

# **The SkillSource Group, Inc.**

Financial and Compliance Report  
June 30, 2013

## Contents

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<b>Independent Auditor's Report</b>	1 – 2
<b>Financial Statements</b>	
Statement Of Financial Position	3
Statement Of Activities	4
Statement Of Cash Flows	5
<b>Notes To Financial Statements</b>	6 – 9
<hr/>	
<b>Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i></b>	10 – 11
<b>Independent Auditor's Report On Internal Control For Each Major Federal Program; Report on Internal Control Over Compliance; And Report On Schedule Of Expenditures of Federal Awards Required By OMB Circular A-133</b>	12 – 13
Schedule Of Expenditures Of Federal Awards	14
Note To Schedule Of Expenditures Of Federal Awards	15
Schedule Of Findings And Questioned Costs	16 – 17
Summary Schedule Of Prior Audit Findings	18

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## **Independent Auditor's Report**

To the Board of Directors  
The SkillSource Group, Inc.  
Vienna, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The SkillSource Group, Inc. (SkillSource) which comprise the balance sheet as of June 30, 2013, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SkillSource's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SkillSource's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SkillSource as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited The SkillSource Group Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 29, 2014, on our consideration of SkillSource'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* in considering SkillSource's internal control over financial reporting and compliance.



McLean, Virginia  
January 29, 2014

**The SkillSource Group, Inc.**

**Statement Of Financial Position**

**June 30, 2013**

**(With Comparative Totals For 2012)**

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash And Cash Equivalents	\$ 330,946	\$ 627,024
Cash And Cash Equivalents – Funds Held For Others	224,062	212,410
	<u>555,008</u>	<u>839,434</u>
Grants Receivable	1,284,871	893,562
Prepaid Expenses	10,359	52,792
Prepaid Training Licenses, net	192,504	303,008
Equipment, net	138	693
	<u>\$ 2,042,880</u>	<u>\$ 2,089,489</u>
<b>Liabilities And Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 925,018	\$ 958,728
Deferred revenue	8,384	9,785
Funds held for others	224,062	212,410
	<u>1,157,464</u>	<u>1,180,923</u>
Commitments And Contingencies (Notes 3, 5, and 7)		
Net Assets		
Unrestricted	683,839	590,558
Temporarily restricted	201,577	318,008
	<u>885,416</u>	<u>908,566</u>
	<u>\$ 2,042,880</u>	<u>\$ 2,089,489</u>

See Notes To Financial Statements.

The SkillSource Group, Inc.

Statement Of Activities  
Year Ended June 30, 2013  
(With Comparative Totals For 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
Federal grants	\$ 4,618,254	\$ -	\$ 4,618,254	\$ 3,693,237
Non-Federal grants	134,721	-	134,721	177,648
Contributions	251,107	513,943	765,050	779,247
Rental income	441,438	-	441,438	419,738
Interest income	6,568	-	6,568	394
Net assets released from restrictions	630,374	(630,374)	-	-
<b>Total revenue and support</b>	<b>6,082,462</b>	<b>(116,431)</b>	<b>5,966,031</b>	<b>5,070,264</b>
Expenses:				
Program services	5,369,673	-	5,369,673	3,993,506
Management and general	488,195	-	488,195	557,561
Fundraising	131,313	-	131,313	172,371
<b>Total expenses</b>	<b>5,989,181</b>	<b>-</b>	<b>5,989,181</b>	<b>4,723,438</b>
<b>Change in net assets</b>	<b>93,281</b>	<b>(116,431)</b>	<b>(23,150)</b>	<b>346,826</b>
Net assets:				
Beginning	590,558	318,008	908,566	561,740
Ending	\$ 683,839	\$ 201,577	\$ 885,416	\$ 908,566

See Notes To Financial Statements.

The SkillSource Group, Inc.

**Statement Of Cash Flows**  
**Year Ended June 30, 2013**  
**(With Comparative Totals For 2012)**

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ (23,150)	\$ 346,826
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	555	646
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(391,309)	(217,294)
Prepaid expenses	42,433	(9,005)
Prepaid training licenses	110,504	(303,008)
Increase (decrease) in:		
Accounts payable and accrued expenses	(33,710)	345,350
Deferred revenue	(1,401)	(464)
Funds held for others	11,652	(176,051)
<b>Net cash used in operating activities</b>	<b>(284,426)</b>	<b>(13,000)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(284,426)</b>	<b>(13,000)</b>
Cash And Cash Equivalents		
Beginning	839,434	852,434
Ending	<u>\$ 555,008</u>	<u>\$ 839,434</u>

See Notes To Financial Statements.

## The SkillSource Group, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. SkillSource had no permanently restricted net assets at June 30, 2013.

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 losses in such accounts and believes it is not exposed to any significant financial risk on cash.

Receivables: 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 recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. There was no provision for doubtful accounts at June 30, 2013.

Equipment: Equipment is stated at cost or, if donated, at fair market value at the date of receipt. SkillSource follows the practice of capitalizing all expenditures for equipment in excess of \$5,000. SkillSource depreciates equipment using the straight-line method over the estimated useful life of the asset.

