



## **AUDIT REPORT**

### **FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED JUNE 30, 2025**

**THE SKILLSOURCE GROUP, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
I. Financial Section	
Financial Statements, for the Year Ended June 30, 2025, with Summarized Financial Information for 2024, Including the Schedules of Expenditures of Federal Awards and Findings and Questioned Costs	I-(1 - 23)
II. 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 <i>Government Auditing Standards</i>	II-(1 - 2)
III. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	III-(1 - 3)

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED JUNE 30, 2025  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2024**

**THE SKILLSOURCE GROUP, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	I-(3 - 5)
EXHIBIT A - Statement of Financial Position, as of June 30, 2025, with Summarized Financial Information for 2024	I-6
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2025, with Summarized Financial Information for 2024	I-7
EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2025, with Summarized Financial Information for 2024	I-8
EXHIBIT D - Statement of Cash Flows, for the Year Ended June 30, 2025, with Summarized Financial Information for 2024	I-9
NOTES TO FINANCIAL STATEMENTS	I-(10 - 15)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Grants, Awards and Activities, for the Year Ended June 30, 2025	I-(16 - 18)
SCHEDULE 2 - Schedule of Expenditures of Federal Awards, for the Year Ended June 30, 2025	I-(19 - 21)
SCHEDULE 3 - Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2025	I-(22 - 23)



## 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, 2025, 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, 2025, 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 the standards applicable to financial statement audits contained in *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 the standards applicable to financial statement audits contained in *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 and *Government 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 26, 2025 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 cursive script that reads "Gelman Rosenberg & Freedman".

November 26, 2025

(Reissued December 5, 2025)

## THE SKILLSOURCE GROUP, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2025**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

<b>ASSETS</b>			
		<u><b>2025</b></u>	<u><b>2024</b></u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	539,140	\$ 1,461,122
Cash and cash equivalents - funds held for others		437,817	357,817
Other receivables		6,915	7,120
Grants receivable		1,120,716	1,033,182
Prepaid expenses		<u>56,920</u>	<u>14,669</u>
Total current assets		<u>2,161,508</u>	<u>2,873,910</u>
<b>FIXED ASSETS</b>			
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>(62,248)</u>	<u>(57,821)</u>
Net fixed assets		<u>14,423</u>	<u>18,850</u>
<b>OTHER ASSETS</b>			
Security deposits		10,787	10,787
Operating lease right-of-use assets, net		<u>1,965,627</u>	<u>781,115</u>
Total other assets		<u>1,976,414</u>	<u>791,902</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>4,152,345</u></b>	<b><u>\$ 3,684,662</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$	1,116,837	\$ 1,796,281
Refundable advance		-	21,053
Operating lease liabilities		310,118	280,842
Funds held for others		<u>437,817</u>	<u>357,817</u>
Total current liabilities		<u>1,864,772</u>	<u>2,455,993</u>
<b>LONG-TERM LIABILITIES</b>			
Operating lease liabilities, net		<u>1,686,786</u>	<u>522,585</u>
Total liabilities		<u>3,551,558</u>	<u>2,978,578</u>
<b>NET ASSETS</b>			
Without donor restrictions		600,787	488,060
With donor restrictions		<u>-</u>	<u>218,024</u>
Total net assets		<u>600,787</u>	<u>706,084</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>4,152,345</u></b>	<b><u>\$ 3,684,662</u></b>

## THE SKILLSOURCE GROUP, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	<u>2025</u>			<u>2024</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Federal grants	\$ 8,783,147	\$ -	\$ 8,783,147	\$ 8,144,210
Lease income	768,409	-	768,409	849,981
Non-Federal grants	1,067,335	-	1,067,335	882,343
Contributions	7,032	157,320	164,352	196,650
Interest income	2,707	-	2,707	2,074
Net assets released from donor restrictions	<u>375,344</u>	<u>(375,344)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>11,003,974</u>	<u>(218,024)</u>	<u>10,785,950</u>	<u>10,075,258</u>
<b>EXPENSES</b>				
Program Services	<u>9,951,756</u>	<u>-</u>	<u>9,951,756</u>	<u>9,212,028</u>
Supporting Services:				
Management and General	939,491	-	939,491	742,881
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057</u>
Total supporting services	<u>939,491</u>	<u>-</u>	<u>939,491</u>	<u>743,938</u>
Total expenses	<u>10,891,247</u>	<u>-</u>	<u>10,891,247</u>	<u>9,955,966</u>
Change in net assets	112,727	(218,024)	(105,297)	119,292
Net assets at beginning of year	<u>488,060</u>	<u>218,024</u>	<u>706,084</u>	<u>586,792</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 600,787</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 600,787</u></b>	<b><u>\$ 706,084</u></b>

