

*Entity Identification Number 30-0129320
Office of Management and Budget
Circular A-133 Audit Report
Year Ended June 30, 2009*

The SkillSource Group, Inc.



Certified Public Accountants
Specialized Services
Business Solutions

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, 2009 and 2008, 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 the 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, 2009 and 2008, 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 October 29, 2009, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of ***The SkillSource Group, Inc.*** 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
October 29, 2009

111 Rockville Pike, Suite 600
Rockville, MD 20850-5120

An independent firm associated with
MOORE STEPHENS
INTERNATIONAL LIMITED

ph 240.403.3700
fax 240.403.3701

The SkillSource Group, Inc.

Statements of Financial Position

June 30,	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 813,697	\$ 687,873
Restricted cash	42,432	43,912
Investments	200,000	-
Accounts receivable	439	15,000
Grants receivable	668,675	382,449
Prepaid expenses	8,811	26,492
Total current assets	1,734,054	1,155,726
Property and equipment - net	888	2,278
	\$ 1,734,942	\$ 1,158,004
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 549,308	\$ 277,590
Accrued expenses	8,488	6,223
Deferred revenue	21,920	25,000
Funds held in trust	611,894	294,180
Total current liabilities	1,191,610	602,993
Net assets		
Unrestricted	500,900	511,099
Temporarily restricted	42,432	43,912
Total net assets	543,332	555,011
	\$ 1,734,942	\$ 1,158,004

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
AARA 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	511,099	43,912	555,011
Net assets - end of year	\$ 500,900	\$ 42,432	\$ 543,332

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

The SkillSource Group, Inc.

Statement of Activities

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total 2008
Revenue, support and other changes			
Grants	\$ 1,666,396	\$ -	\$ 1,666,396
Contributions	-	68,082	68,082
Program income	26,900	-	26,900
Investment income	19,249	4,182	23,431
Net assets released from restrictions:			
Satisfaction of program restrictions	214,503	(214,503)	-
	<u>1,927,048</u>	<u>(142,239)</u>	<u>1,784,809</u>
Expenses			
Program services			
Northern Virginia Regional Partnership Contribution	99,157	-	99,157
BRAC National Emergency Grant	151,211	-	151,211
Northern Virginia Career Assistance Loan Program	23,136	-	23,136
Virginia Department of Corrections	119,783	-	119,783
Workforce Investment Act:			
Dislocated worker	500,096	-	500,096
Adult program	483,678	-	483,678
Youth program	294,112	-	294,112
Project E.Y.E.	56,809	-	56,809
Pre-release Employment Center Grant	26,466	-	26,466
	<u>1,754,448</u>	<u>-</u>	<u>1,754,448</u>
Supporting Services			
Management and general	117,950	-	117,950
Fundraising	57,298	-	57,298
	<u>1,929,696</u>	<u>-</u>	<u>1,929,696</u>
Change in net assets	(2,648)	(142,239)	(144,887)
Net assets - beginning of year	<u>513,747</u>	<u>186,151</u>	<u>699,898</u>
Net assets - end of year	<u>\$ 511,099</u>	<u>\$ 43,912</u>	<u>\$ 555,011</u>

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

The SkillSource Group, Inc.

Statements of Cash Flows

Years Ended June 30,	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (11,679)	\$ (144,887)
Adjustments to reconcile net cash from operating activities:		
Depreciation	1,329	1,024
Loss on disposal of property and equipment	61	-
Change in:		
Accounts receivable	14,561	(15,000)
Grants receivable	(286,226)	53,974
Prepaid expenses	17,681	(18,612)
Accounts payable	271,718	56,318
Accrued expenses	2,265	3,958
Deferred revenue	(3,080)	5,000
Funds held in trust	317,714	76,579
Net cash from operating activities	324,344	18,354
Cash flows from investing activities		
Change in restricted cash	1,480	142,239
Purchase and redemption of investments	(200,000)	-
Purchase of property and equipment	-	(1,424)
Net cash from investing activities	(198,520)	140,815
Net change in cash and cash equivalents	125,824	159,169
Cash and cash equivalents - beginning of year	687,873	528,704
Cash and cash equivalents - end of year	\$ 813,697	\$ 687,873

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

The SkillSource Group, Inc.

Notes to Financial Statements

June 30, 2009 and 2008

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 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 Assistance Loan Program and are held in a separate account. See note 4 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 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.

Advertising Costs

The Corporation expenses advertising costs as they are incurred. Advertising and promotion expense was \$1,969 and \$10,428 for 2009 and 2008, 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.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 29, 2009, the date the financial statements were available to be issued.

3. Property and Equipment

Property and equipment consisted of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 9,527	\$ 9,588
Less - accumulated depreciation	<u>(8,639)</u>	<u>(7,310)</u>
	<u>\$ 888</u>	<u>\$ 2,278</u>

Depreciation expense for 2009 and 2008 was \$1,329 and \$1,024, respectively.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Northern Virginia Career Assistance Loan Program	\$ 42,432	\$ 43,912

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 each year for 2006 to 2008 and in April of 2009 for terms of one year each. Total annual payments per the lease agreement were \$24,120 for 2009 and 2008.

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

2010	<u>\$ 24,120</u>
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6. 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 2009 and 2008 was \$2,380,291 and \$1,546,614, respectively.

7. Concentration of Credit Risk

At June 30, 2008, the Corporation had bank deposits of \$610,631 in excess of the federal insured limit.

8. Pension Plan

The Corporation sponsors a defined contribution tax deferred 401(k) pension plan. All 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 2009 and 2008, the pension plan expense was \$28,456 and \$28,024, respectively.

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Supplementary Information

The SkillSource Group, Inc.

Schedule of Expenditures of Federal Awards

<u>Year Ended June 30,</u>		<u>2009</u>
<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA or Other Identifying Number</u>	<u>Federal Expenditures</u>
Virginia Employment Commission (Pass-through for U.S. Department of Labor)		
WIA dislocated workers	17.260	\$ 1,411,000
WIA adult program	17.258	661,899
WIA youth activities	17.259	<u>307,392</u>
Total expenditures of federal awards		<u>\$ 2,380,291</u>

The SkillSource Group, Inc.

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2009

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, 2009, and have issued our report thereon dated October 29, 2009. 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 organization'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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 not be prevented or detected by the organization's internal control.

Our consideration of 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.

111 Rockville Pike, Suite 600
Rockville, MD 20850-5120

ph 240.403.3700
fax 240.403.3701

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 matters that we reported to management of *The SkillSource Group, Inc.* in a separate letter dated October 29, 2009.

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
October 29, 2009



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***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, 2009. ***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, 2009.

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

111 Rockville Pike, Suite 600
Rockville, MD 20850-5120

ph 240.403.3700
fax 240.403.3701

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
October 29, 2009

The SkillSource Group, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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>
17.260	WIA dislocated workers
17.258	WIA adult program
17.259	WIA youth activities

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?

X 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, 2009

There were no prior year audit findings.

The SkillSource Group, Inc.

Corrective Action Plan

Year Ended June 30, 2009

There are no current audit findings.