



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2018

THE SKILLSOURCE GROUP, INC.

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

THE SKILLSOURCE GROUP, INC.

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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, 2018, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SkillSource as of June 30, 2018, 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.

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Report on Summarized Comparative Information

We have previously audited SkillSource's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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-(13 - 15) 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-(16 - 18), 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 12, 2018 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 12, 2018

THE SKILLSOURCE GROUP, INC.

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 548,086	\$ 619,707
Cash and cash equivalents - funds held for others	166,352	317,001
Grants receivable	1,123,858	1,099,729
Prepaid expenses	<u>65,212</u>	<u>33,357</u>
Total current assets	<u>1,903,508</u>	<u>2,069,794</u>
FIXED ASSETS		
Equipment	32,099	32,099
Leasehold improvements	<u>29,782</u>	<u>9,161</u>
	61,881	41,260
Less: Accumulated depreciation and amortization	<u>(33,282)</u>	<u>(26,475)</u>
Net fixed assets	<u>28,599</u>	<u>14,785</u>
OTHER ASSETS		
Security deposits	<u>10,787</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,942,894</u>	<u>\$ 2,084,579</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 933,578	\$ 789,058
Deferred revenue	19,268	29,587
Funds held for others	<u>166,352</u>	<u>317,001</u>
Total current liabilities	<u>1,119,198</u>	<u>1,135,646</u>
NET ASSETS		
Unrestricted	767,242	918,295
Temporarily restricted	<u>56,454</u>	<u>30,638</u>
Total net assets	<u>823,696</u>	<u>948,933</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,942,894</u>	<u>\$ 2,084,579</u>

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Federal grants	\$ 5,070,005	\$ -	\$ 5,070,005	\$ 5,790,126
Rental income	515,003	-	515,003	476,869
Non-Federal grants and contracts	394,981	115,315	510,296	636,491
Contributions	14,089	-	14,089	14,303
Interest income	5,030	-	5,030	5,040
Net assets released from donor restrictions	<u>89,499</u>	<u>(89,499)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,088,607</u>	<u>25,816</u>	<u>6,114,423</u>	<u>6,922,829</u>
EXPENSES				
Program Services	<u>5,806,865</u>	<u>-</u>	<u>5,806,865</u>	<u>6,286,846</u>
Supporting Services:				
Management and General	392,400	-	392,400	408,337
Fundraising	<u>40,395</u>	<u>-</u>	<u>40,395</u>	<u>50,921</u>
Total supporting services	<u>432,795</u>	<u>-</u>	<u>432,795</u>	<u>459,258</u>
Total expenses	<u>6,239,660</u>	<u>-</u>	<u>6,239,660</u>	<u>6,746,104</u>
Change in net assets	(151,053)	25,816	(125,237)	176,725
Net assets at beginning of year	<u>918,295</u>	<u>30,638</u>	<u>948,933</u>	<u>772,208</u>
NET ASSETS AT END OF YEAR	<u>\$ 767,242</u>	<u>\$ 56,454</u>	<u>\$ 823,696</u>	<u>\$ 948,933</u>

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (125,237)	\$ 176,725
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	6,807	7,325
(Increase) decrease in:		
Grants receivable	(24,129)	476,028
Prepaid expenses	(31,855)	1,628
Security deposits	(10,787)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	144,520	(308,025)
Deferred revenue	(10,319)	7,816
Funds held for others	<u>(150,649)</u>	<u>(96,864)</u>
Net cash (used) provided by operating activities	<u>(201,649)</u>	<u>264,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	<u>(20,621)</u>	<u>-</u>
Net cash used by investing activities	<u>(20,621)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(222,270)	264,633
Cash and cash equivalents at beginning of year	<u>936,708</u>	<u>672,075</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 714,438</u>	<u>\$ 936,708</u>

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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, 2017, from which the summarized information was derived.