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.



## The SkillSource Group, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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 sublease agreements.

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, 2013.

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 2010.

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.

Subsequent events: SkillSource evaluated subsequent events through January 29, 2014, which is the date the financial statements were available to be issued.

#### Note 2. Equipment

Equipment consist of the following at June 30, 2013:

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Equipment	\$ 11,190
Less accumulated depreciation	(11,052)
	<u>\$ 138</u>

Depreciation expense was \$555 for the year ended June 30, 2013.

## The SkillSource Group, Inc.

### Notes To Financial Statements

#### Note 3. 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 \$441,438 for the year ended June 30, 2013.

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

Years Ending June 30,	
2014	\$ 230,254
2015	236,011
2016	241,911
2017	247,959
2018	254,158
Thereafter	370,173
	<u>\$ 1,580,466</u>

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. These subleases expire in 2020 and include annual rental escalations of 2.5%.

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

Years Ending June 30,	
2014	\$ 210,728
2015	215,997
2016	221,397
2017	226,932
2018	232,605
Thereafter	338,782
	<u>\$ 1,446,441</u>

#### Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following donor-restricted programs as of and for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Releases	Balance June 30, 2013
Microsoft Corporation – Training Licenses	\$ 303,008	\$ 472,443	\$ 582,947	\$ 192,504
Microsoft Corporation – Coaching	-	34,000	24,927	9,073
Community Foundation (ESL)	7,500	-	7,500	-
United Way – TTW Job Developer	7,500	7,500	15,000	-
	<u>\$ 318,008</u>	<u>\$ 513,943</u>	<u>\$ 630,374</u>	<u>\$ 201,577</u>

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

### **Notes To Financial Statements**

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#### **Note 5. Pension Plan**

SkillSource sponsors a defined contribution tax-deferred 401(k) pension plan (the Plan). All employees are eligible to participate in the Plan after 30 days of service. SkillSource contributes 10.4% of gross salaries and matches up to \$520 of employee deferrals. Total pension expense for the year ended June 30, 2013, was \$86,619.

#### **Note 6. Concentration Of Revenue**

For the year ended June 30, 2013, approximately 58% 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.

#### **Note 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.

#### **Note 8. Prepaid Training Licenses**

During the year ended June 30, 2012, Microsoft Corporation donated 1,000 eLearning training vouchers to SkillSource for distribution to eligible veterans and their spouses to enhance their technical job skills. This program, called the Elevate America Initiative, provides for eLearning courses and select Microsoft certification exams at no cost to SkillSource or to the recipients. Microsoft extended the program for one additional year and donated the same amount of vouchers during the year ended June 30, 2013.

eLearning vouchers are valued at the published on-line rates to enroll in each course or to take the examination. 700 Intermediate vouchers give users a choice to pursue a "learning collection" within Windows 7 and/or Office 2010. A "learning collection" is a set of courses on a specific topic area (i.e. Excel, Word, Outlook, etc.). Each voucher enables a user to pursue one or more learning collections. 300 IT Professional eLearning course vouchers offer users who are IT Professionals the opportunity to pursue skills above and beyond what is offered through the Intermediate level codes.

To enhance the success of enrollees, SkillSource provides in-person coaching and assistance at two locations in Northern Virginia. During the year ended June 30, 2013, 414 Intermediate and 281 IT Professional vouchers, with a total value of \$560,021, were distributed to eligible veterans and spouses and \$22,926 worth of vouchers expired unused. 573 Intermediate and 152 IT Professional vouchers, valued at \$360,504, are in SkillSource's possession at June 30, 2013, of which \$168,000 worth of vouchers are expected to expire unused and fully allowed for.



## **Independent Auditor's Report 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 Board of Directors  
The SkillSource Group, Inc.  
Vienna, Virginia

We have audited, in accordance with the 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, the financial statements of The SkillSource Group, Inc.'s (SkillSource), which comprise the balance sheet as of June 30, 2013, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SkillSource's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SkillSource's internal control. Accordingly, we do not express an opinion on the effectiveness of SkillSource's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2013-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SkillSource's financial statements are free from 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*.

### **The SkillSource Group, Inc.'s Response to Finding**

SkillSource's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. SkillSource's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SkillSource's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SkillSource's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McGladrey LLP*

McLean, Virginia  
January 29, 2014



**Independent Auditor's Report On Internal Control For Each Major Federal Program; And Report On Internal Control Over Compliance; And Report On Schedule Of Expenses Of Federal Awards Required by OMB Circular A-133**

To the Board of Directors  
The SkillSource Group, Inc.  
Vienna, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited The SkillSource Group, Inc.'s (SkillSource) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SkillSource's major federal programs for the year ended June 30, 2013. SkillSource's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of SkillSource's major federal programs based on our audit of the types of compliance requirements referred to above. 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 SkillSource'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 on compliance for each major federal program. However, our audit does not provide a legal determination of SkillSource's compliance.

