

Financial Statements
Years Ended
June 30, 2010 and 2009

The SkillSource Group, Inc.



Certified Public Accountants
Specialized Services
Business Solutions

The SkillSource Group, Inc.

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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, 2010 and 2009, 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, 2010 and 2009, 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
November 8, 2010

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An independent firm associated with
MOORE STEPHENS
INTERNATIONAL LIMITED

The SkillSource Group, Inc.

Statements of Financial Position

June 30,	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 629,365	\$ 201,803
Cash and cash equivalents - funds held for others	212,843	611,894
Restricted cash	40,308	42,432
Investments	-	200,000
Accounts receivable	32,858	439
Grants receivable	558,392	668,675
Prepaid expenses	20,868	8,811
Total current assets	1,494,634	1,734,054
Property and equipment - net	413	888
	\$ 1,495,047	\$ 1,734,942
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 694,033	\$ 549,308
Accrued expenses	12,539	8,488
Deferred revenue	23,315	21,920
Funds held for others	212,843	611,894
Total current liabilities	942,730	1,191,610
Net assets		
Unrestricted	512,009	500,900
Temporarily restricted	40,308	42,432
Total net assets	552,317	543,332
	\$ 1,495,047	\$ 1,734,942

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

The SkillSource Group, Inc.

Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total 2010
Revenue, support and other changes			
Grants	\$ 3,487,036	\$ -	\$ 3,487,036
Contributions	114,814	46,557	161,371
Rental income	104,779	-	104,779
Investment income	182	-	182
Net assets released from restrictions:			
Satisfaction of program restrictions	48,681	(48,681)	-
	<u>3,755,492</u>	<u>(2,124)</u>	<u>3,753,368</u>
Expenses			
Program services			
Northern Virginia Regional Partnership Contribution	4,401	-	4,401
BRAC National Emergency Grant	574,734	-	574,734
Virginia Department of Corrections	138,977	-	138,977
Workforce Investment Act:			
Dislocated worker	480,477	-	480,477
Adult program	457,327	-	457,327
Youth program	260,990	-	260,990
Local incentive	48,593	-	48,593
Project E.Y.E.	46,875	-	46,875
ARRA Youth	213,474	-	213,474
ARRA Adult	269,469	-	269,469
ARRA Dislocated Worker	532,023	-	532,023
NOVA Gate	232,278	-	232,278
Registered Apprenticeship	63,096	-	63,096
PW Center MOU	50,000	-	50,000
PW Comprehensive Center	177,367	-	177,367
PRC Career Center	28,513	-	28,513
	<u>3,578,594</u>	<u>-</u>	<u>3,578,594</u>
Supporting Services			
Management and general	165,789	-	165,789
	<u>3,744,383</u>	<u>-</u>	<u>3,744,383</u>
Change in net assets	11,109	(2,124)	8,985
Net assets - beginning of year	<u>500,900</u>	<u>42,432</u>	<u>543,332</u>
Net assets - end of year	<u>\$ 512,009</u>	<u>\$ 40,308</u>	<u>\$ 552,317</u>

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

The SkillSource Group, Inc.

Statement of Activities

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total 2009
Revenue, support and other changes			
Grants	\$ 2,536,056	\$ -	\$ 2,536,056
Contributions	-	45,653	45,653
Investment income	12,163	693	12,856
Net assets released from restrictions:			
Satisfaction of program restrictions	47,826	(47,826)	-
	<u>2,596,045</u>	<u>(1,480)</u>	<u>2,594,565</u>
Expenses			
Program services			
Northern Virginia Regional Partnership Contribution	13,236	-	13,236
BRAC National Emergency Grant	678,596	-	678,596
Northern Virginia Career Assistance Loan Program	2,172	-	2,172
Virginia Department of Corrections	137,685	-	137,685
Workforce Investment Act:			
Dislocated worker	485,596	-	485,596
Adult program	478,350	-	478,350
Youth program	255,435	-	255,435
Local incentive	48,684	-	48,684
Project E.Y.E.	46,271	-	46,271
Pre-release Employment Center Grant	94,557	-	94,557
Herb Block Foundation Grant	15,787	-	15,787
ARRA Youth	24,228	-	24,228
ARRA Adult	45,089	-	45,089
ARRA Dislocated Worker	30,348	-	30,348
Gannett Foundation	2,293	-	2,293
Computer Literacy Training	7,610	-	7,610
NOVA Gate	76,182	-	76,182
	<u>2,442,119</u>	<u>-</u>	<u>2,442,119</u>
Supporting Services			
Management and general	155,616	-	155,616
Fundraising	8,509	-	8,509
	<u>2,606,244</u>	<u>-</u>	<u>2,606,244</u>
Change in net assets	(10,199)	(1,480)	(11,679)
Net assets - beginning of year	<u>511,099</u>	<u>43,912</u>	<u>555,011</u>
Net assets - end of year	<u>\$ 500,900</u>	<u>\$ 42,432</u>	<u>\$ 543,332</u>

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

The SkillSource Group, Inc.

