



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2024

THE SKILLSOURCE GROUP, INC.

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023**

THE SKILLSOURCE GROUP, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The SkillSource Group, Inc. (SkillSource), which comprise the statement of financial position as of June 30, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SkillSource as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SkillSource and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SkillSource's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SkillSource's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SkillSource's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited SkillSource's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Grants, Awards and Activities on pages I-(16 - 18) 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-(19 - 21), 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 November 13, 2024 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.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

November 13, 2024

THE SKILLSOURCE GROUP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

| ASSETS | | <u>2024</u> | <u>2023</u> |
|---|-----------|-------------------------|----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 1,461,122 | \$ 225,054 |
| Cash and cash equivalents - funds held for others | | 357,817 | 245,933 |
| Other receivables | | 7,120 | 7,588 |
| Grants receivable | | 1,033,182 | 1,563,245 |
| Prepaid expenses | | <u>14,669</u> | <u>138,827</u> |
| Total current assets | | <u>2,873,910</u> | <u>2,180,647</u> |
| FIXED ASSETS | | | |
| Equipment | | 32,099 | 32,099 |
| Leasehold improvements | | <u>44,572</u> | <u>44,572</u> |
| | | 76,671 | 76,671 |
| Less: Accumulated depreciation and amortization | | <u>(57,821)</u> | <u>(53,394)</u> |
| Net fixed assets | | <u>18,850</u> | <u>23,277</u> |
| OTHER ASSETS | | | |
| Security deposits | | 10,787 | 10,787 |
| Right-of-use assets, net | | <u>781,115</u> | <u>1,188,946</u> |
| Total other assets | | <u>791,902</u> | <u>1,199,733</u> |
| TOTAL ASSETS | \$ | <u>3,684,662</u> | \$ <u>3,403,657</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ | 1,796,281 | \$ 1,350,022 |
| Refundable advance | | 21,053 | 15,944 |
| Operating lease liabilities | | 280,842 | 407,933 |
| Funds held for others | | <u>357,817</u> | <u>245,933</u> |
| Total current liabilities | | <u>2,455,993</u> | <u>2,019,832</u> |
| LONG-TERM LIABILITIES | | | |
| Operating lease liabilities, net | | <u>522,585</u> | <u>797,033</u> |
| Total liabilities | | <u>2,978,578</u> | <u>2,816,865</u> |
| NET ASSETS | | | |
| Without donor restrictions | | 488,060 | 437,206 |
| With donor restrictions | | <u>218,024</u> | <u>149,586</u> |
| Total net assets | | <u>706,084</u> | <u>586,792</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ | <u>3,684,662</u> | \$ <u>3,403,657</u> |

See accompanying notes to financial statements.

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

| | 2024 | | | 2023 |
|--|----------------------------------|----------------------------|--------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Federal grants | \$ 8,144,210 | \$ - | \$ 8,144,210 | \$ 6,681,923 |
| Lease income | 849,981 | - | 849,981 | 867,852 |
| Non-Federal grants | 882,343 | - | 882,343 | 401,015 |
| Contributions | - | 196,650 | 196,650 | 55,244 |
| Interest income | 2,074 | - | 2,074 | 2,099 |
| Net assets released from donor restrictions | <u>128,212</u> | <u>(128,212)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>10,006,820</u> | <u>68,438</u> | <u>10,075,258</u> | <u>8,008,133</u> |
| EXPENSES | | | | |
| Program Services | <u>9,212,028</u> | <u>-</u> | <u>9,212,028</u> | <u>7,713,891</u> |
| Supporting Services: | | | | |
| Management and General | 742,881 | - | 742,881 | 465,241 |
| Fundraising | <u>1,057</u> | <u>-</u> | <u>1,057</u> | <u>1,061</u> |
| Total supporting services | <u>743,938</u> | <u>-</u> | <u>743,938</u> | <u>466,302</u> |
| Total expenses | <u>9,955,966</u> | <u>-</u> | <u>9,955,966</u> | <u>8,180,193</u> |
| Change in net assets | 50,854 | 68,438 | 119,292 | (172,060) |
| Net assets at beginning of year | <u>437,206</u> | <u>149,586</u> | <u>586,792</u> | <u>758,852</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 488,060</u> | <u>\$ 218,024</u> | <u>\$ 706,084</u> | <u>\$ 586,792</u> |