***Opinion on Each Major Federal Program***

In our opinion, SkillSource complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of SkillSource is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SkillSource's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 SkillSource's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

SkillSource's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. SkillSource's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of The SkillSource Group Inc. as of and for the year ended June 30, 2013, and we have issued our report thereon dated January 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



McLean, Virginia  
January 29, 2014

**The SkillSource Group, Inc.**

**Schedule Of Expenditures Of Federal Awards  
Year Ended June 30, 2013**

Federal Granting Agency And Program Title	CFDA Number	Expenditures
<b>U.S. Department of Labor (DOL)</b>		
Employment Programs for People with Disabilities	17.720	<u>\$ 134,632</u>
Employment and Training Administration – Workforce Innovation Fund	17.283	<u>524,388</u>
Veterans' Employment and Training Service	17.802	<u>164,102</u> <u>823,122</u>
Pass-through from State of Maryland Department of Labor, Licensing & Regulation Division of Workforce and Adult Learning National Emergency Grant – Base Realignment & Closure	17.277	<u>250,707</u>
Pass-through from Virginia Community College System: <i>Workforce Investment Act Cluster:</i>		
Adult Program	17.258	787,557
Youth Activities	17.259	706,426
Dislocated Worker Program	17.278	1,852,421
Dislocated Worker Program (ARRA Funded)	17.260	68,138
Incentive – Adult Program	17.258	14,420
Incentive – Youth Program	17.259	15,450
Incentive – Dislocated Worker Program	17.260	21,630
Rapid Response for Veterans' Employment	17.278	4,287
		<u>3,470,329</u>
<b>Total DOL Expenditures</b>		<u>4,544,158</u>
<b>U.S. Department of Transportation (DOT)</b>		
Pass-through from Metropolitan Washington Council of Governments: Job Access Reverse Commute	20.516	<u>74,096</u>
<b>Total DOT Expenditures</b>		<u>74,096</u>
		<u>\$ 4,618,254</u>

See Note To Schedule Of Expenditures Of Federal Awards.



**The SkillSource Group, Inc.**

**Note To Schedule Of Expenditures Of Federal Awards**

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**Note 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.

**The SkillSource Group, Inc.**

**Schedule Of Findings And Questioned Costs  
Year Ended June 30, 2013**

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**Section I. Summary Of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
▪ Material weakness(es) identified?          Yes   X   No  
▪ Significant deficiency(ies) identified?   X   Yes          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  
▪ Significant deficiency(ies) identified?   X   Yes          None Reported

Type of auditor's report issued on compliance for major programs: Unmodified  
Any auditor findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?   X   Yes          No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Workforce Investment Act Cluster	17.258, 17.259, 17.260, 17.278
Employment and Training Administration – Workforce Innovation Fund	17.283

Dollar threshold used to distinguish between Type A and Type B programs:           \$300,000          

Auditee qualified as low-risk auditee?   X   Yes          No

(Continued)

**The SkillSource Group, Inc.**

**Schedule Of Findings And Questioned Costs (Continued)  
Year Ended June 30, 2013**

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**Section II. Financial Statement Findings**

**Finding 2013-001: Financial Reporting**

Condition: Management has the responsibility for following accounting principles generally accepted in the United States of America (GAAP).

Criteria: The recorded accounts payable did not include an invoice for services provided in FY13 related to a federal grant increasing its federal expenditures as well as entries to correct accounts receivable, deferred revenues and related accounts. As financial statements provide the information necessary for management to make informed decisions in a timely and effective manner, it is necessary that year-end audit and accounting entries be kept to a minimum.

Cause: Due to the delay in obtaining the invoice for the services provided in FY13, this item was not recorded in a timely manner. In addition, there were adjustments to deferred revenues, accounts receivable and the related accounts.

Effect: There were several adjustments made which were required for the financial statements to comply with GAAP, specifically for the unrecorded liability, reduction of accounts receivable and recognition of additional deferred revenues and increase in its federal expenditures.

Recommendation: We recommend that all journal entries be recorded timely and in accordance with GAAP to ensure that management has timely and accurate information from which to make decisions.

Views of Responsible Officials and Planned Corrective Actions: Management will monitor receipt of vendor invoices to identify potential outstanding accruals at yearend. Steps will be taken to reconcile accounts receivable on an ongoing basis so as to eliminate yearend adjustments. Unusual transactions, such as occurred as a result of implementation of an approved indirect cost rate in the fiscal year, will be researched in advance so that treatment will be consistent with GAAP to eliminate year-end reclassifications. With the implementation of these steps, management believes the findings identified in FY13 will be corrected and no deficiencies will be identified next year. Tyna Gaylor, VP of Finance, will be responsible for this corrective action plan.

**Section III. Findings And Questioned Costs For Federal Awards**

**Finding 2013-002: See Financial Statement Finding 2013-001 increasing federal expenditures amounting to \$14,000.**

*Agency and Award:* U.S. Department of Labor Veterans' Employment and Training Service (CFDA #17.802)

*Questioned Costs:* None

**The SkillSource Group, Inc.**

**Summary Schedule Of Prior Audit Findings  
Year Ended June 30, 2013**

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There were no findings reported for the year ended June 30, 2012.