Cash and cash equivalents -

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

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

Funds held for others -

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

Grants receivable -

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

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost, and are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2018 totaled \$6,807.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to 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, 2018, SkillSource has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

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

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of SkillSource and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of SkillSource and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Revenue recognition -

SkillSource receives funding under grants from the federal government as well as from the Commonwealth of Virginia for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Unrestricted and temporarily restricted contributions and non-Federal grants and contracts are recorded as revenue in the year notification is received from the donor.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Revenue recognition (continued) -

Temporarily restricted contributions and grants and contracts are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements (not yet adopted) -

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. SkillSource has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of SkillSource's financial statements, it is not expected to alter SkillSource's reported financial position.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09).

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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

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

2. **LINE OF CREDIT**

SkillSource has a \$100,000 line of credit, which matures March 10, 2020. Amounts borrowed under this agreement bear interest at the prime rate as issued in The Wall Street Journal. As of June 30, 2018, the rate was 5.00%. 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, 2018, there were no outstanding borrowings on the line of credit.

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2018:

Metropolitan Washington Council of Governments	\$	1,454
Community Foundation (NVITE)		50,000
Herb Block Foundation		<u>5,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>56,454</u>

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

Metropolitan Washington Council of Governments	\$	4,184
Consolidated Community Funding Pool		<u>85,315</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	<u>89,499</u>

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4. 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 \$42,360 per year. The second lease is for additional office space under a ten-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>	
2019	\$ 405,909
2020	262,841
2021	137,914
2022	141,707
2023	145,604
Thereafter	<u>818,625</u>
	<u>\$ 1,912,600</u>

Rent expense for the year ended June 30, 2018 was \$338,665.

SkillSource subleases a portion of its office space in Woodbridge, Virginia, whereby approximately 88% of the leased space in Woodbridge was subleased to several organizations. The subleases include annual rental escalations of 2.5% and expire in 2020.

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

<u>Year Ending June 30,</u>	
2019	\$ 223,607
2020	<u>113,184</u>
	<u>\$ 336,791</u>

Rental income for the year ended June 30, 2018 was \$515,003.

5. RETIREMENT PLAN

SkillSource provides a defined contribution tax-deferred 401(k) pension plan (the Plan). All employees are eligible to participate in the Plan and are fully vested upon their employment. SkillSource contributes 3% of gross salaries, plus a discretionary contribution, and matches up to \$520 of employee deferrals. Contributions to the Plan during the year ended June 30, 2018 totaled \$137,560.

6. CONCENTRATION OF REVENUE

For the year ended June 30, 2018, approximately 69% 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.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. CONCENTRATION OF REVENUE (Continued)

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.

7. CONTINGENCY

SkillSource receives grants from various agencies of the United States Government. Beginning for fiscal year ended June 30, 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. 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.

8. SUBSEQUENT EVENTS

In preparing these financial statements, SkillSource has evaluated events and transactions for potential recognition or disclosure through October 12, 2018, 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, 2018

	USDOL			Pass-Through		
	Total	Indirect Costs	STEER*	Total US DOL	VCCS WIOA*	VCCS WIF*
Personnel Expenses:						
SkillSource salaries and wages	\$ 1,335,263	\$ 187,500	\$ 2,013	\$ 2,013	\$ 304,857	\$ 78,636
SkillSource fringe benefits	424,984	43,048	501	501	97,671	34,100
SkillSource total compensation	1,760,247	230,548	2,514	2,514	402,528	112,736
One-Stop operator wages	1,466,524	-	54,540	54,540	1,377,978	-
One-Stop operator fringe benefits	715,969	-	29,282	29,282	673,653	-
One-Stop operator compensation	2,182,493	-	83,822	83,822	2,051,631	-
Total Personnel Expenses	3,942,740	230,548	86,336	86,336	2,454,159	112,736
Non-Personnel Expenses:						
Customer training and services	1,487,179	99	4,050	4,050	1,278,559	15,688
Depreciation	6,807	-	-	-	-	-
Facilities supplies and services	411,090	34,238	-	-	5,295	14,381
Insurance	14,820	12,688	-	-	-	-
Office supplies and services	85,272	17,194	823	823	5,347	2,152
Outreach and communication	103,739	28,919	1,142	1,142	8,059	7,157
Professional services	156,396	86,013	4,100	4,100	18,982	232
Travel, meetings and conferences	28,686	882	-	-	5,060	1,170
Other	2,931	355	-	-	713	-
Total Non-Personnel Expenses	2,296,920	180,388	10,115	10,115	1,322,015	40,780
Total expenses before indirect costs	6,239,660	410,936	96,451	96,451	3,776,174	153,516
Allocation of indirect costs	-	(410,936)	9,278	9,278	253,927	12,402
Total Expenses per Financial Statements	\$ 6,239,660	\$ -	\$ 105,729	\$ 105,729	\$ 4,030,101	\$ 165,918

