

*Entity Identification Number 30-0129320  
Office of Management and Budget  
Circular A-133 Audit Report  
Year Ended June 30, 2007*

*The SkillSource Group, Inc.*

*Goodman*  
\_\_\_\_\_  
& COMPANY

Certified Public Accountants  
Financial Planning  
Specialized Services

# ***The SkillSource Group, Inc.***

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***Report of Independent Auditors on Financial Statements and  
Supplementary Schedule of Expenditures of Federal Awards***

To the Finance Committee and  
the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2008, on our consideration of ***The SkillSource Group, Inc.***'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Goodman + Company, LLP*

Rockville, Maryland  
February 13, 2008

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*The SkillSource Group, Inc.*

*Statements of Financial Position*

<b>June 30,</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
<b>Current assets</b>		
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
<b>Total current assets</b>	<b>1,159,158</b>	<b>1,345,583</b>
<b>Property and equipment - net</b>	<b>1,878</b>	<b>4,260</b>
	<b>\$ 1,161,036</b>	<b>\$ 1,349,843</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 223,537	\$ 631,234
Deferred revenue	20,000	6,864
Funds held in trust	217,601	45,790
<b>Total current liabilities</b>	<b>461,138</b>	<b>683,888</b>
<b>Net assets</b>		
Unrestricted	513,747	482,541
Temporarily restricted	186,151	183,414
<b>Total net assets</b>	<b>699,898</b>	<b>665,955</b>
	<b>\$ 1,161,036</b>	<b>\$ 1,349,843</b>

*The accompanying notes are an integral part of these financial statements.*

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2007**

	<b>Unrestricted Funds</b>	<b>Temporarily Restricted Funds</b>	<b>Total 2007</b>
<b>Revenue, support and other changes</b>			
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>
<b>Expenses</b>			
Program services			
BRAC national emergency grant	142,232	-	142,232
Faith and community based organizations grant	198,728	-	198,728
Medical assistant training contract	49,482	-	49,482
Northern Virginia regional partnership contribution	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>
<b>Change in net assets</b>	31,206	2,737	33,943
<b>Net assets - beginning of year</b>	<u>482,541</u>	<u>183,414</u>	<u>665,955</u>
<b>Net assets - end of year</b>	<u>\$ 513,747</u>	<u>\$ 186,151</u>	<u>\$ 699,898</u>

*The accompanying notes are an integral part of these financial statements.*

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2006**

	<b>Unrestricted Funds</b>	<b>Temporarily Restricted Funds</b>	<b>Total 2006</b>
<b>Revenue, support and other changes</b>			
Grants	\$ 2,634,090	\$ -	\$ 2,634,090
Contributions	252,181	77,362	329,543
Investment income	15,447	3,946	19,393
In-kind contribution	90,000	-	90,000
	<u>2,991,718</u>	<u>81,308</u>	<u>3,073,026</u>
<b>Expenses</b>			
Program services			
BRAC national emergency grant	43,478	-	43,478
Faith and community based organizations grant	294,306	-	294,306
Medical assistant training contract	69,452	-	69,452
Northern Virginia regional partnership contribution	7,199	-	7,199
Prince William County contribution	44,591	-	44,591
Virginia Department of Corrections	135,820	-	135,820
Herb Block foundation grant	25,000	-	25,000
Workforce investment act:			
Dislocated worker	790,749	-	790,749
Adult program	563,878	-	563,878
Youth program	366,846	-	366,846
Independence air neg	221,223	-	221,223
Independence rapid response	27,496	-	27,496
	<u>2,590,038</u>	<u>-</u>	<u>2,590,038</u>
Supporting Services			
Management and general	220,941	-	220,941
	<u>2,810,979</u>	<u>-</u>	<u>2,810,979</u>
<b>Change in net assets</b>	<b>180,739</b>	<b>81,308</b>	<b>262,047</b>
<b>Net assets - beginning of year</b>	<b>301,802</b>	<b>102,106</b>	<b>403,908</b>
<b>Net assets - end of year</b>	<b>\$ 482,541</b>	<b>\$ 183,414</b>	<b>\$ 665,955</b>