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

| | 2024 | | | 2023 | | |
|--------------------------------------|---------------------|---------------------------|-----------------|-------------------|---------------------|---------------------------------|
| | Supporting Services | | | Total Expenses | Total Expenses | |
| | Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Contractual personnel and operations | \$ 3,006,726 | \$ 3,045 | \$ - | \$ 3,045 | \$ 3,009,771 | \$ 2,903,598 |
| Customer training and services | 2,974,213 | 4,550 | - | 4,550 | 2,978,763 | 2,380,969 |
| Personnel | 2,068,737 | 344,455 | - | 344,455 | 2,413,192 | 1,819,634 |
| Facilities, supplies and services | 781,656 | 12,226 | - | 12,226 | 793,882 | 649,817 |
| Professional services | 94,269 | 279,819 | - | 279,819 | 374,088 | 176,038 |
| Outreach and communication | 152,326 | 25,606 | - | 25,606 | 177,932 | 120,451 |
| Office supplies and services | 96,338 | 32,626 | 1,057 | 33,683 | 130,021 | 67,870 |
| Travel, meetings and conferences | 23,188 | 9,017 | - | 9,017 | 32,205 | 19,061 |
| Insurance | 5,270 | 20,277 | - | 20,277 | 25,547 | 30,446 |
| Professional development | 6,874 | 9,264 | - | 9,264 | 16,138 | 8,490 |
| Depreciation and amortization | 2,431 | 1,996 | - | 1,996 | 4,427 | 3,819 |
| TOTAL | \$ 9,212,028 | \$ 742,881 | \$ 1,057 | \$ 743,938 | \$ 9,955,966 | \$ 8,180,193 |

See accompanying notes to financial statements.

THE SKILLSOURCE GROUP, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 119,292 | \$ (172,060) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 4,427 | 3,819 |
| Amortization of right-of-use assets | 407,831 | 401,584 |
| Decrease (increase) in: | | |
| Other receivables | 468 | 2,566 |
| Grants receivable | 530,063 | (341,276) |
| Prepaid expenses | 124,158 | (94,735) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 445,328 | 490,240 |
| Refundable advance | 5,109 | 3,654 |
| Funds held for others | 111,884 | 80,000 |
| Operating lease liabilities | <u>(401,539)</u> | <u>(385,564)</u> |
| Net cash provided (used) by operating activities | <u>1,347,021</u> | <u>(11,772)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | <u>-</u> | <u>(14,790)</u> |
| Net cash used by investing activities | <u>-</u> | <u>(14,790)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | <u>931</u> | <u>-</u> |
| Net cash provided by financing activities | <u>931</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 1,347,952 | (26,562) |
| Cash and cash equivalents at beginning of year | <u>470,987</u> | <u>497,549</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,818,939</u> | <u>\$ 470,987</u> |
| SCHEDULE OF NONCASH TRANSACTIONS | | |
| Right-of-Use Assets | <u>\$ -</u> | <u>\$ 1,590,530</u> |
| Operating Lease Liabilities for Right-of-Use-Assets | <u>\$ -</u> | <u>\$ 1,590,530</u> |

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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 accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. As of June 30, 2024, SkillSource does not have any board designated net assets.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, 2023, 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 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.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Funds held for others (continued) -

SkillSource has no control over the decision making process for NoVaHealthFORCE disbursements and accordingly, these funds are considered restricted cash, with a corresponding funds held for others liability in the accompanying Statement of Financial Position.

Other receivables -

Other receivables primarily consists of amounts due within one year related to employee advances. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable -

Grants receivable include unconditional promises to give that are expected to be collected in future years. Grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. SkillSource did not have any non-current grants receivable as of June 30, 2024; accordingly, a discount has not been established. 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. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 5 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense totaled \$4,427 for the year ended June 30, 2024.

Income taxes -

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

Support from grants and contributions, including Federal awards -

SkillSource receives grants and contributions, including Federal awards from the U.S. Government. Grants and contributions are recognized in the appropriate category of net assets in the period received. SkillSource performs an analysis of the individual grant or contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

Support from grants and contributions, including Federal awards (continued) -

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but 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.

Grants and contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional grants and contributions contain a right of return and a measurable barrier. Grants and contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional grants and contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. SkillSource's refundable advances totaled \$21,053 as of June 30, 2024.

In addition, SkillSource has obtained funding source agreements related to conditional grants and contributions, such as Federal awards from the U.S. Government, which will be received in future years. SkillSource's unrecognized conditional grants and contributions to be received in future years totaled \$2,199,719 as of June 30, 2024.

