

*Financial Statements*  
*Years Ended*  
*June 30, 2009 and 2008*

*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, 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. 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, 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.

*Goodman & Company, LLP*

Rockville, Maryland  
October 29, 2009

*The SkillSource Group, Inc.*

*Statements of Financial Position*

| <b>June 30,</b>                     | <b>2009</b>         | <b>2008</b>         |
|-------------------------------------|---------------------|---------------------|
| <b>Assets</b>                       |                     |                     |
| <b>Current assets</b>               |                     |                     |
| 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              |
| <b>Total current assets</b>         | <b>1,734,054</b>    | <b>1,155,726</b>    |
| <b>Property and equipment - net</b> | <b>888</b>          | <b>2,278</b>        |
|                                     | <b>\$ 1,734,942</b> | <b>\$ 1,158,004</b> |
| <b>Liabilities and Net Assets</b>   |                     |                     |
| <b>Current liabilities</b>          |                     |                     |
| 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             |
| <b>Total current liabilities</b>    | <b>1,191,610</b>    | <b>602,993</b>      |
| <b>Net assets</b>                   |                     |                     |
| Unrestricted                        | 500,900             | 511,099             |
| Temporarily restricted              | 42,432              | 43,912              |
| <b>Total net assets</b>             | <b>543,332</b>      | <b>555,011</b>      |
|                                     | <b>\$ 1,734,942</b> | <b>\$ 1,158,004</b> |

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

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2009**

|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total<br/>2009</b> |
|---|---------------------|-----------------------------------|-----------------------|
| <b>Revenue, support and other changes</b>           |                     |                                   |                       |
| 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>      |
| <b>Expenses</b>                                     |                     |                                   |                       |
| 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>      |
| <b>Change in net assets</b>                         | <b>(10,199)</b>     | <b>(1,480)</b>                    | <b>(11,679)</b>       |
| <b>Net assets - beginning of year</b>               | <b>511,099</b>      | <b>43,912</b>                     | <b>555,011</b>        |
| <b>Net assets - end of year</b>                     | <b>\$ 500,900</b>   | <b>\$ 42,432</b>                  | <b>\$ 543,332</b>     |

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

*The SkillSource Group, Inc.*

*Statement of Activities*

**Year Ended June 30, 2008**

|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total<br/>2008</b> |
|---|---------------------|-----------------------------------|-----------------------|
| <b>Revenue, support and other changes</b>           |                     |                                   |                       |
| 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>      |
| <b>Expenses</b>                                     |                     |                                   |                       |
| 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>      |
| <b>Change in net assets</b>                         | <b>(2,648)</b>      | <b>(142,239)</b>                  | <b>(144,887)</b>      |
| <b>Net assets - beginning of year</b>               | <u>513,747</u>      | <u>186,151</u>                    | <u>699,898</u>        |
| <b>Net assets - end of year</b>                     | <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*

| <b>Years Ended June 30,</b>                                  | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                  |                   |                   |
| 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            |
| <b>Net cash from operating activities</b>                    | <b>324,344</b>    | <b>18,354</b>     |
| <b>Cash flows from investing activities</b>                  |                   |                   |
| Change in restricted cash                                    | 1,480             | 142,239           |
| Purchase and redemption of investments                       | (200,000)         | -                 |
| Purchase of property and equipment                           | -                 | (1,424)           |
| <b>Net cash from investing activities</b>                    | <b>(198,520)</b>  | <b>140,815</b>    |
| <b>Net change in cash and cash equivalents</b>               | <b>125,824</b>    | <b>159,169</b>    |
| <b>Cash and cash equivalents - beginning of year</b>         | <b>687,873</b>    | <b>528,704</b>    |
| <b>Cash and cash equivalents - end of year</b>               | <b>\$ 813,697</b> | <b>\$ 687,873</b> |

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

## *The SkillSource Group, Inc.*

### *Notes to Financial Statements*

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June 30, 2009 and 2008

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#### **1. Organization and Nature of Activities**

*The SkillSource Group, Inc.* (Corporation) is a not-for-profit organization organized to support the workforce and economic development policies and programs determined by the Northern Virginia Workforce Investment Board (NVWIB) and to promote and implement NVWIB activities in the northern Virginia region. The Corporation was established in March 2002 but did not begin operations until January 2003.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

##### **Basis of Presentation**

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> |
|------|------------------|

### 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.

\* \* \* \* \*