*The accompanying notes are an integral part of these financial statements.*

*The SkillSource Group, Inc.*

*Statements of Cash Flows*

<b>Years Ended June 30,</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
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
<b>Net cash from operating activities</b>	<u>235,746</u>	<u>(485,772)</u>
<b>Cash flows from investing activities</b>		
Property and equipment acquisitions	-	(3,073)
Change in restricted cash	(7,737)	(76,308)
<b>Net cash from investing activities</b>	<u>(7,737)</u>	<u>(79,381)</u>
<b>Net change in cash and cash equivalents</b>	228,009	(565,153)
<b>Cash and cash equivalents - beginning of year</b>	<u>300,695</u>	<u>865,848</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 528,704</u>	<u>\$ 300,695</u>

*The accompanying notes are an integral part of these financial statements.*

## *The SkillSource Group, Inc.*

### *Notes to Financial Statements*

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**June 30, 2007 and 2006**

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#### **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:

	<u>2007</u>	<u>2006</u>
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:

	<u>2007</u>	<u>2006</u>
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.

\* \* \* \* \*

*The SkillSource Group, Inc.*

*Schedule of Expenditures of Federal Awards*

<u>Year Ended June 30,</u>		<u>2007</u>
<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA or Other Identifying Number</u>	<u>Federal Expenditures</u>
<b>Virginia Employment Commission</b> <b>(Pass-through for U.S. Department of Labor)</b>		
Faith and community based organizations	17.257	\$ 198,728
WIA adult program	17.258	426,107
WIA local incentive	17.258	90,000
WIA youth activities	17.259	363,796
WIA dislocated workers	17.260	836,056
WIA administrative	17.258, 17.259, 17.260	<u>123,180</u>
<b>Total Virginia Employment Commission</b>		<u>2,037,867</u>
<b>U.S. Department of Health and Human Services</b>		
Centers for Medicare and Medicaid services	93.779	<u>49,482</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>49,482</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 2,087,349</u>

*The accompanying notes are an integral part of these financial statements.*

*The SkillSource Group, Inc.*

*Notes to the Schedule of Expenditures of Federal Awards*

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June 30, 2007

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of *The SkillSource Group, Inc.* and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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***Report of Independent Auditors 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 Finance Committee and  
the Board of Directors  
*The SkillSource Group, Inc.*

We have audited the financial statements of *The SkillSource Group, Inc.* (a not-for-profit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *The SkillSource Group, Inc.*'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *The SkillSource Group, Inc.*'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of *The SkillSource Group, Inc.*'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects *The SkillSource Group, Inc.*'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of *The SkillSource Group, Inc.*'s financial statements that is more than inconsequential will not be prevented or detected by *The SkillSource Group, Inc.*'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will be prevented or detected by *The SkillSource Group, Inc.*'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether *The SkillSource Group, Inc.*'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of *The SkillSource Group, Inc.* in a separate letter dated February 13, 2008.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, management, oversight audit agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Goodman & Company, LLP

Rockville, Maryland  
February 13, 2008



Certified Public Accountants  
Specialized Services  
Business Solutions

***Report of Independent Auditors on Compliance with  
Requirements Applicable to Each Major Program and  
On Internal Control Over Compliance in Accordance  
With OMB Circular A-133***

To the Finance Committee and  
the Board of Directors  
*The SkillSource Group, Inc.*

**Compliance**

We have audited the compliance of *The SkillSource Group, Inc.* (a not-for-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. *The SkillSource Group, Inc.*'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of *The SkillSource Group, Inc.*'s management. Our responsibility is to express an opinion on *The SkillSource Group, Inc.*'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *The SkillSource Group, Inc.*'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of *The SkillSource Group, Inc.*'s compliance with those requirements.

In our opinion, *The SkillSource Group, Inc.* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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## Internal Control Over Compliance

The management of *The SkillSource Group, Inc.* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered *The SkillSource Group, Inc.*'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *The SkillSource Group, Inc.*'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, management, oversight audit agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Goodman + Company, LLP

Rockville, Maryland  
February 13, 2008

***The SkillSource Group, Inc.***  
***Schedule of Findings and Questioned Costs***  
***Year Ended June 30, 2007***

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ Yes  X  No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_ Yes  X  No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_ Yes  X  No

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_ Yes  X  None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_ Yes  X  No

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Name of Federal Program or Cluster</u>
17.258	WIA adult program
17.258	WIA local incentive
17.259	WIA youth activities
17.260	WIA dislocated workers
17.258, 17.259, 17.260	WIA administration

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes  No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

***The SkillSource Group, Inc.***

***Prior Audit Findings***

***Year Ended June 30, 2007***

There were no prior year audit findings.

***The SkillSource Group, Inc.***

***Corrective Action Plan***

***Year Ended June 30, 2007***

There are no current audit findings.