we help northern virginia WORK.
February 2012

To Northern Virginia Employers and Residents:

Over one hundred years ago, President Theodore Roosevelt in a National Labor Day speech noted “Far and away the best prize that life offers is the chance to work hard at work worth doing.” We could not agree more and would add that the business of getting all Northern Virginians back to work has never been more important.

National and State labor market data highlights the resilience of the Northern Virginia economy, especially when compared to other regions of Virginia and the nation. As of November 2011, Northern Virginia registered an unemployment rate of 4.2%, one of the strongest regional economies in the United States. Yet, the ongoing challenges throughout the world combined with the slowly expanding United States economy emphasizes the critical role of workforce intermediaries such as the SkillSource Group. We see a clear need for more effort and resources to expand workforce services to tens of thousands of job seekers seeking to gain a foothold in our local job market.

For the fiscal year that ended in June 2011, our Northern Virginia SkillSource Centers hosted over 101,000 job seeker visits, all seeking, in President Roosevelt’s words, “work worth doing.” As reflected in this Annual Report for 2011, SkillSource and its multiple State and local partners continue to develop an efficient workforce delivery structure in order to better serve the Northern Virginia community. Some of our highlights included:

- Hosted national and international leaders at our Centers, including United States Secretary of Labor Hilda Solis and Assistant Secretary of Employment and Training Jane Oates.
- Added the Prince William Workforce Center as our fifth certified SkillSource Center.
- Awarded $835,000 in skills training grants to eligible job seekers in addition to 40 on-the-job training contracts.
- Established a partnership with Microsoft to train veterans in critical information technology skills.
- Built SkillSource Employment Network capacity for Social Security’s Ticket to Work Program.

The Northern Virginia Workforce Investment Board is one of fifteen local Workforce Boards in the Commonwealth of Virginia, serving over 1.9 million residents and thousands of businesses in Fairfax, Loudoun and Prince William counties and the cities of Falls Church, Fairfax, Manassas and Manassas Park. SkillSource Centers offer multiple free services to businesses seeking to hire and retain workers while also providing opportunities to job seekers seeking to increase their skills and employment options.

Thank you for supporting our efforts throughout Northern Virginia. We are proud to be part of this community.

Northern Virginia Workforce Investment Board

Dr. David C. Miles
Chairman

Todd Rowley
Vice Chairman

Janet Samuelson
Chairman

Karla Leavelle
Vice Chairman

The SkillSource Group, Inc.

www.myskillsource.org
Who We Are

The Northern Virginia Workforce Investment Board (NVWIB) and The SkillSource Group, Inc., its non-profit 501(c)(3) arm, administer multiple funding categories and services for the Northern Virginia Workforce System. The NVWIB serves the counties of Fairfax, Loudoun and Prince William and the cities of Fairfax, Falls Church, Manassas and Manassas Park. The NVWIB represents more than 1.9 million residents and nearly 20,000 businesses in the region, the largest workforce area by population in the Commonwealth of Virginia.

Vision
We envision a vibrant business and workforce region that is globally competitive.

Mission
To facilitate and enhance the employability of individuals seeking employment and employer access to a qualified workforce.

Our Value Proposition
We are consultative in meeting business needs by creating a flow of ready and prepared potential workers; helping business envision and implement alternative workplace environments that enhance the ability of workers to be more effective in the workplace; and providing resources to support skill development for future and current workers.

SkillSource Center Locations

1. Falls Church SkillSource Center
   6245 Leesburg Pike, Suite 315
   Falls Church, Virginia 22044
   (703) 533-5400
   TTY: 711 VA Relay
   HOURS
   Monday, Tuesday, Thursday – 8:30 am to 5:00 pm
   Wednesday – 8:30 am to 7:00 pm
   Friday – 10:00 am to 5:00 pm

2. South County SkillSource Center
   8350 Richmond Highway, Suite 327
   Alexandria, VA 22309
   (703) 704-6286
   TTY: 711 VA Relay
   HOURS
   Monday through Thursday – 8:30 am to 5:00 pm
   Friday – 10:00 am to 4:30 pm

