

The *SkillSource* Group, Inc. 2008 Annual Report





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March 2008

Dear Northern Virginia Business Colleague:

The **SkillSource** Group, Inc. enjoyed one of its most productive and successful years in 2007, with its particular focus on workforce and economic development initiatives throughout Northern Virginia. We are pleased to share this Annual Report to highlight our collective efforts and successes in close partnership with area businesses, government and related community and faith-based organizations.

In this Report, you will learn more about our efforts to study the anticipated regional workforce impacts of the Department of Defense Base Realignment and Closing project, the growth of the Northern Virginia HealthFORCE initiative, the successful completion of the regional Faith and Community Based Workforce collaboration in 2007 and the continued growing successes of our local ex-offender community reintegration efforts. All of these initiatives will continue to thrive in 2008 and beyond.

The Northern Virginia Workforce Investment Board remains one of the largest local workforce boards in the Commonwealth, serving over 1.8 million residents and tens of thousands of businesses in Fairfax, Loudoun and Prince William counties, and the cities of Falls Church, Fairfax, Manassas and Manassas Park. Over 33,000 adult jobseekers visited our **SkillSource** Centers during 2007 to seek employment or to upgrade their skills. Our Centers also offer multiple free services to businesses looking to hire and retain a competitive and productive workforce.

As a critical stakeholder in our success, we welcome your continued input and seek your active participation in our work throughout the community. Please join us as we 'Help Northern Virginia Work'.



From left, David Hunn, **SkillSource** Group President; Janet Samuelson, Vice-Chairman, **SkillSource** Group Board of Directors; John E. Ritzert, Jr., Chairman, **SkillSource** Group Board of Directors; and Michael Zeiders, Chairman, Northern Virginia Workforce Investment Board.

A non-profit entity of the Northern Virginia Workforce Investment Board
We Help Northern Virginia Work.

Who We Are

NVWIB Vision: A vibrant region that is economically competitive.

NVWIB Mission: To catalyze a world class, globally competitive business environment in Northern Virginia.

Shared principles, beliefs and priorities:

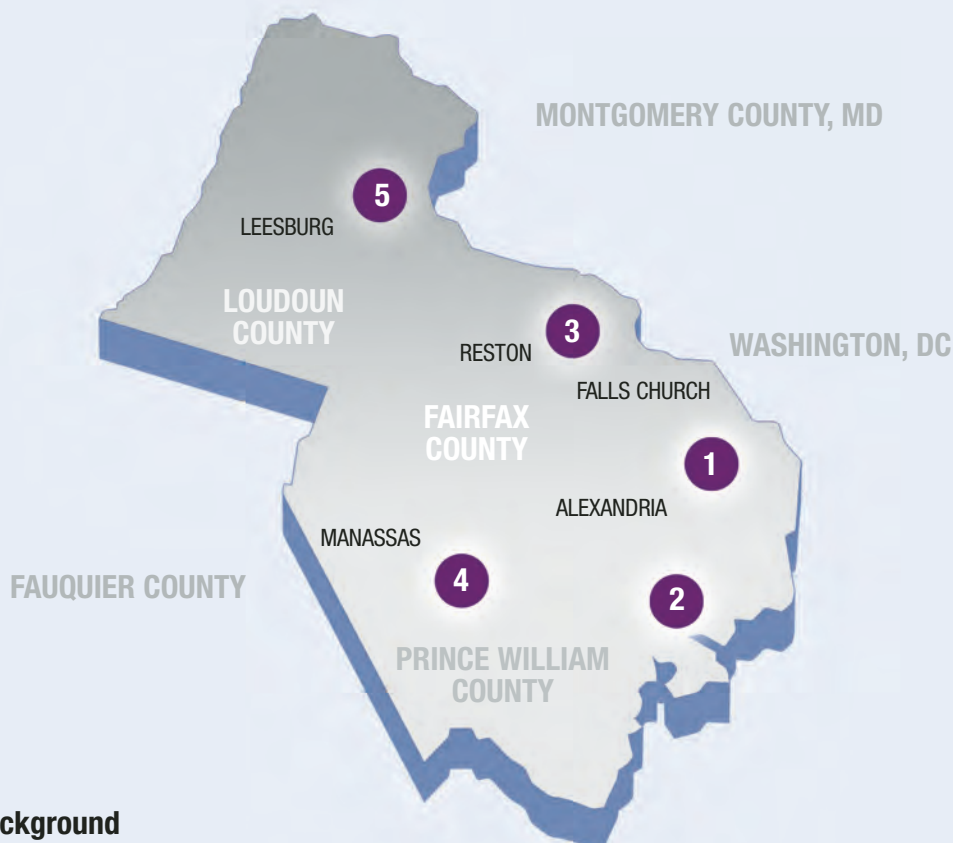
Innovation – We believe in embracing on-going innovation, creativity, and change for achieving continuous improvement and growth.