Revenue from contracts with customers -

SkillSource's lease income is the most significant revenue stream that is treated as exchange transaction revenue following ASC Topic 606. Lease income is recognized as revenue over the lease period on a straight-line basis. SkillSource has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue.

Use of estimates -

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

Functional allocation of expenses -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the previously reported changes in net assets.

THE SKILLSOURCE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

2. LINE OF CREDIT

SkillSource has a \$300,000 line of credit, which matures on demand. The next review will be on or before January 31, 2025. Amounts borrowed under this agreement bear interest at 8.375%. 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, 2024, there was an outstanding borrowing of \$931, which is included within accounts payable and accrued liabilities on the accompanying Statement of Financial Position.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024:

| | | |
|---|-----------|-----------------------|
| United Way Financial Education Center | \$ | 202,650 |
| TANF4 | | 1,680 |
| Community Foundation (NVITE) | | <u>13,694</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | \$ | <u>218,024</u> |

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors during the year ended June 30, 2024:

| | | |
|--|-----------|-----------------------|
| United Way Financial Education Center | \$ | 99,169 |
| EYE Program | | 11,082 |
| Community Foundation (NVITE) | | 1,947 |
| TANF4 | | <u>16,014</u> |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | \$ | <u>128,212</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 | \$ | 1,461,122 |
| Other receivables | | 7,120 |
| Grants receivable | | <u>1,033,182</u> |
| Subtotal financial assets available within one year | | 2,501,424 |
| Less: Donor restricted funds | | <u>(218,024)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | \$ | <u>2,283,400</u> |

SkillSource has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, SkillSource has a line of credit agreement (as further discussed in Note 2) which allows for additional available borrowings up to \$300,000.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

5. LEASE COMMITMENTS

SkillSource follows FASB ASC 842 for leases. SkillSource has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. SkillSource has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

SkillSource has an operating lease for office space through two separate leasing arrangements. The first lease is for office space in Woodbridge, Virginia that expires in December 2024. Base rent is \$205,976 per year, increasing by a factor of 2.5% per year. The second lease is for office space in Alexandria, Virginia which expires in October 2028. Base rent is \$129,444 per year, increasing by a factor of 2.75% per year.

For the year ended June 30, 2024, total lease cost was \$441,440 and total cash paid was \$436,418 for all operating leases. Lease expense is included within facilities, supplies and services. As of June 30, 2024, the weighted-average remaining lease term and rate for the operating leases is 3.46 years and 2.90%, respectively.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of June 30, 2024:

| <u>Year Ending June 30,</u> | |
|------------------------------------|--------------------------|
| 2025 | \$ 298,544 |
| 2026 | 157,234 |
| 2027 | 161,560 |
| 2028 | 165,998 |
| 2029 | <u>56,596</u> |
| Sub-total | 839,932 |
| Less: Imputed interest | (36,505) |
| Less: Current portion | <u>(280,842)</u> |
| LONG-TERM PORTION | <u>\$ 522,585</u> |

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 December 2024.

Lease income for the year ended June 30, 2024 was \$849,981.

6. RETIREMENT PLAN

SkillSource provides a defined contribution tax-deferred 401(k) pension plan (the Plan). All full-time 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. Employer contributions to the Plan during the year ended June 30, 2024 totaled \$183,012 and are included within personnel in the accompanying Statement of Functional Expenses.

THE SKILLSOURCE GROUP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

7. CONCENTRATION OF REVENUE

For the year ended June 30, 2024, approximately 66% of SkillSource's revenue was derived from grants awarded by the U.S. Department of Labor (DOL).

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

8. CONTINGENCY

SkillSource receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2024. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

9. SUBSEQUENT EVENTS

In preparing these financial statements, SkillSource has evaluated events and transactions for potential recognition or disclosure through November 13, 2024, 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, 2024