3. Lake Anne SkillSource Center
   11484 Washington Plaza West, Suite 110
   Reston, Virginia 20190
   (703) 787-4974
   TTY: 711 VA Relay
   HOURS
   Monday through Thursday – 8:00 am to 4:30 pm
   Friday – 10:00 am to 4:30 pm

4. Loudoun Workforce Resource Center
   A SkillSource Affiliate
   Shenandoah Building
   102 Heritage Way, N.E., 1st Floor, Rear Entrance
   Leesburg, VA 20176
   (703) 777-0150
   TTY: 711 VA Relay
   HOURS
   Monday, Tuesday, Thursday, Friday – 9:00 am to 4:30 pm
   Wednesday – 9:00 am to 12:30 pm
   1st Friday of Each Month – 1:00 pm to 4:30 pm

5. Virginia Workforce Center
   13370 Minnieville Road
   Woodbridge, VA 22192
   (703) 586-6800
   TTY: (703) 583-6850
   HOURS
   Monday, Tuesday, Thursday, Friday – 8:30 am to 4:30 pm
   Wednesday – 9:00 am to 4:30 pm

Emerging Center

Fairfax Pre-Release Employment Center

www.myskillsource.org
Fast Facts

Fairfax County is the Washington metropolitan area’s private sector job leader and a major hub for regional economic activity, according to the U.S. Department of Labor.

— Bureau of Labor Statistics

Fairfax County is home to nine Fortune 500 company headquarters: Booz Allen Hamilton, Capital One Financial, CSC, Freddie Mac, Gannett, General Dynamics, NII Holdings, Northrop Grumman and Science Applications International Corporation (SAIC).

— Fortune

More than 90 percent of the companies in Fairfax County are small businesses with fewer than 50 employees.

— Fairfax County Economic Development Authority

U.S. Secretary of Labor Hilda L. Solis and Assistant Secretary Jane Oates Meet with Virginia Job Seekers at Falls Church SkillSource Center

On October 20, 2011, the U.S. Secretary of Labor Hilda L. Solis and Assistant Secretary for Employment and Training Jane Oates met with job seekers utilizing the Falls Church SkillSource Center, one of five Workforce Centers in the Northern Virginia Workforce Area #11.

Secretary Solis and Assistant Secretary Oates discussed the need for continued skills development and training with job seekers at the Center and also met with several students working in the Center’s computer lab while preparing to test for the Virginia Career Readiness Certificate. Later, the Secretary and Assistant Secretary met with Dr. David C. Miles, Chairman of the Northern Virginia Workforce Investment Board and Center staff, with discussions focusing on the Workforce Area’s strategic priorities in meeting local private business needs in addition to specific program accomplishments targeting entrepreneurship initiatives and offender reentry efforts.

Dr. David C. Miles (Chairman of the Northern Virginia Workforce Investment Board) and U.S. Secretary of Labor Hilda L. Solis.

U.S. Secretary of Labor Hilda L. Solis and Mr. Hoa Doan, a Falls Church SkillSource Center employee.

U.S. Secretary of Labor Hilda L. Solis and a Falls Church SkillSource Center job seeker.
The SkillSource Group, Inc. Issues FY 2011 Economic Impact Study Highlighting Strong Return on Investment for Public Workforce Services

In October 2011, the SkillSource Group, Inc. issued the 2011 Regional Economic Impact Study documenting the strong return-on-investment for publicly-funded workforce services in Northern Virginia. The Study was conducted by Mangum Economic Consulting, LLC of Richmond, Virginia.

The 2011 Report assessed the regional economic and fiscal impact of the employment, skills training and job placement services provided by the Northern Virginia Workforce System in FY 2011. When comparing public costs associated with the Northern Virginia Workforce System’s programs with the economic benefits associated with the employment outcomes, this study estimated that the Northern Virginia public return-on-investment was 4.7 times greater than the program costs. When Core workforce services are included, the benefits increase to 8.4 times greater than the program costs.