* **STEER** - Success Through Education, Employment and Reintegration

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

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

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Pass-Through (continued)

	US DOT MWCOG*	US HHS TANF*	US HHS ESLA*	US HHS TOGETHER*	US DOL DEI*	US DOE CPID*	Total Pass- through
Personnel Expenses:							
SkillSource salaries and wages	\$ 36,194	\$ 144,994	\$ 66,249	\$ 2,950	\$ 55,788	\$ 41,489	\$ 731,157
SkillSource fringe benefits	10,009	59,773	31,932	862	28,141	10,377	272,865
SkillSource total compensation	46,203	204,767	98,181	3,812	83,929	51,866	1,004,022
One-Stop operator wages	-	-	-	17,108	-	-	1,395,086
One-Stop operator fringe benefits	-	-	-	5,784	-	-	679,437
One-Stop operator compensation	-	-	-	22,892	-	-	2,074,523
Total Personnel Expenses	46,203	204,767	98,181	26,704	83,929	51,866	3,078,545
Non-Personnel Expenses:							
Customer training and services	7,654	57,749	80,181	356	4,632	-	1,444,819
Depreciation	-	-	-	-	-	-	-
Facilities supplies and services	-	12,959	4,236	-	-	-	36,871
Insurance	2,132	-	-	-	-	-	2,132
Office supplies and services	-	3,845	2,175	-	2,343	863	16,724
Outreach and communication	-	2,718	1,325	-	1,536	1,610	22,406
Professional services	-	2,160	20	-	-	-	21,395
Travel, meetings and conferences	-	2,980	1,256	-	4,574	3,509	18,549
Other	-	1,029	-	-	-	35	1,776
Total Non-Personnel Expenses	9,786	83,440	89,193	356	13,085	6,017	1,564,672
Total expenses before indirect costs	55,989	288,207	187,374	27,060	97,014	57,883	4,643,217
Allocation of indirect costs	5,082	20,989	10,801	2,921	9,234	5,705	321,059
Total Expenses per Financial Statements	\$ 61,071	\$ 309,196	\$ 198,175	\$ 29,981	\$ 106,248	\$ 63,588	\$ 4,964,276

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

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

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

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

* **DEI** - Disability Employment Initiative

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

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Non-Federal Awards and Activities						
	EYE*	VASAVOR*	CCFP*	P4P*	Other Awards and Programs	Total Non-Federal Awards	Fund-raising
Personnel Expenses:							
SkillSource salaries and wages	\$ 70,526	\$ -	\$ 55,791	\$ -	\$ 271,059	\$ 397,376	\$ 17,217
SkillSource fringe benefits	8,679	-	12,091	-	84,855	105,625	2,946
SkillSource total compensation	79,205	-	67,882	-	355,914	503,001	20,163
One-Stop operator wages	-	16,898	-	-	-	16,898	-
One-Stop operator fringe benefits	-	7,249	-	-	-	7,249	-
One-Stop operator compensation	-	24,147	-	-	-	24,147	-
Total Personnel Expenses	79,205	24,147	67,882	-	355,914	527,148	20,163
Non-Personnel Expenses:							
Customer training and services	12,552	22,225	-	-	3,434	38,211	-
Depreciation	-	-	-	-	6,807	6,807	-
Facilities supplies and services	-	-	-	-	339,981	339,981	-
Insurance	-	-	-	-	-	-	-
Office supplies and services	215	-	4,331	-	38,857	43,403	7,127
Outreach and communication	6,307	-	1,453	-	33,869	41,628	9,645
Professional services	4,896	-	2,700	6,467	30,825	44,888	-
Travel, meetings and conferences	40	-	1,397	192	6,385	8,014	1,241
Other	-	-	-	-	800	800	-
Total Non-Personnel Expenses	24,010	22,225	9,881	6,659	460,958	523,732	18,013
Total expenses before indirect costs	103,215	46,372	77,763	6,659	816,872	1,050,880	38,176
Allocation of indirect costs	8,712	2,656	7,467	-	59,543	78,380	2,219
Total Expenses per Financial Statements	\$ 111,927	\$ 49,028	\$ 85,230	\$ 6,659	\$ 876,415	\$ 1,129,260	\$ 40,395

