



AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2021

THE SKILLSOURCE GROUP, INC.

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 - 19) is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards on pages I-(20 - 22), 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 28, 2021 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 28, 2021

THE SKILLSOURCE GROUP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

| ASSETS | | <u>2021</u> | <u>2020</u> |
|---|----|----------------------------|----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 219,528 | \$ 220,350 |
| Cash and cash equivalents - funds held for others | | 165,933 | 245,933 |
| Grants and accounts receivable | | 1,168,072 | 1,324,356 |
| Prepaid expenses | | <u>38,396</u> | <u>25,495</u> |
| Total current assets | | <u>1,591,929</u> | <u>1,816,134</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>(47,580)</u> | <u>(45,584)</u> |
| Net fixed assets | | <u>14,301</u> | <u>16,297</u> |
| OTHER ASSETS | | | |
| Security deposits | | <u>10,787</u> | <u>10,787</u> |
| TOTAL ASSETS | | <u>\$ 1,617,017</u> | <u>\$ 1,843,218</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ | 782,464 | \$ 668,917 |
| Deferred revenue | | 13,755 | 16,167 |
| Funds held for others | | <u>165,933</u> | <u>245,933</u> |
| Total liabilities | | <u>962,152</u> | <u>931,017</u> |
| NET ASSETS | | | |
| Without donor restrictions | | 485,386 | 790,134 |
| With donor restrictions | | <u>169,479</u> | <u>122,067</u> |
| Total net assets | | <u>654,865</u> | <u>912,201</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 1,617,017</u> | <u>\$ 1,843,218</u> |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

| | 2021 | | | 2020 |
|--|----------------------------------|----------------------------|--------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Federal grants | \$ 5,656,629 | \$ - | \$ 5,656,629 | \$ 4,796,009 |
| Rental income | 722,535 | - | 722,535 | 683,165 |
| Non-Federal grants and contracts | 374,824 | 205,174 | 579,998 | 658,938 |
| Contributions | 104 | - | 104 | 10,344 |
| Interest income | 1,999 | - | 1,999 | 3,582 |
| Net assets released from donor restrictions | <u>157,762</u> | <u>(157,762)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>6,913,853</u> | <u>47,412</u> | <u>6,961,265</u> | <u>6,152,038</u> |
| EXPENSES | | | | |
| Program Services | <u>6,765,277</u> | <u>-</u> | <u>6,765,277</u> | <u>5,685,447</u> |
| Supporting Services: | | | | |
| Management and General | 446,158 | - | 446,158 | 421,486 |
| Fundraising | <u>7,166</u> | <u>-</u> | <u>7,166</u> | <u>5,354</u> |
| Total supporting services | <u>453,324</u> | <u>-</u> | <u>453,324</u> | <u>426,840</u> |
| Total expenses | <u>7,218,601</u> | <u>-</u> | <u>7,218,601</u> | <u>6,112,287</u> |
| Change in net assets | (304,748) | 47,412 | (257,336) | 39,751 |
| Net assets at beginning of year | <u>790,134</u> | <u>122,067</u> | <u>912,201</u> | <u>872,450</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 485,386</u> | <u>\$ 169,479</u> | <u>\$ 654,865</u> | <u>\$ 912,201</u> |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

| | 2021 | | | | 2020 | |
|---|---------------------|---------------------------|-----------------|---------------------------------|---------------------|---------------------|
| | Supporting Services | | | Total Supporting Services | Total Expenses | Total Expenses |
| | Program Services | Management and General | Fundraising | | | |
| Personnel | \$ 1,457,502 | \$ 268,532 | \$ 5,710 | \$ 274,242 | \$ 1,731,744 | \$ 1,660,335 |
| Contractual personnel and operations | 1,811,948 | - | - | - | 1,811,948 | 1,760,184 |
| Customer training and services | 2,432,793 | - | - | - | 2,432,793 | 1,521,400 |
| Depreciation and amortization | 1,996 | - | - | - | 1,996 | 3,832 |
| Facilities supplies and services | 538,596 | 12,238 | 27 | 12,265 | 550,861 | 530,424 |
| Insurance | 7,519 | 20,031 | 2 | 20,033 | 27,552 | 19,747 |
| Office supplies and services | 46,910 | 2,939 | 526 | 3,465 | 50,375 | 61,949 |
| Outreach and communication | 90,964 | 7,266 | 884 | 8,150 | 99,114 | 81,643 |
| Professional services | 237,548 | 134,534 | 17 | 134,551 | 372,099 | 203,734 |
| Travel, meetings and conferences | 1,649 | - | - | - | 1,649 | 20,290 |
| Professional development | 834 | 618 | - | 618 | 1,452 | 10,424 |
| Rapid response reimbursement - supplies | 137,018 | - | - | - | 137,018 | 238,325 |
| TOTAL | \$ 6,765,277 | \$ 446,158 | \$ 7,166 | \$ 453,324 | \$ 7,218,601 | \$ 6,112,287 |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