The Northern Virginia Study exclusively reviewed the regional workforce programs funded through the American Recovery and Reinvestment Act (ARRA – Stimulus Funding). When comparing the $8.8 million in cumulative economic benefits to the Northern Virginia Workforce System’s $1.2 million in ARRA funded workforce programs in FY 2010 and FY 2011, benefits exceed program costs by 7.2. The data indicates ARRA funded workforce programs delivered economic benefits more than seven times greater than program costs.

The 2011 Study and Executive Summary can be reviewed on the SkillSource Group website.

The SkillSource Group, Inc. Selected for Military Veteran Partnership With Microsoft Elevate America Initiative

In November 2011, the SkillSource Group, Inc. and the Northern Virginia Workforce Investment Board entered a new partnership with the Microsoft Corporation for its Elevate America Veterans Initiative in Northern Virginia. The Microsoft Elevate America Veterans Initiative helps veterans and their spouses obtain the technology skills and certifications needed to be successful in today’s civilian workforce. The Northern Virginia Workforce Investment Board is one of five (5) workforce areas in the nation selected for this Microsoft initiative. The other workforce areas include Seattle – King County (Washington), San Diego (California), Houston-Galveston (Texas) and Jacksonville (Florida). Each local workforce area will receive 1,000 Microsoft training vouchers per year for two years, with the total value of donated SkillSource training vouchers estimated at $1.25 million. Microsoft is also providing in-person support to ensure veterans and their spouses are successful in their training and certifications.
Northern Virginia Growing America Through Entrepreneurship Program (NOVAGATE)

Since 2008, SkillSource and the Virginia Community College System (VCCS) have partnered to promote and manage the U.S. Department of Labor’s Northern Virginia Growing America Through Entrepreneurship Project (NOVAGATE). This demonstration project was developed by the U.S. Department of Labor as a scholarship program to provide entrepreneurial training to dislocated workers age 45 and over so they can establish new businesses, as well as start and sustain successful self-employment. SkillSource has initiated outreach throughout the area with program materials in multiple languages, a project website at www.mynovagate.org, an informative video, and offers monthly orientations at each of the SkillSource centers in Northern Virginia. The project has served over 170 qualified enrollees by providing free tuition for individual business counseling, hands-on business planning workshops and additional training courses. More than 61 new businesses have been launched and these business owners are contributing successfully to the community and the economy.

<table>
<thead>
<tr>
<th>NOVAGATE outcomes from May 2009 to December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Enrolled in Program</td>
</tr>
<tr>
<td>Workers Attending Business Training</td>
</tr>
<tr>
<td>Number of Businesses Launched</td>
</tr>
</tbody>
</table>

New Businesses Started Through NOVAGATE Program

The 2011 Summer Youth Employment Program

The SkillSource Educating Youth through Employment (EYE) Program continued in summer of 2011, providing young adults with professional, paid employment opportunities at agencies, non-profit organizations and private sector companies throughout Fairfax, Loudoun and Prince William Counties. Since 2006, SkillSource has administered the EYE program in collaboration with the Fairfax County Department of Family Services, Employment and Training.
In addition to six to eight weeks of work experience, young adults received workforce development training focused on critical job readiness skills including workplace behavior, resume building, networking, and fiscal responsibility. The Northern Virginia Regional Gang Task Force, and several Fairfax County agencies such as Fairfax County Neighborhood and Community Services, Juvenile and Domestic Relations District Court, Office of Partnerships, and Department of Family Services participated in this year’s program. Many private employers, including George Mason University, Manpower North America and Monster Government Solutions were also engaged. Overall, 81 youth participated in the 2011 Northern Virginia Summer Program, worked a total of almost 12,500 hours and earned nearly $100,000 in wages.

Northern Virginia SkillSource Center Certifications

Two of the five Northern Virginia SkillSource Centers (Falls Church and Reston-Lake Anne) were recertified by the Northern Virginia Workforce Investment Board in 2010-2011 for meeting all criteria as a full-service SkillSource Center. A new Center, the Prince William Workforce Center, became a full-service SkillSource Center in 2011. Each certified SkillSource Center was awarded a $10,000 incentive payment.