## THE SKILLSOURCE GROUP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	<b>2025</b>			<b>2024</b>
	<b>Program</b>	<b>Supporting Services</b>	<b>Total</b>	<b>Total</b>
	<b>Services</b>	<b>Management and General</b>	<b>Expenses</b>	<b>Expenses</b>
Customer training and services	\$ 3,667,119	\$ 30,308	\$ 3,697,427	\$ 2,978,763
Contractual personnel and operations	2,788,587	1,562	2,790,149	3,009,771
Personnel	2,236,372	407,708	2,644,080	2,413,192
Facilities, supplies and services	822,299	27,722	850,021	793,882
Professional services	119,192	334,571	453,763	374,088
Outreach and communication	218,880	45,339	264,219	177,932
Office supplies and services	73,616	42,593	116,209	130,021
Insurance	5,673	37,283	42,956	25,547
Travel, meetings and conferences	14,847	5,543	20,390	32,205
Professional development	2,740	4,866	7,606	16,138
Depreciation and amortization	2,431	1,996	4,427	4,427
<b>TOTAL</b>	<b>\$ 9,951,756</b>	<b>\$ 939,491</b>	<b>\$ 10,891,247</b>	<b>\$ 9,955,966</b>

## THE SKILLSOURCE GROUP, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024**

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (105,297)	\$ 119,292
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	4,427	4,427
Amortization of operating lease right-of-use assets	379,601	407,831
Decrease (increase) in:		
Other receivables	205	468
Grants receivable	(87,534)	530,063
Prepaid expenses	(42,251)	124,158
(Decrease) increase in:		
Accounts payable and accrued expenses	(678,513)	445,328
Refundable advance	(21,053)	5,109
Funds held for others	80,000	111,884
Operating lease liabilities	<u>(370,636)</u>	<u>(401,539)</u>
Net cash (used) provided by operating activities	<u>(841,051)</u>	<u>1,347,021</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	931
Payment on line of credit	<u>(931)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(931)</u>	<u>931</u>
Net (decrease) increase in cash and cash equivalents	(841,982)	1,347,952
Cash and cash equivalents at beginning of year	<u>1,818,939</u>	<u>470,987</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 976,957</u></b>	<b><u>\$ 1,818,939</u></b>
<b>SCHEDULE OF NONCASH TRANSACTIONS</b>		
Operating Lease Right-of-Use Assets	<b><u>\$ 1,564,113</u></b>	<b><u>\$ -</u></b>
Operating Lease Liabilities for Right-of-Use-Assets	<b><u>\$ 1,564,113</u></b>	<b><u>\$ -</u></b>

**THE SKILLSOURCE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**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, 2024, 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, 2025**

**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 collectable 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 within one year; accordingly, neither a discount nor an allowance for doubtful accounts has been established by management.

**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 three to five 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 are incurred. Depreciation and amortization expense totaled \$4,427 for the year ended June 30, 2025.

**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. 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.

**THE SKILLSOURCE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

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

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

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. However, SkillSource did not have any refundable advances at June 30, 2025.

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 approximately \$1,230,000 as of June 30, 2025.

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, which represents the satisfaction of the performance obligation. 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 supporting services 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.

**2. LINE OF CREDIT**

SkillSource has a \$750,000 line of credit, which matures on demand. Amounts borrowed under this agreement bear interest at the Wall Street Journal Prime Rate plus .5%.

**THE SKILLSOURCE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**2. LINE OF CREDIT (Continued)**

The interest rate at June 30, 2025 was 8%. 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, 2025, there were no outstanding borrowings on the line of credit.

**3. NET ASSETS WITH DONOR RESTRICTIONS**

There were no net assets with donor restrictions at June 30, 2025. 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, 2025:

United Way Financial Education Center	\$ 359,970
Community Foundation (NVITE)	13,694
TANF4	<u>1,680</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 375,344</u></b>

**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	\$ 539,140
Other receivables	6,915
Grants receivable	<u>1,120,716</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,666,771</u></b>
---	----------------------------

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 \$750,000.