| | 2021 | 2020 |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (257,336) | \$ 39,751 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 1,996 | 3,832 |
| Decrease (increase) in: | | |
| Grants and accounts receivable | 156,284 | (423,146) |
| Prepaid expenses | (12,901) | 8,403 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 113,547 | 187,649 |
| Deferred revenue | (2,412) | (448) |
| Funds held for others | <u>(80,000)</u> | <u>2,999</u> |
| Net cash used by operating activities | <u>(80,822)</u> | <u>(180,960)</u> |
| Net decrease in cash and cash equivalents | (80,822) | (180,960) |
| Cash and cash equivalents at beginning of year | <u>466,283</u> | <u>647,243</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 385,461</u> | <u>\$ 466,283</u> |

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020, 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.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Funds held for others (continued) -

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, 2021 totaled \$1,996.

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, 2021, 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. Grants, contracts and contributions are recognized in the appropriate category of net assets in the period received.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Revenue (continued) -

Grants, contracts and contributions (continued) -

SkillSource performs an analysis of the individual grant, contract and contribution 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants, contracts and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants, contracts and contributions qualifying as contributions that are unconditional and 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants, contracts or contributions qualifying as conditional contributions contain a right of return from obligation provision that limits SkillSource on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant 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 therefore recognized as contributions when the revenue becomes unconditional. 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 treated as conditional contributions, SkillSource had approximately \$1,588,534 in unrecognized conditional awards as of June 30, 2021.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. SkillSource has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Rental income -

Rental income 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.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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 pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of 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 for fiscal years 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 standard on its accompanying financial statements.

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 3.125%. 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, 2021, 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, 2021:

| | |
|---|--------------------------|
| Community Foundation (NVITE) | \$ 23,069 |
| United Way Financial Education Center | <u>146,410</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | <u>\$ 169,479</u> |

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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:

| | |
|--|--------------------------|
| Consolidated Community Funding Pool | \$ 30,174 |
| Community Foundation (NVITE) | 18,807 |
| United Way Financial Education Center | <u>108,781</u> |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | <u>\$ 157,762</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 | \$ 219,528 |
| Grants and accounts receivable | <u>1,168,072</u> |
| Subtotal financial assets available within one year | 1,387,600 |
| Less: Donor restricted funds | <u>(169,479)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 1,218,121</u> |

SkillSource has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021, 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 \$36,224 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> | |
|-----------------------------|----------------------------|
| 2022 | \$ 451,567 |
| 2023 | 426,081 |
| 2024 | 437,097 |
| 2025 | 299,241 |
| 2026 | 157,949 |
| Thereafter | <u>357,346</u> |
| | <u>\$ 2,129,281</u> |

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

5. LEASE COMMITMENTS (Continued)

Rent expense for the year ended June 30, 2021 was \$449,327 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 88% 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 2022.

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

| | |
|----------------------------------|--------------------------|
| Year Ending June 30, 2022 | \$ <u>365,502</u> |
|----------------------------------|--------------------------|

Rental income for the year ended June 30, 2021 was \$722,535.

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, 2021 totaled \$142,511.

7. CONCENTRATION OF REVENUE

For the year ended June 30, 2021, approximately 41% 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 64% of the total revenue came from DOL. Additionally, approximately 13% of SkillSource's revenue was derived from grants awarded by the Treasury (TREAS) under the CARES Act Workforce Reskilling and Transition Program (CARES).