The Ticket to Work Program

The SkillSource Ticket to Work Program is a Social Security Administration (SSA) employment program for disability beneficiaries between ages 18 and 64 who want to work. Ticket to Work offers beneficiaries needed support to improve their ability to work, increase earnings, and become and stay self-supporting. The SkillSource Program has grown rapidly since its start in October 2010, as an SSA Employment Network.

In May 2011, SkillSource signed a Partnership Plus agreement with the Virginia Department of Rehabilitative Services (DRS), which enables beneficiaries to receive services from both DRS and SkillSource under Ticket to Work. The beneficiary receives initial services and support, including job placement from DRS. Upon successful case closure the beneficiary may then assign their Ticket to SkillSource for ongoing support services.

The chart outlines SkillSource Ticket to Work Program outcomes since inception in October 2010 through December 2011.
Grantors and Contributors

The *SkillSource* Group, Inc. honors and recognizes our grantors, contractors and other financial contributors for 2010-2011. Our initiatives and programs reflect a public and private workforce partnership in support of the entire Northern Virginia community.

- Combined Federal Campaign of the National Capital Area
- Commonwealth of Virginia, Department of Corrections
- Commonwealth of Virginia, Department of Rehabilitative Services
- Commonwealth of Virginia, Virginia Community College System
- Commonwealth of Virginia, Virginia Workforce Council
- Fairfax County Government, Virginia
- George Mason University, Office of Continuing Professional Education
- Global Link Solutions
- Manpower North America
- Dr. David and Melanie Miles
- Monster Government Solutions
- National Capital Region Transportation Planning Board
- Network for Good (Powered by Groundspring.org)
- Northern Virginia Regional Gang Task Force
- Project Management Institute of Washington, DC
- ServiceSource, Inc.
- United States Department of Health and Human Services
- United States Department of Labor, Employment and Training Administration (ETA)
- United States Department of Labor, Office of Disability Employment Programs (ODEP)
- United States Social Security Administration
- United Way of the National Capital Area

Contributions received on behalf of NoVaHealthFORCE:

- INOVA Health System
- Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
- Northern Virginia Community College
- Prince William Hospital System
- Reston Hospital Center
- Sentara Potomac Hospital
- Virginia Hospital Center

Corporate Sponsors

The *SkillSource* Group, Inc. extends our gratitude and appreciation to the 2010-2011 Corporate Sponsors for their outstanding leadership in helping us to keep Northern Virginia working.

**Platinum Sponsor: ServiceSource**

ServiceSource, Inc., located in Fairfax County, Virginia, is a not-for-profit 501(c)(3) organization whose mission is to provide exceptional services to individuals with disabilities through innovative and valued employment, training, habilitation, housing and support services. With regional offices and programs located in nine states and the District of Columbia, ServiceSource serves more than 13,000 people with disabilities annually, more than 1,600 of whom are directly employed on government or commercial affirmative employment contracts. Other individuals receive assistance in day habilitation, benefits planning, job placement, evaluation and counseling and housing programs. As a leader in the disability field, ServiceSource develops strategic partnerships with other community businesses, government entities and non-profit leaders to help bridge the gaps for individuals with disabilities and create sustainable opportunities that benefit the entire community.

**Silver Sponsor: Micron Foundation**

**Bronze Sponsors: Agir, Ltd. • Global Link Solutions • Washington Gas**
Independent Auditor’s Report

We have audited the accompanying statement of financial position of The SkillSource Group, Inc. (SkillSource) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of SkillSource’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2010 financial statements, which were audited by other auditors whose report dated November 8, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

In our opinion the 2011 financial statements referred to above present fairly, in all material respects, the financial position of SkillSource, as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

We, the undersigned, have audited the accompanying statements of financial position and related statements of activities and cash flows of The SkillSource Group, Inc. as of June 30, 2011, and for the year then ended. The information included in this report is consistent with the work performed in the audit of the 2010 financial statements of The SkillSource Group, Inc.