**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 expired in December 2024. Base rent was \$205,976 per year, increasing by a factor of 2.5% per year. In December 2024, the lease was extended through December 2034. Base rent under the extended agreement is \$166,800 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.

**THE SKILLSOURCE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**5. LEASE COMMITMENTS (Continued)**

For the year ended June 30, 2025, total lease cost was \$392,178 and total cash paid was \$381,944 for all operating leases. Lease expense is included within Facilities, supplies, and services on the accompanying Statement of Functional Expenses. As of June 30, 2025, the weighted-average remaining lease term and rate for the operating leases is 7.91 years and 3.75%, 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, 2025:

**Year Ending June 30,**

2026	\$ 326,119
2027	334,667
2028	343,433
2029	238,467
2030	186,417
Thereafter	<u>897,610</u>
Sub-total	2,326,713
Less: Imputed interest	(329,809)
Less: Current portion	<u>(310,118)</u>

**LONG-TERM PORTION \$ 1,686,786**

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 2025.

Lease income for the year ended June 30, 2025 was \$768,409.

**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, 2025 totaled \$198,291 and are included within Personnel in the accompanying Statement of Functional Expenses.

**7. CONCENTRATION OF REVENUE**

For the year ended June 30, 2025, approximately 60% of SkillSource's revenue was derived from grants awarded by the U.S. Department of Labor (DOL).

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.

**THE SKILLSOURCE GROUP, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**7. CONCENTRATION OF REVENUE (Continued)**

In 2025, a series of Presidential Executive Orders were issued that impacted new and existing U.S. Government awards. As a result of these Presidential Executive Orders, certain awards were terminated. SkillSource is currently assessing the potential financial and operational impact of these directives. While management does not anticipate any immediate effects on other programs or funding sources, there is inherent uncertainty regarding the longer-term implications of the Executive Orders. These financial statements do not reflect any adjustments related to this situation.

**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 2025. 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 26, 2025, the date the financial statements were issued.

SkillSource's audited financial statements were originally issued on November 24, 2025 in order to meet reporting deadlines while the federal compliance audit required under the Uniform Guidance (the "Single Audit") was still in process. On December 5, 2025 the Single Audit was completed, and the accompanying independent auditor's report was dual dated to reflect the completion of those procedures. No other events requiring adjustment to, or disclosure in, the financial statements occurred between the original issuance date and the dual-dating date.

## **SUPPLEMENTAL INFORMATION**

## THE SKILLSOURCE GROUP, INC.

SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025

	Total	Indirect Costs	Pass-Through						Prince William County ELEVATE
			VCCS WIOA	Arlington WIOA	NCOA SCSEP	ICF H1B	TANF/ESLA	Fairfax County TALENT UP	
<b>Total Personnel Expenses</b>	<b>\$ 2,644,080</b>	<b>\$ 160,246</b>	<b>\$ 906,708</b>	<b>\$ 140,218</b>	<b>\$ 35,046</b>	<b>\$ 60,878</b>	<b>\$ 337,185</b>	<b>\$ 391,416</b>	<b>\$ 5,057</b>
<b>Non-Personnel Expenses:</b>									
Contractual personnel and operations	2,790,149	-	2,384,221	-	151,152	-	-	7,534	105,735
Customer training and services	3,697,427	510	790,021	126,929	1,140,962	-	73,486	1,055,524	80,624
Facilities, supplies and services	850,021	24,601	294,431	-	882	-	302	-	-
Insurance	42,956	37,295	-	-	-	-	-	-	-
Office supplies and services	116,209	20,462	22,826	520	594	27,290	10,920	3,976	1,688
Outreach and communication	240,125	13,437	140,598	1,061	3,554	172	4,237	-	2,627
Professional services	453,763	224,780	131,020	-	28,675	193	2,498	23,529	-
Travel, meetings and conferences	20,390	-	4,537	69	2,872	-	2,106	388	742
Professional development	7,606	4,266	675	-	115	-	850	-	-
Depreciation and amortization	4,427	-	-	-	-	-	-	-	-
<b>Total Non-Personnel Expenses</b>	<b>8,223,073</b>	<b>325,351</b>	<b>3,768,329</b>	<b>128,579</b>	<b>1,328,806</b>	<b>27,655</b>	<b>94,399</b>	<b>1,090,951</b>	<b>191,416</b>
Total expenses before indirect costs	10,867,153	485,597	4,675,037	268,797	1,363,852	88,533	431,584	1,482,367	196,473
Allocation of indirect costs	-	(485,597)	145,727	21,285	295	7,955	35,836	41,895	(583)
<b>TOTAL EXPENSES PER FINANCIAL STATEMENTS</b>	<b>\$ 10,867,153</b>	<b>\$ -</b>	<b>\$ 4,820,764</b>	<b>\$ 290,082</b>	<b>\$ 1,364,147</b>	<b>\$ 96,488</b>	<b>\$ 467,420</b>	<b>\$ 1,524,262</b>	<b>\$ 195,890</b>