SkillSource has no reason to believe that its relationship with DOL or TREAS 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 2021. 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.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

9. SUBSEQUENT EVENTS

In preparing these financial statements, SkillSource has evaluated events and transactions for potential recognition or disclosure through October 28, 2021, 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, 2021

| | Pass-Through | | | | | | |
|--|---------------------|-------------------|---------------------|----------------------|------------------------|---|--|
| | Total | Indirect Costs | VCCS WIOA | VCCS Covid 19 DWG | VCCS Rapid Response | VCCS Rapid Response Airport Layoff Aversion | VCCS Local Area Workforce Plan Development |
| Personnel Expenses | \$ 1,731,744 | \$ 192,443 | \$ 378,201 | \$ 5,795 | \$ - | \$ 22,127 | \$ - |
| Non-Personnel Expenses: | | | | | | | |
| Contractual personnel and operations | 1,811,948 | - | 1,341,723 | - | - | 18,858 | - |
| Customer training and services | 2,432,793 | - | 514,032 | 54,023 | - | 5,929 | - |
| Depreciation and amortization | 1,996 | - | - | - | - | - | - |
| Facilities supplies and services | 550,861 | 12,601 | 8,242 | - | - | - | - |
| Insurance | 27,552 | 20,596 | - | - | - | - | - |
| Office supplies and services | 50,375 | 11,344 | 1,153 | - | - | - | - |
| Outreach and communication | 99,114 | 6,610 | 13,967 | - | - | 2,108 | 2,520 |
| Professional services | 372,099 | 132,612 | 18,677 | 6,919 | - | 5,676 | 3,018 |
| Travel, meetings and conferences | 1,649 | - | - | - | - | - | - |
| Professional development | 1,452 | 107 | 595 | - | - | - | - |
| Rapid response reimbursement - supplies | 137,018 | - | - | - | 137,018 | - | - |
| Total Non-Personnel Expenses | 5,486,857 | 183,870 | 1,898,389 | 60,942 | 137,018 | 32,571 | 5,538 |
| Total expenses before indirect costs | 7,218,601 | 376,313 | 2,276,590 | 66,737 | 137,018 | 54,698 | 5,538 |
| Allocation of indirect costs | - | (376,313) | 51,261 | 2,771 | - | 5,491 | - |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 7,218,601 | \$ - | \$ 2,327,851 | \$ 69,508 | \$ 137,018 | \$ 60,189 | \$ 5,538 |

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Pass-Through (Continued)

| | Economic Equity | Bay Consortium WIOA Youth Program Services | Bay Consortium Wagner-Peyser Services | NCOA SCSEP | VEC Wagner-Peyser | VEC PPE | ICF H1B |
|--|-------------------|--|---------------------------------------|---------------------|-------------------|------------------|-----------------|
| Personnel Expenses | \$ 11,069 | \$ 42,906 | \$ 29,670 | \$ 9,303 | \$ 46,088 | \$ - | \$ 7,629 |
| Non-Personnel Expenses: | | | | | | | |
| Contractual personnel and operations | 91,514 | 740 | 69 | 116,173 | - | - | - |
| Customer training and services | 24,031 | 40,048 | 1,250 | 921,910 | 29,407 | - | - |
| Depreciation and amortization | - | - | - | - | - | - | - |
| Facilities supplies and services | 582 | 4,205 | 699 | 3,925 | - | 3,864 | - |
| Insurance | - | - | - | - | - | - | - |
| Office supplies and services | 100 | 250 | - | - | - | 11,727 | - |
| Outreach and communication | 848 | 704 | - | 32 | 4,000 | 355 | 77 |
| Professional services | - | - | - | 26,418 | 135,895 | 255 | - |
| Travel, meetings and conferences | - | - | - | - | - | - | - |
| Professional development | - | - | - | 750 | - | - | - |
| Rapid response reimbursement - supplies | - | - | - | - | - | - | - |
| Total Non-Personnel Expenses | 117,075 | 45,947 | 2,018 | 1,069,208 | 169,302 | 16,201 | 77 |
| Total expenses before indirect costs | 128,144 | 88,853 | 31,688 | 1,078,511 | 215,390 | 16,201 | 7,706 |
| Allocation of indirect costs | 3,775 | - | - | 6,148 | 14,332 | - | 771 |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 131,919 | \$ 88,853 | \$ 31,688 | \$ 1,084,659 | \$ 229,722 | \$ 16,201 | \$ 8,477 |