* EYE - Educating Youth through Employment

* VASAVOR - Virginia Serious and Violent Offender Reentry

* CCFP - Consolidated Community Funding Pool

* P4P - Pay for Performance

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Labor (DOL)				
Workforce Innovation and Opportunity Act Cluster:				
Pass-through from Virginia Community College System:				
Dislocated Worker Formula Grants	17.278	LWA 11-16-03, LWDA 11-17-04	\$ 1,122,418	\$ 1,413,505
Dislocated Worker Formula Grants	17.278	LWIA-11-15-01-IWTRR	<u>2,994</u>	<u>21,084</u>
Sub-total CFDA 17.278			<u>1,125,412</u>	<u>1,434,589</u>
Youth Activities	17.259	LWA 11-16-01, LWDA 11-17-04	1,188,043	1,435,071
Adult Program	17.258	LWA 11-16-03, LWDA 11-17-04	825,394	1,159,972
Dislocated Worker National Reserve Technical Assistance and Training	17.281	LWIA-11-15-01-IWTRR	<u>-</u>	<u>469</u>
Sub-total Workforce Innovation and Opportunity Act Cluster			<u>3,138,849</u>	<u>4,030,101</u>
Re-entry Employment Opportunities	17.270	N/A	87,043	105,729
Pass-through from Virginia Department for Aging and Rehabilitative Services: Employment Service/Wagner-Peyser Funded Activities	17.207	A262-78821	-	106,246
Pass-through from Virginia Community College System: Workforce Innovation Fund	17.283	LWIA 11-MOU 1 2015	<u>-</u>	<u>165,918</u>
Total U.S. Department of Labor (DOL)			<u>3,225,892</u>	<u>4,407,994</u>

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<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	\$ -	\$ 309,196
Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families	93.558	BEN-17-056-16	76,219	198,175
Pass-through from Virginia Polytechnic Institute and State University: Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM0077-01-00	<u>22,893</u>	<u>29,981</u>
Total U.S. Department of Health and Human Services (DHHS)			<u>99,112</u>	<u>537,352</u>
U.S. Department of Education (DOE):				
Pass-through from Virginia Department for Aging and Rehabilitative Services: Rehabilitation Services Demonstration and Training Programs	84.235	A262-77305	<u>-</u>	<u>63,588</u>
Total U.S. Department of Education (DOE)			<u>-</u>	<u>63,588</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	-	8,487
Pass-through from Metropolitan Washington Council of Governments: Job Access And Reverse Commute Program	20.516	17-031	<u>-</u>	<u>52,584</u>
Total U.S. Department of Transportation (DOT)			<u>-</u>	<u>61,071</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,325,004</u>	<u>\$ 5,070,005</u>

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

2). Internal control over financial reporting:

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

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

Federal Awards

4). Internal control over major federal programs:

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

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

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

7). Identification of major federal programs:

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

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

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

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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.



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, 2018, and the related notes to the financial statements, which collectively comprise SkillSource's basic financial statements, and have issued our report thereon dated October 12, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SkillSource's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

October 12, 2018

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2018. 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, 2018.

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

Report on Internal Control Over Compliance

Management of SkillSource is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SkillSource's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SkillSource's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



October 12, 2018