**THE SKILLSOURCE GROUP, INC.**

**SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Pass-Through (Continued)</u>	<u>Non-Federal Awards and Activities</u>			
	<u>Total Pass-Through</u>	<u>EYE</u>	<u>DARS SEAL</u>	<u>City of Manassas GRADUATE</u>	<u>GO Virginia</u>
<b>Total Personnel Expenses</b>	<b>\$ 1,876,508</b>	<b>\$ 5,066</b>	<b>\$ 507</b>	<b>\$ 3,815</b>	<b>\$ 215,580</b>
<b>Non-Personnel Expenses:</b>					
Contractual personnel and operations	2,648,642	17,701	26,782	-	-
Customer training and services	3,267,546	176,611	80,260	4,476	-
Facilities, supplies and services	295,615	-	-	-	-
Insurance	-	-	-	-	5,661
Office supplies and services	67,814	131	-	600	1,105
Outreach and communication	152,249	3,899	23	-	2,726
Professional services	185,915	12,783	-	-	20,739
Travel, meetings and conferences	10,714	68	-	-	938
Professional development	1,640	-	-	-	-
Depreciation and amortization	-	-	-	-	-
<b>Total Non-Personnel Expenses</b>	<b>6,630,135</b>	<b>211,193</b>	<b>107,065</b>	<b>5,076</b>	<b>31,169</b>
Total expenses before indirect costs	8,506,643	216,259	107,572	8,891	246,749
Allocation of indirect costs	252,410	26,897	13,379	1,106	30,690
<b>TOTAL EXPENSES PER FINANCIAL STATEMENTS</b>	<b>\$ 8,759,053</b>	<b>\$ 243,156</b>	<b>\$ 120,951</b>	<b>\$ 9,997</b>	<b>\$ 277,439</b>

**THE SKILLSOURCE GROUP, INC.**

**SCHEDULE OF GRANTS, AWARDS, AND ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<b>Non-Federal Awards and Activities (Continued)</b>				
	<b>UW FEC</b>	<b>PW MRADC</b>	<b>Ticket To Work</b>	<b>Other Activities</b>	<b>Total Non-Federal Awards</b>
<b>Total Personnel Expenses</b>	<b>\$ 16,647</b>	<b>\$ -</b>	<b>\$ 173,850</b>	<b>\$ 191,861</b>	<b>\$ 607,326</b>
<b>Non-Personnel Expenses:</b>					
Contractual personnel and operations	95,315	-	-	1,709	141,507
Customer training and services	-	2,925	5,830	159,269	429,371
Facilities, supplies and services	54,841	-	-	474,964	529,805
Insurance	-	-	-	-	5,661
Office supplies and services	926	-	1,761	23,410	27,933
Outreach and communication	1,208	-	2,837	63,746	74,439
Professional services	-	-	2,815	6,731	43,068
Travel, meetings and conferences	954	-	2,580	5,136	9,676
Professional development	-	-	1,700	-	1,700
Depreciation and amortization	-	-	-	4,427	4,427
<b>Total Non-Personnel Expenses</b>	<b>153,244</b>	<b>2,925</b>	<b>17,523</b>	<b>739,392</b>	<b>1,267,587</b>
Total expenses before indirect costs	169,891	2,925	191,373	931,253	1,874,913
Allocation of indirect costs	21,130	364	23,801	115,820	233,187
<b>TOTAL EXPENSES PER FINANCIAL STATEMENTS</b>	<b>\$ 191,021</b>	<b>\$ 3,289</b>	<b>\$ 215,174</b>	<b>\$ 1,047,073</b>	<b>\$ 2,108,100</b>