Integrity – We believe in living our values every minute of every day. We believe in doing the right thing right the first time for our customers and always honoring our commitments.

Stewardship – We believe in our role as stewards of the public trust and take seriously our responsibility for fiscal management of the public tax dollars.

Learning – We believe learning and growth is what matters. For our community, for our employees, and for our organization.

Results – We believe that results are essential to our success. Results are obtained by focusing on customer expectations, by providing a return on investment, and by ensuring future growth.



Background

The Northern Virginia Workforce Investment Board (NVWIB) and The **SkillSource** Group, Inc., its non-profit 501(c) 3 arm, administers multiple funding categories and services for the Northern Virginia Workforce System. The NVWIB represents the counties of Fairfax, Loudoun and Prince William and the cities of Fairfax, Falls Church, Manassas and Manassas Park. The NVWIB represents more than 1.8 million residents and nearly 20,000 businesses in the region, the largest workforce area by population in the Commonwealth of Virginia.

SkillSource Center Locations

- 1 Falls Church SkillSource Center**
6245 Leesburg Pike, Suite 315
Falls Church, Virginia 22044
(703) 533-5400
TTY: (703) 533-5316
HOURS:
Monday, Tuesday, Thursday, 8:30 am – 5:00 pm
Wednesday 8:30 am – 7:00 pm
Friday 10:00 am – 5:00 pm
- 2 South County SkillSource Affiliate Center**
A SkillSource Affiliate
8350 Richmond Highway, Suite 327
Alexandria, VA 22309
(703) 704-6286
TTY: (703) 704-6685
HOURS:
Monday – Thursday 8:30 am – 5:00 pm
Friday 10:00 am – 5:00 pm
- 3 Lake Anne Employment Resource Center**
A SkillSource Affiliate
11484 Washington Plaza West, Suite 110
Reston, Virginia 20190
(703) 787-4974
TTY: (703) 742-0350
HOURS:
Monday – Thursday 8:00 am – 4:30 pm
Friday open at 10:00 am
- 4 Sudley Employment Resource Center**
A SkillSource Affiliate
7987 Ashton Avenue, Suite 200
Manassas, VA 22110
(703) 792-4090
TTY: (703) 792-7575
NEW HOURS:
Monday – Thursday 9:00 am – 4:00 pm
Friday Closed
- 5 Loudoun Workforce Resource Center**
A SkillSource Affiliate
Shenandoah Building
102 Heritage Way, N.E., Suite 200
Leesburg, VA 20176
(703) 777-0150
TTY: 711 VA Relay
HOURS:
Monday – Friday 9:00 am – 4:30 pm
Third Wednesday of the month, 9:00 am – 1:30 pm

Northern Virginia *SkillSource* Centers

Individual Training Accounts Subsidized Wages

What are ITAs?

Individual Training Accounts (ITAs) are written with institutions listed on the State's Eligible Training Provider (ETP) list of training activities including, but not limited to: Classroom/Institutional Training (upgrade, refresher, short-term technical training), Vocational and/or Occupations Skills Training.

BREAKDOWN SUMMARY ON INDIVIDUAL TRAINING ACCOUNTS (ITAs)

ITAs Industry	Funding Obligated	TOTAL NUMBER
Accounting/Finance	\$ 8,581	5
Clerical / Administrative	\$ 12,405	8
Construction / Trade	\$ 13,046	5
Education	\$ 4,323	10
Healthcare	\$ 22,318	16
Hospitality / Services*	\$ 13,536	3
Technology	\$ 35,621	18
Others/Vocational Training	\$ 4,670	6
TOTAL	\$114,500	71

*100% pertains to pilot training. One LOA has been cancelled and new LOA offers less amount than cancelled LOA.

About the *SkillSource* Centers

The *SkillSource* centers have workforce resources available free of charge at 5 conveniently located sites. At these centers, knowledgeable staff members assist both the job seeker and the employer.

As a job seeker:

The *SkillSource* centers are your "one-stop resource" for skills assessment, career training, job placement, personalized counseling, interview and resume preparation and job search assistance. You have access to fax machines, computers, and the Internet, as well as interview coaching and, of course, all the job listings and job fairs in the area.

As an employer:

You can post openings free of charge, have resumes of skilled candidates sent to you, use *SkillSource* facilities for on-site recruitment, find training services to help current employees, and find information on employer tax credits and on-the-job training wage subsidies.

As an entrepreneur:

You can get help writing a business plan, understanding cash flow and financial planning, apply for local licenses and permits, use *SkillSource* facilities for meetings and videoconferencing and attend workshops on building your business.