Statements of Cash Flows

Years Ended June 30,	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 8,985	\$ (11,679)
Adjustments to reconcile net cash from operating activities:		
Depreciation	475	1,329
Loss on disposal of property and equipment	-	61
Change in:		
Accounts receivable	(32,419)	14,561
Grants receivable	110,283	(286,226)
Prepaid expenses	(12,057)	17,681
Accounts payable	144,725	271,718
Accrued expenses	4,051	2,265
Deferred revenue	1,395	(3,080)
Funds held for others	(399,051)	317,714
Net cash from operating activities	<u>(173,613)</u>	<u>324,344</u>
Cash flows from investing activities		
Change in restricted cash	2,124	1,480
Purchase and redemption of investments	200,000	(200,000)
Net cash from investing activities	<u>202,124</u>	<u>(198,520)</u>
Net change in cash and cash equivalents	28,511	125,824
Cash and cash equivalents - beginning of year	<u>813,697</u>	<u>687,873</u>
Cash and cash equivalents - end of year	<u>\$ 842,208</u>	<u>\$ 813,697</u>

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

The SkillSource Group, Inc.

Notes to Financial Statements

June 30, 2010 and 2009

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

The Corporation 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) based on the existence or absence of donor-imposed restrictions. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Corporation and/or the passage of time.

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 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.

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 Assistance Loan Program and are held in a separate account. See note 3 for additional information.

Investments

Investments consist of certificates of deposit. Investments are recorded at market value. Interest is recorded as unrestricted or temporarily restricted revenues.

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 a 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 for Others

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. The Corporation has no control over the decision making process for NoVaHealthFORCE. Revenue and expenses for NoVaHealthFORCE are not reported in the Corporation's statement of activities. Activity for 2010 was as follows:

Beginning funds held for others	\$	611,894
Contributions received		604,838
Disbursements made on behalf of NoVaHealthFORCE		<u>(1,003,889)</u>
Remaining funds held for others	\$	<u>212,843</u>

Advertising Costs

The Corporation expenses advertising costs as they are incurred. There was no advertising and promotion expense for 2010. Advertising and promotion expense was \$1,969 for 2009.

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.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 8, 2010, the date the financial statements were available to be issued.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Northern Virginia Career Assistance Loan Program	\$ 40,308	\$ 42,432

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.

4. Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The net assets released from restrictions during 2010 and 2009 were \$48,681 and \$47,826, respectively.

5. Fair Value

Accounting Standards Codification (ASC) 820 provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Corporation had no investments at June 30, 2010. At June 30, 2009, the Corporation had \$200,000 in a certificate of deposit, which is a level 2 investment. The certificates of deposit are valued at carrying value, plus accrued interest which approximates fair value.

6. Leases

The Corporation has two lease agreements for office space. The first lease is an annual lease renewed each year. Total annual payments per the annual lease agreement were \$24,120 for 2010 and 2009. In 2010, the Corporation entered into an additional lease for space in Woodbridge, Virginia with a term of ten years with rent starting at \$17,562 per month with an annual increase of 2.5%. The Corporation also entered into a sublease agreement in which about 88% of the newly leased space will be subleased to other parties over a term of ten years at 104% of the rent under the lease agreement which initially is \$16,066 per month. The sublease agreement also establishes an additional fee for operating expenses of 88% of the operating expenses incurred by the Corporation for the entire leased premises. Rental income for 2010 was \$104,779.

Total rent expense under these leases for 2010 and 2009 was \$107,533 and \$24,120, respectively.

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

2011	\$	241,498
2012		218,713
2013		224,181
2014		229,785
2015		235,530
Thereafter		<u>1,268,972</u>
	\$	<u>2,418,679</u>

7. Concentration of Income

A substantial portion of the Corporation's activities and operations are funded by federal government grants. Total federal government grant revenue for 2010 and 2009 was 89% and 92% of total revenues, respectively.

8. Concentration of Credit Risk

At June 30, 2010 the Corporation had bank deposits of \$658,140 in excess of the federal insured limit. There were no funds over the federal insured limit as of June 30, 2009. The Corporation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

9. Pension Plan

The Corporation sponsors a defined contribution tax deferred 401(k) pension plan. All full-time employees are eligible to participate after thirty days of service. The plan is administered by Fidelity Investments. The Corporation matches employees' contributions for up to 10.4% of their gross salaries. For 2010 and 2009, the pension plan expense was \$35,471 and \$28,456, respectively.

9. Grant Revenue

The Corporation receives a significant portion of its support under grants which are funded by the federal government. These grants may be audited by the federal government and the ultimate determination of allowable costs is determined by such audits.

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