We have included in our report the information included in the predecessor auditor’s report, which has been compiled in accordance with generally accepted auditing standards in the United States of America. The predecessor auditor’s report is based upon the predecessor auditor’s understanding of the predecessor audit’s scope and objectives, as well as the predecessor audit’s compliance with generally accepted auditing standards in the United States of America.

We recommend that the financial statements be presented in conformity with generally accepted accounting principles in the United States of America. The financial statements are presented in conformity with generally accepted accounting principles in the United States of America. We believe that the financial statements provide a fair presentation of the financial position of The SkillSource Group, Inc. as of June 30, 2011, and for the year then ended.

We have audited the financial statements of The SkillSource Group, Inc. as of June 30, 2011, and for the year then ended. The financial statements include the following:

- Statement of Financial Position
- Statement of Activities
- Statement of Cash Flows

We have also audited the internal control over financial reporting as of June 30, 2011, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We have also performed the audit of the consolidated financial statements of The SkillSource Group, Inc. as of June 30, 2011, and for the year then ended, including the consolidated financial statements of The SkillSource Group, Inc. for the year then ended.

We believe that our audit provides a reasonable basis for our opinion on the financial statements and internal control over financial reporting.
### 2011 Audited Financial Statements (continued)

The SkillSource Group, Inc.

**Statement Of Financial Position**
June 30, 2011
(With Comparative Totals For 2010)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash And Cash Equivalents</td>
<td>$463,973</td>
<td>$629,365</td>
</tr>
<tr>
<td>Cash And Cash Equivalents – Funds Held For Others</td>
<td>388,461</td>
<td>212,843</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>-</td>
<td>40,308</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>64,844</td>
<td>32,858</td>
</tr>
<tr>
<td>Grants Receivable</td>
<td>611,424</td>
<td>558,392</td>
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<tr>
<td>Prepaid Expenses</td>
<td>43,787</td>
<td>20,868</td>
</tr>
<tr>
<td>Property And Equipment, net</td>
<td>1,339</td>
<td>413</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,573,828</td>
<td>1,495,047</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities And Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$613,378</td>
<td>$706,572</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>10,249</td>
<td>23,315</td>
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<tr>
<td>Funds held for others</td>
<td>388,461</td>
<td>212,843</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,012,088</td>
<td>942,730</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Commitments And Contingencies (Notes 3, 5, and 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>561,740</td>
<td>512,009</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td></td>
<td>40,308</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>561,740</td>
<td>552,317</td>
</tr>
</tbody>
</table>

**Statement Of Activities**
Year Ended June 30, 2011
(With Comparative Totals For 2010)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and Support:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>$4,006,654</td>
<td>$4,006,654</td>
</tr>
<tr>
<td>Contributions</td>
<td>70,079</td>
<td>65,556</td>
</tr>
<tr>
<td>Rental income</td>
<td>405,625</td>
<td>405,625</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>4,550,314</td>
<td>4,443,465</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>4,161,154</td>
<td>4,161,154</td>
</tr>
<tr>
<td>Management and general</td>
<td>370,079</td>
<td>370,079</td>
</tr>
<tr>
<td>Fundraising</td>
<td>7,409</td>
<td>7,409</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>4,538,642</td>
<td>4,528,642</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$9,423</td>
<td>8,985</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning</td>
<td>512,009</td>
<td>543,332</td>
</tr>
<tr>
<td>Ending</td>
<td>$561,740</td>
<td>$552,317</td>
</tr>
</tbody>
</table>

See Notes To Financial Statements.

The SkillSource Group, Inc.