About the *NVWIB* Partner Programs

Integrating Ex-Offenders Into The Community Since 2003, *SkillSource* has been part of the regional community network that has excelled in managing the Federal Virginia Serious and Violent Offender Re-Entry Initiative (VASAVOR) in Fairfax County, which supports the transition of long-term incarcerated adults from jail into the community. The Fairfax County VASAVOR initiative provides selected offenders with requisite skills and supports to reduce recidivism and assure successful reintegration. Most VASAVOR participants have remained employed with good wages and benefits and with secure housing opportunities. In FY 2008 and beyond, *SkillSource* will be continuing this program with funding from the Virginia Department of Corrections. The chart below summarizes *SkillSource* employment and training costs and performance for VASAVOR ex-offenders in Fairfax County from FY 2004 to 2007.

Category	FY 2004	FY 2005	FY 2006	FY 2007
# of Offenders	68	65	63	45
Total Employment and Training Costs	\$117,603	\$154,647	\$117,783	\$123,672
Average Wage at Placement	\$12.79/hr	\$13.68/hr	\$13.60/hr	\$13.50/hr
Total Number of Job Placements	46	47	80	40
Average VASAVOR Employment and Training Costs Per Offender	\$1,729	\$2,379	\$1,870	\$2,748

Regional Faith and Community-Based Workforce Initiative In 2007 *SkillSource* completed its Employment Access through Partnerships and Community Collaboration Project that was funded by the U.S. Department of Labor's Center for Faith-Based and Community Initiatives. Through this effort, *SkillSource* awarded Faith and Community Based Workforce Grant Awards of \$10,000 to \$25,000 to 14 faith and community-based organizations (FBCOs) that serve local job seekers facing multiple employment barriers in the Northern Virginia Workforce Area. The following table documents



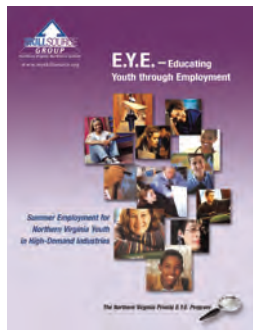
Huey Battle (Washington Gas) and John Ritzert (Ritzert and Leyton, PC) review policy proposal at Northern Virginia Workforce Investment Board meeting.

NWWIB Partner Programs

the impressive accomplishments by the participating faith and community-based groups. The remarkable extent to which the project exceeded its goals indicates reservoirs of potential vitality, leadership, staff initiative, and organizational follow-through that yielded excellent dividends for this project. **SkillSource** and its faith and community-based partner organizations are actively seeking additional opportunities to collaborate for enhanced service delivery.

Project Goals	Proposed Estimates	Actual Outcomes	Difference
Adult Jobseekers Linked to Employment Services	175	819	+644 (+368%)
Adult Jobseekers Placed Into Employment	93	134	+41 (+44%)
Average Hourly Wage at Placement	\$10/hour	\$10.50/hour	+\$0.50/hour (+5%)

The Center for Planning and Business Development (CBPD) With a mission to provide resources and technical assistance to emerging entrepreneurs and existing businesses throughout Northern Virginia, the CBPD offers state-of-the art videoconferencing and broadband computer access at no charge. Workshops on business-related topics and one-on-one counseling providing financial and technical assistance help businesses of any size to grow successfully. There were approximately 1,463 visits to the Center for Business Planning and Development in FY 2007. The Center for Business Planning and Development assisted in launching 48 new businesses in FY 2007, creating 62 new jobs.



The SkillSource Educating Youth through Employment (EYE) program continued its success in 2007, nearly doubling in size from 2006. This program collaborates with local schools, businesses and other community partners to support meaningful and relevant summer work experiences for young adults in Northern Virginia. Local employers hire or sponsor youth for a summer work experience within their industry sector, and young adults utilize this work opportunity as career exploration. **SkillSource**, in coordination with Fairfax County's Youth Workforce Development Program, successfully implemented this employer-driven, summer employment

initiative for participants between the ages of 16-21 in the counties of Fairfax, Loudoun and Prince William since 2006.

2007 workshop training sessions were open to not only youth employed through the program, but to **ALL** youth that applied to the EYE Program. Therefore, an average of 50 to 70 young adults benefited from each workshop. Many of these youth and their parents were introduced to **SkillSource** for the first time and were eligible for many of our services. With a total of 12 employers and 8 sponsored sites, a total of 31 youth were employed at an average wage of \$8/hour. 93% of employers surveyed found their EYE experience enjoyable and 93% of youth surveyed were extremely satisfied with the job readiness workshops; **SkillSource** expects this trend to continue in 2008.

	Summer 2006	Summer 2007	Summer 2008 (projected)
Total Employers	9	12	20-25
Total Youth Participants	16	31	55-65
Total Youth Trained	16	50	85-100
Number of Workshops	4	5	7-8

Did You Know?

The U.S. Department of Labor reported that "Fairfax County has emerged as the Washington metropolitan area's private-sector job leader." From 1990 to 2005, job growth in the professional and business services industry in Fairfax grew at a rate of 123 percent.