| | Total | Indirect Costs | Pass-Through | | | | | | |
|--|---------------------|-------------------|---------------------|--------------------------|-----------------------------------|----------------|---------------------|------------------|-------------------|
| | | | VCCS WIOA | VCCS Work-Based Learning | VCCS Workforce Innovation - NVCPR | Area 14 CAREER | NCOA SCSEP | ICF H1B | TANF/ESLA |
| Total Personnel Expenses | \$ 2,413,192 | \$ 133,011 | \$ 886,200 | \$ 89,089 | \$ 26,857 | \$ - | \$ 43,702 | \$ 62,088 | \$ 325,501 |
| Non-Personnel Expenses: | | | | | | | | | |
| Contractual personnel and operations | 3,009,771 | - | 2,381,378 | - | - | - | 147,078 | - | - |
| Customer training and services | 2,978,763 | - | 937,762 | 60,210 | 73,227 | 420 | 1,180,595 | - | 63,943 |
| Depreciation and amortization | 4,427 | - | - | - | - | - | - | - | - |
| Facilities supplies and services | 793,882 | 1,291 | 193,613 | - | - | - | 3,191 | - | 12,613 |
| Insurance | 25,547 | 20,277 | - | - | - | - | - | - | - |
| Office supplies and services | 130,021 | 14,956 | 29,930 | 110 | 206 | - | 2,364 | 24,000 | 9,445 |
| Outreach and communication | 177,932 | 9,286 | 37,589 | 725 | 313 | - | 5,224 | 481 | 4,018 |
| Professional services | 374,088 | 142,197 | 126,218 | 58 | - | - | 28,616 | - | 2,748 |
| Travel, meetings and conferences | 32,205 | 150 | 4,796 | - | 904 | - | 4,239 | - | 4,040 |
| Professional development | 16,138 | - | 5,395 | 110 | - | - | 413 | - | - |
| Total Non-Personnel Expenses | 7,542,774 | 188,157 | 3,716,681 | 61,213 | 74,650 | 420 | 1,371,720 | 24,481 | 96,807 |
| Total expenses before indirect costs | 9,955,966 | 321,168 | 4,602,881 | 150,302 | 101,507 | 420 | 1,415,422 | 86,569 | 422,308 |
| Allocation of indirect costs | - | (321,168) | 200,306 | 9,812 | 4,513 | 151 | 12,794 | 9,634 | 36,256 |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 9,955,966 | \$ - | \$ 4,803,187 | \$ 160,114 | \$ 106,020 | \$ 571 | \$ 1,428,216 | \$ 96,203 | \$ 458,564 |

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

| | Pass-Through (Continued) | | | Non-Federal Awards and Activities | | | |
|--|---------------------------|-----------------------------|------------------------|-----------------------------------|-------------------|-------------------|-------------------|
| | Prince William ELEVATE | Fairfax County TALENT UP | Total Pass- Through | City of Manassas GRADUATE | DARS SEAL | EYE | GO Virginia |
| Total Personnel Expenses | \$ 18,071 | \$ 247,456 | \$ 1,698,964 | \$ 4,354 | \$ 899 | \$ 4,627 | \$ 217,788 |
| Non-Personnel Expenses: | | | | | | | |
| Contractual personnel and operations | 343,113 | - | 2,871,569 | - | 41,038 | 21,489 | - |
| Customer training and services | 199,421 | 170,673 | 2,686,251 | 9,086 | 72,199 | 115,277 | - |
| Depreciation and amortization | - | - | - | - | - | - | - |
| Facilities supplies and services | - | - | 209,417 | - | - | - | 80 |
| Insurance | - | - | - | - | - | - | 5,270 |
| Office supplies and services | 4,830 | 12,287 | 83,172 | - | 269 | - | 1,214 |
| Outreach and communication | 7,427 | 59,719 | 115,496 | 527 | 963 | 1,719 | 2,073 |
| Professional services | - | 2,289 | 159,929 | - | 50 | 7,016 | 25,945 |
| Travel, meetings and conferences | 3,786 | - | 17,765 | - | - | 1,525 | 1,133 |
| Professional development | 856 | 856 | 7,630 | - | - | - | - |
| Total Non-Personnel Expenses | 559,433 | 245,824 | 6,151,229 | 9,613 | 114,519 | 147,026 | 35,715 |
| Total expenses before indirect costs | 577,504 | 493,280 | 7,850,193 | 13,967 | 115,418 | 151,653 | 253,503 |
| Allocation of indirect costs | 5,823 | 30,741 | 310,030 | 87 | 721 | 948 | 1,584 |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 583,327 | \$ 524,021 | \$ 8,160,223 | \$ 14,054 | \$ 116,139 | \$ 152,601 | \$ 255,087 |

