total U.S. Department of Transportation (DOT)			<u>-</u>	<u>29,297</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,357,018</u>	<u>\$ 4,796,009</u>

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, 2020. 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, 2020

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, 17.259, 17.258	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, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise SkillSource's basic financial statements, and have issued our report thereon dated December 23, 2020.

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) as a basis for designing 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.

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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 financial statements. 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 & Friedman".

December 23, 2020



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, 2020. 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, 2020.

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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.



December 23, 2020