Fairfax County has added more than 10,000 new business establishments and 250,000 new jobs since 1990.



Hector Velez (HireStrategy) addresses Center certification issues at Northern Virginia Workforce Investment Board meeting.

NVWIB Partner Programs (continued)

Did You Know?

More than 65,000 people were added to Prince William County's population during the 1990s, ranking it third in Virginia (behind Fairfax and Loudoun Counties) for most population added during that time period.



Shelly Dugan, Manager of the Loudoun Resource Center, receives 2007 Outstanding WIA Performance Recognition from Michael Zeiders (Zeiders Enterprises, Inc.), Huey Battle (Washington Gas) and Shirley Bazdar (Loudoun County Public Schools).

Inbound and Outbound Department of Defense Job Moves in the NVWIB Region

BRAC RECOMMENDATIONS	MILITARY	CIVILIAN	EMBEDDED CONTRACTORS	TOTAL
Direct Inbound Jobs - Total	5,194 (20%)	14,620 (56%)	6,314 (24%)	26,128
Inbound Moves to Fort Belvoir	4,843	12,868	5,759	23,470
Army Leased (#132)	557	2,163	0	2,720
OSD/Washington Headquarters Services (WHS) et al. (#133)	2,693	5,066	1,504	9,263
Co-locate Missile and Space Defense Agencies (MDA HQCC) (#134)	13	124	155	292
National Geospatial-Intelligence Agency (NGA) Activities (#168)	266	4,134	4,100	8,500
Realign Walter Reed National Military Medical Center (#169)	1,258	811	0	2,069
The elements of the Program Executive Office for Enterprise Information Systems (PEO EIS) (#5)	56	424	0	480
Discretionary Moves*	0	146	0	146
Inbound Moves to Quantico – Investigative Agencies (#131)	351	1,752	555	2,658
Direct Outbound Jobs - Total	926 (20%)	343 (73%)	322 (7%)	4,591
from Fort Belvoir	450	2,305	96	2,851
from Quantico	50	0	6	56
from Bailey's Crossroads	426	1,038	220	1,684
Net Direct Job Impacts	4,268 (20%)	11,277 (52%)	5,992 (28%)	21,537

SOURCE: the 2005 BRAC Recommendations Report & the Fort Belvoir Draft EIS Report, 2007.

NOTE: The data of military, civilian and embedded jobs were obtained from the 2005 BRAC Report, except for National Geospatial-Intelligence Agency (NGA) and PEO EIS. The estimates of military, civilian and embedded contractor jobs for NGA and PEO EIS moving to are calculated based on the proportion of NGA jobs moving to Maryland and the ratio of total military, civilian and contractor jobs moved out of Fort Monmouth, New Jersey.

Enhanced Regional Workforce Collaboration With BRAC SkillSource, in collaboration with the Arlington/Alexandria Workforce Investment Board, will participate in a \$4.9 million grant from the U.S. Department of Labor's National Emergency Grant program to the Commonwealth of Virginia to respond to workforce impacts resulting from the Base Realignment and Closure (BRAC) process. **SkillSource** and the Arlington/Alexandria WIB will work with their counterparts in the District of Columbia and Maryland to plan and implement a Greater Washington Regional response to BRAC-related workforce issues and transformational economic development strategies. The WIRING NORTHERN VIRGINIA FOR BRAC proposal has two priorities: 1) To support workforce and economic

development officials to respond to worker and employer needs resulting from BRAC transitions and 2) To support the continued transformation of workforce and economic development strategies within the Northern Virginia community, as part of the Greater Washington regional economy. Of the \$4.9 million requested in this proposal, approximately \$3.5 million will be utilized for direct services to BRAC-impacted workers. The remaining \$1.5 million will be utilized to enhance and transform the capability of the Northern Virginia region, while working collaboratively with professional colleagues in Maryland and the District. These funds will be available through June 2009.

Local Success in Exceeding Federal Workforce Performance Benchmarks Each year, the U.S. Congress and the U.S. Department of Labor assess the performance of States and local Workforce Investment Boards through the review of seventeen (17) Workforce Investment Act performance benchmarks. These benchmarks reflect the national workforce funding priorities for Adults, Dislocated Workers, Youth and overall Customer Satisfaction ratings.

Since 2002, the Northern Virginia Workforce Area has been one of the strongest local workforce board performers in exceeding or meeting the annual WIA performance benchmark ratings. The chart below summarizes benchmark ratings from PY 2002 - PY 2006. The Ratings are comprised of E (Exceeds annual benchmark), M (Meets annual benchmark) or FTM (Fails To Meet annual benchmark).