**THE SKILLSOURCE GROUP, INC.
SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Non-Federal Awards and Activities (Continued)

| | UW FEC | NVITE | PW MRADC | Ticket To Work | Other Awards and Programs | Total Non-Federal Awards | Fundraising |
|--|------------------|-----------------|-----------------|-----------------------|----------------------------------|---------------------------------|--------------------|
| Total Personnel Expenses | \$ 10,540 | \$ 313 | \$ - | \$ 150,076 | \$ 192,620 | \$ 581,217 | \$ - |
| Non-Personnel Expenses: | | | | | | | |
| Contractual personnel and operations | 75,452 | - | - | - | 223 | 138,202 | - |
| Customer training and services | - | - | 318 | 10,040 | 85,592 | 292,512 | - |
| Depreciation and amortization | - | - | - | - | 4,427 | 4,427 | - |
| Facilities supplies and services | 2,573 | - | - | - | 580,521 | 583,174 | - |
| Insurance | - | - | - | - | - | 5,270 | - |
| Office supplies and services | 909 | 1,420 | - | 5,440 | 21,584 | 30,836 | 1,057 |
| Outreach and communication | 5,209 | - | - | 3,756 | 38,903 | 53,150 | - |
| Professional services | 446 | - | - | 14,847 | 23,658 | 71,962 | - |
| Travel, meetings and conferences | - | - | - | 2,245 | 9,387 | 14,290 | - |
| Professional development | - | - | - | 1,185 | 7,323 | 8,508 | - |
| Total Non-Personnel Expenses | 84,589 | 1,420 | 318 | 37,513 | 771,618 | 1,202,331 | 1,057 |
| Total expenses before indirect costs | 95,129 | 1,733 | 318 | 187,589 | 964,238 | 1,783,548 | 1,057 |
| Allocation of indirect costs | 594 | 11 | 2 | 1,172 | 6,019 | 11,138 | - |
| TOTAL EXPENSES PER FINANCIAL STATEMENTS | \$ 95,723 | \$ 1,744 | \$ 320 | \$ 188,761 | \$ 970,257 | \$ 1,794,686 | \$ 1,057 |

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Pass-Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|--|----------------------------------|---|--------------------------------------|-----------------------------------|
| U.S. Department of Labor (DOL): | | | | |
| Workforce Innovation and Opportunity Act Cluster: | | | | |
| Pass-through from Virginia Community College System: | | | | |
| Dislocated Worker Formula Grants | 17.278 | LWDA 11-22-04 | \$ - | \$ 302,066 |
| Dislocated Worker Formula Grants | 17.278 | LWDA 11-23-05 | - | 337,926 |
| Workforce Innovation-NVCPR | 17.278 | WIG 21-11-01 | - | 106,020 |
| Work Based Learning | 17.278 | OG 22-11-01 | <u>-</u> | <u>160,114</u> |
| Sub-total ALN 17.278 | | | <u>-</u> | <u>906,126</u> |
| Youth Activities Formula Grants | 17.259 | LWDA 11-20-04 | - | 1,050,337 |
| Youth Activities Formula Grants | 17.259 | LWDA 11-23-05 | <u>-</u> | <u>711,384</u> |
| Sub-total ALN 17.259 | | | <u>-</u> | <u>1,761,721</u> |
| Adult Program Formula Grants | 17.258 | LWDA 11-20-04 | - | 980,868 |
| Adult Program Formula Grants | 17.258 | LWDA 11-23-05 | <u>-</u> | <u>1,420,606</u> |
| Sub-total ALN 17.258 | | | <u>-</u> | <u>2,401,474</u> |
| Sub-total Workforce Innovation and Opportunity Act Cluster | | | <u>-</u> | <u>5,069,321</u> |
| Pass-through from Hampton Roads Workforce Council (Area 14) | 17.277 | NDWGC-LWDA11-2021-01 | <u>-</u> | <u>571</u> |
| Pass-through from National Council on Aging: Senior Community Service Employment Program | 17.235 | 85 | <u>-</u> | <u>1,428,216</u> |
| Pass-through from ICF Incorporated, LLC: H-1B Job Training Grants | 17.268 | 2100448639 | <u>-</u> | <u>96,203</u> |
| Total U.S. Department of Labor (DOL) | | | <u>-</u> | <u>6,594,311</u> |