## THE SKILLSOURCE GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025

<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>
<b>U.S. Department of Labor (DOL):</b>				
Workforce Innovation and Opportunity Act Cluster:				
Pass-through from Virginia Department of Workforce Development and Advance:				
Dislocated Worker Formula Grants	17.278	LWDA 11-24-04	\$ 120,378	\$ 570,952
Dislocated Worker Formula Grants	17.278	LWDA 11-23-05	94,891	126,506
WMATA Outreach Campaign	17.278	24A55AW000055	-	60,683
Pass-through from County Board of Arlington County, Virginia:				
Dislocated Worker Formula Grants	17.278	C25079	-	48,770
Sub-total ALN 17.278			<u>215,269</u>	<u>806,911</u>
Pass-through from Virginia Department of Workforce Development and Advance:				
Youth Activities Formula Grants	17.259	LWDA 11-24-04	705,796	1,050,103
Youth Activities Formula Grants	17.259	LWDA 11-23-05	<u>574,716</u>	<u>705,828</u>
Sub-total ALN 17.259			<u>1,280,512</u>	<u>1,755,931</u>
Pass-through from Virginia Department of Workforce Development and Advance:				
Adult Program Formula Grants	17.258	LWDA 11-24-04	934,105	1,599,928
Adult Program Formula Grants	17.258	LWDA 11-23-05	568,359	706,764
Pass-through from County Board of Arlington County, Virginia:				
Adult Program Formula Grants	17.258	SECURE23-11-21-01	-	241,312
Sub-total ALN 17.258			<u>1,502,464</u>	<u>2,548,004</u>
Sub-total Workforce Innovation and Opportunity Act Cluster			<u>2,998,245</u>	<u>5,110,846</u>
Pass-through from National Council on Aging: Senior Community Service Employment Program	17.235	AD-35218-20-60-A-51-85	<u>168,603</u>	<u>1,364,147</u>
Pass-through from ICF Incorporated, LLC: H-1B Job Training Grants	17.268	2100448639	-	96,488
<b>Total U.S. Department of Labor (DOL)</b>			<u><b>3,166,848</b></u>	<u><b>6,571,481</b></u>

**THE SKILLSOURCE GROUP, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

<b><u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u></b>	<b><u>Assistance Listing Number</u></b>	<b><u>Pass-Through Entity Identifying Number</u></b>	<b><u>Pass-Through to Subrecipients</u></b>	<b><u>Total Federal Expenditures</u></b>
<b>U.S. Department of Health and Human Services (DHHS):</b>				
Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families	93.558	BEN-24-060-20	\$ -	\$ 205,510
Pass-through from Commonwealth of Virginia, Department of Social Services: Temporary Assistance for Needy Families	93.558	BEN-24-086-04	-	261,910
<b>Total U.S. Department of Health and Human Services (DHHS)</b>			-	<b>467,420</b>
<b>U.S. Department of the Treasury (TREAS):</b>				
COVID-19: ARPA Talent Up Fairfax Fund	21.027	4400012118	-	1,548,356
COVID-19: Pass-through from Prince William County Department of Economic Development	21.019	50595540	183,634	195,890
<b>Total U.S. Department of the Treasury (TREAS)</b>			<b>183,634</b>	<b>1,744,246</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,350,482</b>	<b>\$ 8,783,147</b>

**THE SKILLSOURCE GROUP, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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, 2025. Information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of SkillSource; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of SkillSource.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the 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 for all awards that do not explicitly state that indirect costs are not allowed.

## THE SKILLSOURCE GROUP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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:

**Assistance Listing Numbers****Name of Federal Program or Cluster**

93.558  
21.027

Pass-through from Commonwealth of Virginia, Department of  
Social Services: Temporary Assistance for Needy  
Families  
COVID-19: ARPA Talent Up Fairfax Fund

- 8). Dollar threshold used to distinguish between Type A and Type B programs:

**\$750,000**

- 9). Auditee qualified as a low-risk auditee?

☒ Yes ☐ No

**THE SKILLSOURCE GROUP, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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.

**Section IV - Prior Year Findings with Current Year Status**

**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

**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.

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

**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.

**Current Year Status:** We did not note any issues with respect to proper tracking and preparation of the SEFA. We consider this matter adequately addressed.



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), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SkillSource's basic financial statements, and have issued our report thereon dated November 26, 2025 (resissued, December 5, 2025).

**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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

---

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

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

November 26, 2025



## 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, 2025. 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 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, 2025.

##### *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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 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.

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

### ***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 GAAS, *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 GAAS, *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.

### **Report on 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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 & Friedman".

December 5, 2025