**Northern Virginia Workforce Area Summary of Performance Benchmarks
for the Federal Workforce Investment Act
PY 2002 - PY 2006**

	PY 2002 Status	PY 2003 Status	PY 2004 Status	PY 2005 Status	PY 2006 Status
Adult					
Entered Employment Rate	E	E	E	E	E
Employment Retention Rate	E	E	E	E	E
Average Earnings	E	E	E	E	E
Employment and Credential Rate	E	E	E	E	E
Dislocated Workers					
Entered Employment Rate	E	E	E	E	E
Employment Retention Rate	E	E	E	E	E
Average Earnings	E	E	E	E	E
Employment and Credential Rate	E	M	FTM	E	E
Older Youth (19-21)					
Entered Employment Rate	E	M	E	E	E
Employment Retention Rate	E	E	E	E	E
Earnings Change	E	M	E	E	E
Credential Rate	E	E	E	E	E
Younger Youth (14-18)					
Skill Attainment Rate	E	E	M	E	E
High School Diploma or Equivalent Rate	E	E	E	E	E
Retention Rate	E	M	E	E	E
Customer Satisfaction					
Participant	E	M	M	E	E
Employer	E	M	E	M	M

Did You Know?

Time magazine called Fairfax County the “epicenter” of the Washington region’s job boom and “one of the great economic success stories of our time.” Weeks later, *The Wall Street Journal* called Fairfax County the center of the government contracting industry. National Public Radio and CNBC spotlighted Fairfax County as a center of foreign-owned businesses.



Beth Hain, Loudoun County Department of Economic Development and Catherine Meloy (Goodwill of Greater Washington) consider healthcare workforce briefing update at Northern Virginia Workforce Investment Board meeting.

NVWIB Partner Programs (continued)

Did You Know?

The median household income in Loudoun County is \$99,371, 82 percent higher than in the Commonwealth of Virginia, more than double the national median of \$48,451 and is number one in the U.S.

Northern Virginia HealthFORCE SkillSource is one of the founding members of NoVaHealthFORCE, a coalition of organizations and leaders in business, education and the health industry, that came together with the purpose “to establish a long-term, business-driven, sustainable strategy to address the health care workforce shortage in Northern Virginia.” In clarifying the scope and quality of identified current and future gaps in the health care workforce and the driving forces responsible for those gaps, its in-depth studies conducted by PricewaterhouseCoopers in 2005 and 2007 analyzed the scope and impact of the current and long range healthcare workforce challenges in Northern Virginia by surveying and interviewing area health care employers. That study found that growing problems in recruitment and retention of qualified health care workers have become so severe, that without intervention, looming workforce shortages threaten to impede economic stability and growth as well as to erode the quality of life for thousands of residents. **SkillSource** and NoVaHealthFORCE collaboration has resulted in multiple grant awards to date from the Commonwealth of Virginia (\$1.5 million) and the U.S. Department of Labor (\$1.1 million) to Northern Virginia Community College, in addition to over \$1.5 million in corporate matching funding commitments to **SkillSource** by regional health care providers.

Northern Virginia Career Assistance Loan Program The Career Skills Loan was developed by **SkillSource** and Sallie Mae in 2003 to help make training programs more affordable to adults interested in switching careers to jobs in the information technology and the health care industry. Unlike Federal WIA guidelines, there are no income eligibility requirements for this program; moreover, no Federal funds are utilized for this activity. For every \$1 deposited into non-WIA funds deposited into a 3rd-party escrow account, Sallie Mae commits to loan \$5. Currently, Sallie Mae has committed \$500,000 in low-cost loans for this training initiative. When an applicant enrolls in one of the customized programs at a participating school in Northern Virginia, they are eligible for this innovative, low-cost loan that can go towards tuition costs, books, supplies and living expenses during the four to six month training period. This program is a unique and affordable opportunity to help workers pay for tuition costs and living expenses while they train, helping them to transition quickly into a new health care or information technology job.



Base Realignment and Closing workforce issues were addressed at Northern Virginia Workforce Investment Board meeting. L-R: Michael Zeiders (NVWIB Chairman and Dr. Bonita Moore (Fairfax County Public Schools).



In January 2007, the Center for Faith-Based and Community Initiatives at the U.S. Department of Labor honored the **SkillSource** Group and multiple Northern Virginia faith and community based organizations as 'Champions of Compassion'. The Northern Virginia grant program was also identified by Labor as a Best Practice Model to be used throughout the nation.

2007 Audited Financial Statements



Certified Public Accountants
Specialized Services
Business Solutions

Report of Independent Auditors

Board of Directors
The SkillSource Group, Inc.