**Statement Of Cash Flows**
Year Ended June 30, 2011
(With Comparative Totals For 2010)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$9,423</td>
<td>8,985</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>736</td>
<td>475</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(31,986)</td>
<td>(32,419)</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(53,032)</td>
<td>110,283</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(22,919)</td>
<td>(12,057)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(93,194)</td>
<td>148,776</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(13,066)</td>
<td>1,366</td>
</tr>
<tr>
<td>Funds held for others</td>
<td>175,618</td>
<td>(399,051)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(28,420)</td>
<td>(173,613)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of restricted cash</td>
<td>40,308</td>
<td>2,124</td>
</tr>
<tr>
<td>Proceeds from salesmaturities of investments</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(1,662)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>38,646</td>
<td>202,124</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>10,226</td>
<td>28,511</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash And Cash Equivalents</td>
<td>842,208</td>
<td>813,697</td>
</tr>
<tr>
<td><strong>Ending</strong></td>
<td>$852,434</td>
<td>$842,208</td>
</tr>
</tbody>
</table>

See Notes To Financial Statements.

To review the 2011 audit report in its entirety, visit the SkillSource Group website at www.myskillsource.org.
1. Nature Of Activities And Significant Accounting Policies

The SkillSource Group, Inc. (SkillSource) 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. SkillSource was established in March 2002 and began operations in January 2003. A summary of SkillSource’s significant accounting policies follows:

Basis of accounting: The financial statements are prepared on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: SkillSource reports information regarding its financial position and activities according to the terms of all unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. SkillSource had no permanently restricted net assets at June 30, 2011. Cash and cash equivalents: For purposes of the statement of cash flows, SkillSource considers all cash accounts that are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

Financial risk: SkillSource maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. SkillSource has not experienced any net losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Accounts receivable: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. The majority of SkillSource’s receivables are reimbursable expenditures incurred on federal grants. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are credited to receivables.

Use of estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates. Prior period information: The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ServiceSource’s financial statements for the year ended June 30, 2010, from which the summarized information was derived.

2. Property And Equipment

Property and equipment: Property and equipment are stated at cost or, if donated, at fair market value at the date of receipt. SkillSource follows the practice of capitalizing all expenditures for property and equipment in excess of $500. SkillSource depreciates property and equipment using the straight-line method over the estimated useful life of the asset. Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful lives of the assets.

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

Valuation of long-lived assets: SkillSource accounts for the valuation of long-lived assets by reviewing the assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue recognition: Revenue from federal grants is recognized as related reimbursable expenses are incurred. Allowable expenses incurred in excess of cumulative reimbursements are reported within grant receivables.

Contribution revenue is recognized at the time an unconditional promise to give is received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor restrictions.

Rental income is recognized on a straight-line basis over the life of the lease.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: SkillSource is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision is made for income taxes. In addition, SkillSource has been determined by the Internal Revenue Service not to be a private foundation. Income, which is not related to its exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. SkillSource had no unrelated business income for the year ended June 30, 2011.

Management evaluated SkillSource’s tax positions and concluded that SkillSource has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, SkillSource is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008.

Leasing Arrangements

SkillSource leases office space through two separate leasing arrangements. The first lease is an annual lease that is renewed each year. The second lease is for additional office space in Woodbridge, Virginia, which expires in 2020. SkillSource has the option to terminate this lease in December 2016. The lease includes annual rental escalations of 2.5%. Total rental expense under these two leases was $208,121 for the year ended June 30, 2011.

The following is a schedule by years of future minimum lease payments under the operating leases:

Years Ending June 30,

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$218,709</td>
</tr>
<tr>
<td>2013</td>
<td>224,177</td>
</tr>
<tr>
<td>2014</td>
<td>229,782</td>
</tr>
<tr>
<td>2015</td>
<td>235,526</td>
</tr>
<tr>
<td>2016</td>
<td>241,414</td>
</tr>
<tr>
<td>2017</td>
<td>247,387</td>
</tr>
</tbody>
</table>

Total $1,271,805

SkillSource has entered into several sublease arrangements for the office space in Woodbridge, Virginia, whereby approximately 88% of the leased space in Woodbridge was sub-leased to several organizations. The class of this lease is recorded as a long-term, restricted net asset and will be reported within grant receivables. The annual rental includes escalations of 2.5%.