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF GRANTS, AWARDS AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Pass-Through (Continued)

| | TANF/ESLA | DEI | Prince William CARES/Elevate | City of Manassas CARES/Elevate | City of Manassas Park CARES/Elevate | Total Pass- Through |
|--|-------------------|-------------------|---|---|--|--------------------------------|
| Personnel Expenses | \$ 178,664 | \$ 181,022 | \$ 17,755 | \$ 21,634 | \$ - | \$ 951,863 |
| Non-Personnel Expenses: | | | | | | |
| Contractual personnel and operations | 63,762 | - | 104,747 | 72,919 | - | 1,810,505 |
| Customer training and services | 61,158 | 39,347 | 442,958 | 165,762 | 16,138 | 2,315,993 |
| Depreciation and amortization | - | - | - | - | - | - |
| Facilities supplies and services | 8,578 | - | - | - | - | 30,095 |
| Insurance | - | - | - | - | - | - |
| Office supplies and services | 2,770 | 1,761 | 113 | 93 | - | 17,967 |
| Outreach and communication | 2,036 | 6,623 | 8,848 | 10,148 | - | 52,266 |
| Professional services | - | - | - | - | - | 196,858 |
| Travel, meetings and conferences | 175 | 1,077 | - | - | - | 1,252 |
| Professional development | - | - | - | - | - | 1,345 |
| Rapid response reimbursement - supplies | - | - | - | - | - | 137,018 |
| Total Non-Personnel Expenses | 138,479 | 48,808 | 556,666 | 248,922 | 16,138 | 4,563,299 |
| Total expenses before indirect costs | 317,143 | 229,830 | 574,421 | 270,556 | 16,138 | 5,515,162 |
| Allocation of indirect costs | 20,645 | 19,048 | 9,246 | 7,979 | - | 141,467 |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 337,788 | \$ 248,878 | \$ 583,667 | \$ 278,535 | \$ 16,138 | \$ 5,656,629 |

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| Non-Federal Awards and Activities | | | | | | | | | |
|--|------------------|------------------|-------------------|-----------------|-------------------|------------------|---------------------------------|---------------------------------|-----------------|
| | EYE | CCFP | GO Virginia | REV | UW FEC | NVITE | Other Awards and Programs | Total Non- Federal Awards | Fundraising |
| Personnel Expenses | \$ 687 | \$ 25,456 | \$ 170,849 | \$ - | \$ 8,276 | \$ 7,722 | \$ 368,738 | \$ 581,728 | \$ 5,710 |
| Non-Personnel Expenses: | | | | | | | | | |
| Contractual personnel and operations | - | - | - | - | - | - | 1,443 | 1,443 | - |
| Customer training and services | 13,400 | - | - | 9,000 | 74,424 | - | 19,976 | 116,800 | - |
| Depreciation and amortization | - | - | - | - | - | - | 1,996 | 1,996 | - |
| Facilities supplies and services | - | - | - | - | 20,731 | - | 487,407 | 508,138 | 27 |
| Insurance | - | - | 5,852 | - | - | - | 1,102 | 6,954 | 2 |
| Office supplies and services | - | 1,244 | 1,849 | - | 63 | - | 17,382 | 20,538 | 526 |
| Outreach and communication | - | 1,315 | 1,054 | - | 1,775 | - | 35,210 | 39,354 | 884 |
| Professional services | - | - | - | - | - | 9,375 | 33,237 | 42,612 | 17 |
| Travel, meetings and conferences | - | - | - | - | - | - | 397 | 397 | - |
| Professional development | - | - | - | - | - | - | - | - | - |
| Rapid response reimbursement - supplies | - | - | - | - | - | - | - | - | - |
| Total Non-Personnel Expenses | 13,400 | 2,559 | 8,755 | 9,000 | 96,993 | 9,375 | 598,150 | 738,232 | 1,456 |
| Total expenses before indirect costs | 14,087 | 28,015 | 179,604 | 9,000 | 105,269 | 17,097 | 966,888 | 1,319,960 | 7,166 |
| Allocation of indirect costs | 69 | 2,159 | 17,960 | - | 3,511 | 1,710 | 209,437 | 234,846 | - |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 14,156 | \$ 30,174 | \$ 197,564 | \$ 9,000 | \$ 108,780 | \$ 18,807 | \$ 1,176,325 | \$ 1,554,806 | \$ 7,166 |