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Assistance Listing 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-21-021-07 | \$ - | \$ 136,729 |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-19-024-18 | - | 155,436 |
| Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families | 93.558 | BEN-22-099-15 | - | <u>150,386</u> |
| Total U.S. Department of Health and Human Services (DHHS) | | | <u>-</u> | <u>442,551</u> |
| U.S. Department of the Treasury (TREAS): | | | | |
| COVID-19: ARPA Talent Up Fairfax Fund | 21.027 | 4400012118 | - | 524,021 |
| COVID-19: Pass-through from Prince William County Department of Economic Development | 21.019 | 50595540 | - | <u>583,327</u> |
| Total U.S. Department of the Treasury (TREAS) | | | <u>-</u> | <u>1,107,348</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ -</u> | <u>\$ 8,144,210</u> |

THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024. 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, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. SkillSource has elected to use the 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, 2024

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>Assistance Listing Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------------|---|
| 17.235 | Senior Community Service Employment Program |
| 21.019 | Prince William County ELEVATE Initiative |

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, 2024

Section II - Financial Statement Findings

See Finding 2024-001 in Section III - Federal Award Findings and Questioned Costs.

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

Finding: 2024-001: Improper Preparation of the Schedule of Expenditures of Federal Awards

Information on the Federal Program: Assistance Listing Numbers 21.027 and 21.019

Criteria or Specific Requirement: According to 2 CFR 200.303, non-Federal entities should establish and maintain effective internal controls over compliance and financial management and reporting. These internal controls should be in compliance with guidance in the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These controls should include timely reconciliation of Federal grant expenditures to ensure that the Schedule of Expenditures of Federal Awards (SEFA) is accurate and complete.

Condition: During our audit procedures over the SEFA, we noticed that one Federal award (ALN 21.027) was not included on the SEFA when it should have been included. In addition, one award was improperly labeled as being a part of ALN 21.027, when it was in fact determined to be included in ALN 21.019. We also discovered another award was included in the SEFA, when it was determined that the award was not Federally funded and should have been removed from the SEFA.

Cause: The identified condition was attributable to lack of sufficient internal control and review procedures in place over the SEFA. The award not included on the SEFA when it should have been tracked within the accounting system as a Federal award, but was not properly recorded on the SEFA. The award tracked with the incorrect ALN and the award that was recorded on the SEFA when it should have been removed were both caused by error.

Effect or Potential Effect: Significant time was required to receive an appropriately completed and accurate SEFA from management during the audit. Failure to provide an accurate SEFA during the audit could result in an incorrect major program determination and incomplete testing over the SEFA.

Questioned Costs: N/A - Management ultimately corrected the errors identified during preparation of the SEFA.

Context: We test the accuracy of the SEFA information by tracing to the grant agreements.

Identification as a Repeat Finding: Not a repeat finding.

Recommendation: We recommend that management design and implement a procedure to ensure that the SEFA, once prepared by the accounting team, is reviewed and approved by the Director of Operations to ensure that all Federal awards are properly included and tracked on the SEFA.

THE SKILLSOURCE GROUP, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

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

Finding: 2024-001: Improper Preparation of the Schedule of Expenditures of Federal Awards (continued)

Views of Responsible Officials: Upon review, the issues and errors stemmed from misclassification and oversight in the award review and categorization process, primarily due to the onboarding of a new accounting team for the organization. Moreover, the SEFA was not presented for review by agency management before the presentation to the auditors. To correct for the future, management will implement the following corrective actions:

Enhance and Expand Review Process for SEFA Preparation

- Establish a checklist and review protocol to ensure that all funding awards are properly identified and classified before inclusion in the SEFA.
- Conduct a secondary review of the SEFA by the Senior Vice President for Operations and the President and CEO before submission to the auditors.

Cross-Referencing with Award Documentation

- Implement a mandatory cross-referencing procedure to match each award's Assistance Listing Number (ALN) with award documentation.
- Require verification of funding sources, ensuring that only Federally funded awards are included on the SEFA.

Section IV - Prior Year Findings with Current Year Status

None noted.



CPAs & ADVISORS

**INDEPENDENT AUDITOR'S 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**

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), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2024.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2024-001 that we consider to be a significant deficiency.

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

Report on 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2024-001.

SkillSource's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on SkillSource's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. SkillSource's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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 black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

November 13, 2024



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SkillSource's compliance with the types of compliance requirements identified as subject to audit 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, 2024. SkillSource's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2024.

Basis for Opinion on Each Major Federal Program

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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SkillSource's and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of SkillSource's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SkillSource's Federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SkillSource's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SkillSource's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SkillSource's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SkillSource's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SkillSource's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2024-001. Our opinion on each major Federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on SkillSource's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. SkillSource's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2024-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on SkillSource's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. SkillSource's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

November 13, 2024