The following is a schedule by years of future minimum lease payments under the sub-lease:

Years Ending June 30,

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$200,162</td>
</tr>
<tr>
<td>2013</td>
<td>205,167</td>
</tr>
<tr>
<td>2014</td>
<td>210,296</td>
</tr>
<tr>
<td>2015</td>
<td>215,553</td>
</tr>
<tr>
<td>2016</td>
<td>220,942</td>
</tr>
<tr>
<td>2017 - 2020</td>
<td>$111,836</td>
</tr>
</tbody>
</table>

Total $1,163,955

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following donor-restricted programs at June 30, 2011:

<table>
<thead>
<tr>
<th>Program</th>
<th>Balance</th>
<th>Additions</th>
<th>Releases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>2010</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>NoVa Career Assistance Loan Program</td>
<td>$40,308</td>
<td>$7</td>
<td>$40,315</td>
</tr>
<tr>
<td>Project E.Y.E.</td>
<td>$65,556</td>
<td>$65,556</td>
<td>$105,871</td>
</tr>
</tbody>
</table>

5. Pension Plan

SkillSource sponsors a defined contribution tax-deferred 401(k) pension plan (the Plan). All full-time employees are eligible to participate in the Plan after 30 days of service. SkillSource matches employee contributions for up to 10.4% of gross salaries. Total pension expense for the year ended June 30, 2011, was $54,881.

6. Concentration Of Revenue

For the year ended June 30, 2011, approximately 79% of total revenue was from grants funded by the U.S. Department of Labor under the Workforce Investment Act (WIA). Reduction of WIA funding would have a significant impact on the operations of SkillSource.

7. Contingencies

SkillSource receives a majority of its revenue from U.S. government funded grants, all of which are subject to audit. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to and subject to audit by sponsoring agencies. There exists a contingency to refund any amounts received in excess of allowable costs. Management believes that disallowed costs, if any, will be immaterial to the financial statements.
The **SkillSource** Group, Inc.
Board of Directors as of December 2011

Northern Virginia Workforce Investment Board
Board of Directors as of December 2011

Huey Battle  
Washington Gas

Mark R. Birmingham  
Jack Kent Cooke Foundation

Sharon Bulova  
Fairfax County Board of Supervisors

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Nannette M. Bowler  
Fairfax County Department of Family Services

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Anthony Cancelosi  
Columbia Lighthouse for the Blind

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Northern Virginia Central Labor Council

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Reston Hospital Center HCA Virginia

Kim Clark Pakstys  
Strategic Organization Solutions

Miles Friedman  
Quantico/Belvoir Regional Business Alliance

William H. Gary, Sr.  
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Louis Gerber  
Communications Workers of America

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Prince William County Department of Economic Development

Patricia Harrison  
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Larry Hoffman  
Marymount University

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Workforce Policy and Evaluation Associates

Todd R. House  
Micron Technology, Inc.

Anthony Howard  
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Luke Howe  
Sagent Partners

Douglas James  
Virginia Department of Rehabilitative Services

Karla S. Leavelle  
Human Capital Advisors

Catherine Meloy  
Goodwill of Greater Washington

Dr. David C. Miles  
The Miles LeHane Group

David H. Miller  
Skylink USA

Donna L. Motsek  
Prince William Public Schools

William Mountjoy  
AFL-CIO

Janet Niblock  
George Mason University

Mark Pelesh  
Corinthian Colleges/Everest College

Scott Price  
Office of Senator Mark Warner

Charles Ray  
Manpower, N.A.

Ivy Richards  
Fairfax County Economic Development Authority

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

Walter “Buddy” Rizer  
Department of Economic Development, Loudoun County

Robert P. Rogers, Jr.  
The Chesapeake Government Health Services

Paula C. Sampson  
Fairfax County Department of Housing and Community Development

Janet E. Samuelson  
ServiceSource, Inc.

Carl Savino  
Competitive Edge Services, Inc.

Mary Ann Shurtz  
Stratford University

Melvin R. Slusher  
Virginia Employment Commission

Chau Tran  
Asian Pest Services

Hector Velez  
HireStrategy

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