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

| 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 11-19-05 | \$ 218,399 | \$ 308,622 |
| Dislocated Worker Formula Grants | 17.278 | LWDA 11-20-03 | 466,158 | 632,081 |
| COVID-19 - Dislocated Worker Formula Grants | 17.278 | RR COVID 11-19-01 | - | 137,018 |
| Dislocated Worker Formula Grants | 17.278 | LWDA 11-18-RR_01 | 24,787 | 60,189 |
| Local Area Workforce Plan Development | 17.278 | PLAN 11-18-01 | <u>-</u> | <u>5,538</u> |
| Sub-total CFDA 17.278 | | | <u>709,344</u> | <u>1,143,448</u> |
| Youth Activities | 17.259 | LWDA 11-19-05 | 75,605 | 98,884 |
| Youth Activities | 17.259 | LWDA 11-20-03 | 497,600 | 616,747 |
| Youth Activities | 17.259 | PY18-SSG16-001 | <u>-</u> | <u>88,853</u> |
| Sub-total CFDA 17.259 | | | <u>573,205</u> | <u>804,484</u> |
| Adult Program | 17.258 | LWDA 11-20-03 | 471,020 | 671,517 |
| Adult Program | 17.258 | LWDA EEI 11-18-02 | <u>91,514</u> | <u>131,919</u> |
| Sub-total CFDA 17.258 | | | <u>562,534</u> | <u>803,436</u> |
| Sub-total Workforce Innovation and Opportunity Act Cluster | | | <u>1,845,083</u> | <u>2,751,368</u> |
| Pass-through from Virginia Community College System: COVID-19 - National Dislocated Worker Grants / WIA National Emergency Grants | 17.277 | DWG COVID 11-02 | <u>54,023</u> | <u>69,508</u> |
| Pass-through from National Council on Aging: Senior Community Service Employment Program | 17.235 | AD-35218-20-60-A-51-85 | <u>121,389</u> | <u>1,084,659</u> |
| Pass-through from Virginia Department for Aging and Rehabilitative Services: Employment Service/Wagner-Peyser Funded Activities | 17.207 | A262-78821 | - | 248,878 |
| Pass-through from Virginia Employment Commission: Employment Service/Wagner-Peyser Funded Activities | 17.207 | 102500183 | - | 187,542 |
| Pass-through from Virginia Employment Commission: Employment Service/Wagner-Peyser Funded Activities | 17.207 | N/A | - | 42,180 |

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

| <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) (Continued): | | | | |
| Pass-through from Bay Consortium Workforce Development Board: Employment Service/Wagner-Peyser Funded Activities | 17.207 | N/A | \$ - | \$ 31,688 |
| Sub-total CFDA 17.207 | | | <u>-</u> | <u>510,288</u> |
| Pass-through from ICF Incorporated, LLC: H-1B Job Training Grants | 17.268 | 2100448639 | <u>-</u> | <u>8,477</u> |
| Total U.S. Department of Labor (DOL) | | | <u>2,020,495</u> | <u>4,424,300</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-21-021-07 | - | 6,389 |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-19-024-18 | - | 125,115 |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-17-056 | <u>63,762</u> | <u>206,284</u> |
| Sub-total CFDA 93.558 | | | <u>63,762</u> | <u>337,788</u> |
| Total U.S. Department of Health and Human Services (DHHS) | | | <u>63,762</u> | <u>337,788</u> |
| U.S. Department of the Treasury (TREAS): | | | | |
| Pass-through from Prince William County Department of Economic Development: COVID-19 - Coronavirus Relief Fund | 21.019 | N/A | 372,928 | 583,667 |
| Pass-through from City of Manassas Department of Economic Development: COVID-19 - Coronavirus Relief Fund | 21.019 | N/A | 149,431 | 278,535 |
| Pass-through from City of Manassas Park: COVID-19 - Coronavirus Relief Fund | 21.019 | N/A | 13,648 | 16,138 |
| Pass-through from Virginia Employment Commission: COVID-19 - Coronavirus Relief Fund | 21.019 | 102500183 | <u>-</u> | <u>16,201</u> |
| Sub-total CFDA 21.019 | | | <u>536,007</u> | <u>894,541</u> |
| Total U.S. Department of the Treasury (TREAS) | | | <u>536,007</u> | <u>894,541</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 2,620,264</u> | <u>\$ 5,656,629</u> |

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. Information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of SkillSource; accordingly, 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 to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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> |
|---------------------|---|
| 17.235 | Senior Community Service Employment Program |
| 21.019 | Coronavirus Relief Fund |

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, 2021**

Section II - Financial Statement Findings

None

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

None

Section IV - Prior Year Findings with Current Year Status

None



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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, 2021, and the related notes to the financial statements, which collectively comprise SkillSource's basic financial statements, and have issued our report thereon dated October 28, 2021.

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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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 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 & Freedman".

October 28, 2021



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, 2021. 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, 2021.

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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.



October 28, 2021