We have audited the accompanying statements of financial position of *The SkillSource Group, Inc.* (a not-for-profit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of *The SkillSource Group, Inc.*'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *The SkillSource Group, Inc.* as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Goodman & Company, LLP

Rockville, Maryland
February 13, 2008

STATEMENT OF ACTIVITIES, YEAR ENDED JUNE 30, 2007

	Unrestricted Funds	Temporarily Restricted Funds	Total 2007
Revenue, support and other changes			
Grants	\$ 2,262,051	\$ -	\$ 2,262,051
Contributions	35,000	22,868	57,868
Program income	25,326	-	25,326
Investment income	27,988	7,737	35,725
In-kind contribution	45,000	-	45,000
Net assets released from restrictions			
Satisfaction of program restrictions	27,868	(27,868)	-
	<u>2,423,233</u>	<u>2,737</u>	<u>2,425,970</u>
Expenses			
Program services			
BRAC national emergency grant	142,232	-	142,232
Faith and community based organizations	198,728	-	198,728
Medical assistant training contract	49,482	-	49,482
Northern Virginia regional partnership	61,914	-	61,914
Virginia Department of Corrections	116,540	-	116,540
Workforce investment act:			
Dislocated worker	500,826	-	500,826
Adult program	426,107	-	426,107
Youth program	408,796	-	408,796
Independence air neg	213,137	-	213,137
Local incentive	90,000	-	90,000
Project E.Y.E.	21,942	-	21,942
	<u>2,229,704</u>	<u>-</u>	<u>2,229,704</u>
Supporting services			
Management and general	131,190	-	131,190
Fundraising	31,133	-	31,133
	<u>2,392,027</u>	<u>-</u>	<u>2,392,027</u>
Change in net assets	31,206	2,737	33,943
Net assets - beginning of year	482,541	183,414	665,955
Net assets - end of year	<u>\$ 513,747</u>	<u>\$ 186,151</u>	<u>\$ 699,898</u>

STATEMENTS OF FINANCIAL POSITION

Assets	2007	2006
Current assets		
Cash and cash equivalents	\$ 528,704	\$ 300,695
Restricted cash	186,151	178,414
Accounts receivable	-	244,281
Grants receivable	436,423	587,644
Prepaid expenses	7,880	34,549
Total current assets	<u>1,159,158</u>	<u>1,345,583</u>
Property and equipment - net	<u>1,878</u>	<u>4,260</u>
	<u>\$ 1,161,036</u>	<u>\$ 1,349,843</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 223,537	\$ 631,234
Deferred revenue	20,000	6,864
Funds held in trust	217,601	45,790
Total current liabilities	<u>461,138</u>	<u>683,888</u>
Net assets		
Unrestricted	513,747	482,541
Temporarily restricted	186,151	183,414
Total net assets	<u>699,898</u>	<u>665,955</u>
	<u>\$ 1,161,036</u>	<u>\$ 1,349,843</u>

STATEMENT OF CASH FLOWS

Years Ended June 30,	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 33,943	\$ 262,047
Adjustments to reconcile net cash from operating activities:		
Depreciation	2,382	1,868
Change in:		
Accounts receivable	244,281	(114,624)
Grants receivable	151,221	(300,038)
Prepaid expenses	26,669	(34,549)
Accounts payable and accrued expenses	(407,697)	(318,805)
Deferred revenue	13,136	(27,461)
Funds held in trust	171,811	45,790
Net cash from operating activities	<u>235,746</u>	<u>(485,772)</u>
Cash flows from investing activities		
Property and equipment acquisitions	-	(3,073)
Change in restricted cash	(7,737)	(76,308)
Net cash from investing activities	<u>(7,737)</u>	<u>(79,381)</u>
Net change in cash and cash equivalents	<u>228,009</u>	<u>(565,153)</u>
Cash and cash equivalents - beginning of year	<u>300,695</u>	<u>865,848</u>
Cash and cash equivalents - end of year	<u>\$ 528,704</u>	<u>\$ 300,695</u>

1. Organization and Nature of Activities

The SkillSource Group, Inc. (Corporation) is a not-for-profit organization organized to support the workforce and economic development policies and programs determined by the Northern Virginia Workforce Investment Board (NVWIB) and to promote and implement NVWIB activities in the northern Virginia region. The Corporation was established in March 2002 but did not begin operations until January 2003.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

Unrestricted, Temporarily Restricted, and Permanently Restricted Net Assets

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of the financial statement presentation, cash and cash equivalents include all demand accounts for which it is not the intention of management to hold for long-term purposes.

Restricted Cash

In accordance with certain agreements, funds included in the restricted cash account are used as a guarantee against potential loan defaults in the Northern Virginia career skills loan program and are held in a separate account. See note 4 for additional information.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. A substantial portion of the amount due is receivable from the federal government. Based on

management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over estimated useful life of three years. The Corporation capitalizes any purchases of property and equipment that benefit future periods.

Funds Held in Trust

The Corporation has an agreement with the Northern Virginia Health Care Workforce Alliance (NoVaHealthFORCE) to act as its fiscal agent. The Corporation receives contributions and makes disbursements on behalf of NoVaHealthFORCE. Revenue and expenses for NoVaHealthFORCE are not reported in the Corporation's statement of activities.

