

Financial Statements
Years Ended
June 30, 2007 and 2006

The SkillSource Group, Inc.



Certified Public Accountants
Financial Planning
Specialized Services

The SkillSource Group, Inc.

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Certified Public Accountants
Specialized Services
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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

111 Rockville Pike, Suite 600
Rockville, MD 20850
ph: 240.403.3700
fax: 240.403.3701
www.goodmanco.com

The SkillSource Group, Inc.

Statements of Financial Position

June 30,	2007	2006
Assets		
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>

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

The SkillSource Group, Inc.

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 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>
Change in net assets	31,206	2,737	33,943
Net assets - beginning of year	<u>482,541</u>	<u>183,414</u>	<u>665,955</u>
Net assets - end of year	<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

	Unrestricted Funds	Temporarily Restricted Funds	Total 2006
Revenue, support and other changes			
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>
Expenses			
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>
Change in net assets	180,739	81,308	262,047
Net assets - beginning of year	<u>301,802</u>	<u>102,106</u>	<u>403,908</u>
Net assets - end of year	<u>\$ 482,541</u>	<u>\$ 183,414</u>	<u>\$ 665,955</u>

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

The SkillSource Group, Inc.

Statements 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	228,009	(565,153)
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>

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

The SkillSource Group, Inc.

Notes to Financial Statements

June 30, 2007 and 2006

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	<u>(6,286)</u>	<u>(3,904)</u>
	<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.	<u>-</u>	<u>5,000</u>
	<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.

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