Donated Services

During 2007 and 2006, the Corporation received donated space from the Manassas Mall. The fair value of the space has been estimated at \$45,000 and \$90,000 for 2007 and 2006, respectively.

Advertising Costs

The Corporation expenses advertising costs as they are incurred. Advertising and promotion expense was \$10,905 and \$16,594 for 2007 and 2006, respectively.

Allocation of Expenses

The allocation of expenses among the various programs is based on direct expenses incurred. Salaries and related benefits are allocated to programs based on the employees' responsibilities towards that specific function. Overhead costs have been allocated among the programs benefited based on management's estimated usage of these costs by program.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation.

3. Property and Equipment

Property and equipment consisted of the following:

	2007	2006
Equipment	\$ 8,164	\$ 8,164
Less - accumulated depreciation	(6,286)	(3,904)
	<u>\$ 1,878</u>	<u>\$ 4,260</u>

Depreciation expense for 2007 and 2006 was \$2,382 and \$1,868, respectively.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2007	2006
Northern Virginia career skills loan program	\$186,151	\$178,414
Project E.Y.E	-	5,000
	<u>\$186,151</u>	<u>\$183,414</u>

The amount for the loan program represents funds to guarantee student loans and the restricted cash represents collateral against those student loans. All interest earned on the cash account is held as restricted to the program.

5. Lease

The Corporation signed an agreement to lease office space in August 2005. The initial term was from September 1, 2005 through June 30, 2006 with an option to renew. The lease was renewed in June 2006 and in June 2007 for terms of one year each. Total annual payments per the lease agreement are \$28,290 for 2007 and 2006. Rent expense for 2007 and 2006 was \$73,290 and \$117,615, which includes in-kind contributions of \$45,000 and \$90,000, respectively.

The following is a schedule of future minimum lease payments required under the operating lease for the year ending June 30:

2008	\$ 24,120
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6. Affiliate

For 2006, the Corporation contracted with Northern Virginia Community College (NVCC), which appointed NVCC to serve as employment agent for employees hired to support the operations of the Corporation. Under this agreement, NVCC agreed to provide human resources, hiring, payroll and benefits services to employees supporting the Corporation. The Corporation agreed to pay NVCC an amount equal to the actual salary and benefits costs for the employees appointed under this agreement. Additionally, the Corporation agreed to pay NVCC an indirect rate of 20 percent on salaries, benefits and travel expenses.

The Executive Director had a restricted administrative faculty position for which he served under the direction of the NVCC President and the Chair of the Corporation. NVCC or any of the appointed employees were not a controlling body of the Corporation. The parties were accountable to the Corporation's Board of Directors and Chairman. Under this agreement, the Corporation had recognized salaries, benefits and related fees in the amount of \$484,337 for 2006. As of June 30, 2006, the amount due to NVCC for salaries, benefits and related fees was \$78,590.

This relationship ended in June 2006, whereupon the Corporation assumed the responsibility of its own employees. As of June 30, 2007, there were no amounts due to NVCC.

7. Concentration of Income

A substantial portion of the Corporation's activities and operations are funded by government grants. Total government grant revenue for 2007 and 2006 was \$2,262,051 and \$2,634,090, respectively.

8. Concentration of Credit Risk

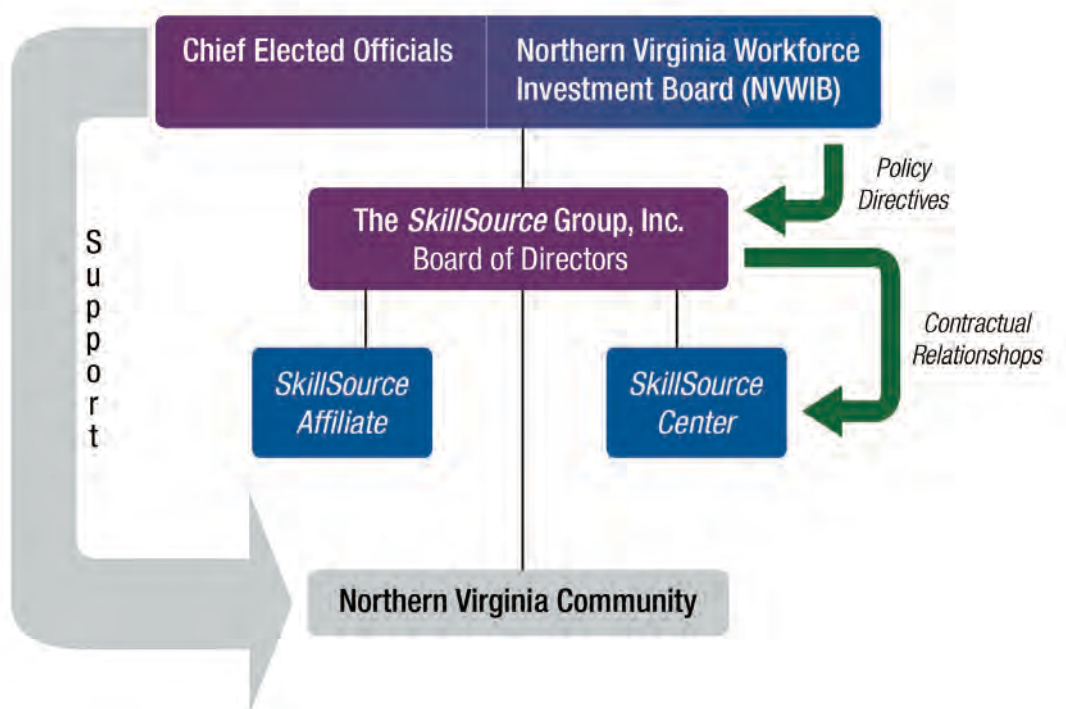
As of June 30, 2007 and 2006, the Corporation had bank deposits of approximately \$431,000 and \$551,000, respectively, in excess of federal insured limits.

9. Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform with the 2007 financial statement presentation. Such reclassifications had no effect on the change in net assets as previously reported. ■

Board Leadership

Organizational Structure of the Northern Virginia Workforce Investment Board and the **SkillSource** Group, Inc.



Northern Virginia Workforce Investment Board Officers 2007-2008.

Above, from left to right: Hector Velez, Secretary; Michael Zeiders, Chairman; Huey Battle, Vice Chairman; Shirley Bazdar, Parliamentarian; David Hunn, Executive Director.

At left, David Miles, Treasurer.

The *SkillSource* Group Board of Directors*

Huey Battle
Washington Gas

Barry Goulding
Sallie Mae, Inc.

Kathryn A. MacLane
Agir Limited

Janet E. Samuelson
ServiceSource, Inc.

Shirley Bazdar
Loudoun County Public Schools

Todd R. House
Micron Technology, Inc.

David C. Miles
Miles-LeHane Group

Hector Velez
HireStrategy

Mark R. Birmingham
Jack Kent Cooke Foundation

Sang Kim
Global Link Solutions

John E. Ritzert, Jr.
Ritzert & Leyton, P.C.

Michael Zeiders
Zeiders Enterprises, Inc

The Honorable Gerry Connolly
Fairfax County Board of Supervisors

Karla S. Leavelle
Human Capital Advisors

Todd W. Rowley
Wachovia National Bank

Northern Virginia Workforce Investment Board of Directors*

Huey Battle
Washington Gas

John Giancola
DeVry University

Lisa Morris
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Robert P. Rogers, Jr.
The Chesapeake Center, Inc.

Shirley Bazdar
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William F. Giusti
International Brotherhood of Electrical Workers, Local 26

William Mountjoy
AFL-CIO

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Louis J. Cernak, Jr.
Northern Virginia Central Labor Council

Beth Hain
Loudoun County Department of Economic Development

Janet Niblock
George Mason University

Janet E. Samuelson
ServiceSource, Inc.

The Honorable Gerry Connolly
Fairfax County Board of Supervisors

Verdia Haywood
Fairfax County Government

Dana W. Paige
Fairfax County Department of Family Services

Carl Savino
Competitive Edge Services, Inc.

Barbara DeChene
Northern Virginia Family Service

Todd R. House
Micron Technology, Inc.

Kim Clark Pakstys
Strategic Organization Solutions

Richard R. Shurtz II
Stratford University

Gregory Deese
CVS Pharmacy, Inc

Douglas James
Virginia Department of Rehabilitation Services

Scott Price
The Virginia High-Tech Partnership

Melvin R. Slusher (Rick)
Virginia Employment Commission

Suzanne Devlin
Fairfax County Police Department

Peter Joyce
Cisco Systems, Inc.

Edgar Reese
Job Corps

Bette Sneed
Prince William County Public Schools

Karen Drenkard
INOVA Health System

Karla S. Leavelle
Human Capital Advisors

Karen Reser
iDirect Technologies

Raymond Uhalde
National Center for Education and the Economy

Nancy A. Eckert
D.C. Metropolitan Subcontractors Association

Catherine Meloy
Goodwill of Greater Washington

Shelton Rhodes
New Millennium Solutions, LLC

Hector Velez
HireStrategy

William H. Gary, Sr.
Northern Virginia Community College

David C. Miles
Miles-LeHane Group

Ivy Richards
Fairfax County Economic Development Authority

Michael Zeiders
Zeiders Enterprises, Inc.

Bonita M. Moore, Ph.D.
Fairfax County Public Schools

John E. Ritzert, Jr.
Ritzert & Leyton, P.C.

*As of 12/31/07