

**SKILLPOINT ALLIANCE  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2013 AND 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Skillpoint Alliance

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

We have audited the accompanying financial statements of Skillpoint Alliance (a Texas nonprofit corporation) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

### **Auditors' Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 Skillpoint Alliance as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Atchley & Associates, LLP*

Austin, Texas

May 7, 2014

**FINANCIAL  
STATEMENTS**

**SKILLPOINT ALLIANCE**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 298,937	\$ 105,456
Grants and contributions receivable	296,533	278,912
Prepaid expenses and other assets	5,141	17,044
Property and equipment, net	55,072	190,194
Total Assets	\$ 655,683	\$ 591,606
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 91,507	\$ 123,132
Deferred revenue	113,000	20,000
Total Liabilities	204,507	143,132
<b>Net assets</b>		
Unrestricted	(33,848)	69,547
Temporarily restricted	485,024	378,927
Total Net Assets	451,176	448,474
Total Liabilities and Net Assets	\$ 655,683	\$ 591,606

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

**SKILLPOINT ALLIANCE**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2013 and 2012**

	2013	2012
<b>Changes in unrestricted net assets</b>		
Revenues		
Grants and contributions	\$ 911,299	\$ 1,323,290
Program fees	397,340	22,158
Other income	11,074	7,922
	1,319,713	1,353,370
Net assets released from restrictions	882,676	775,591
	2,202,389	2,128,961
Expenses		
Program services	2,195,155	2,112,320
Management and general	83,230	171,174
Fundraising	27,399	28,784
	2,305,784	2,312,278
Increase (decrease) in unrestricted net assets	(103,395)	(183,317)
<b>Changes in temporarily restricted net assets</b>		
Grants and contributions	988,773	759,737
Net assets released from restrictions	(882,676)	(775,591)
	106,097	(15,854)
<b>Increase (decrease) in net assets</b>	2,702	(199,171)
<b>Net assets at beginning of year</b>	448,474	647,645
<b>Net assets at end of year</b>	\$ 451,176	\$ 448,474

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

**SKILLPOINT ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 2,702	\$ (199,171)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	72,879	108,013
Loss on disposal of fixed assets	19,354	-
(Increase) decrease in grants and contribution receivable	(17,621)	(6,391)
(Increase) decrease in prepaid expenses and other assets	11,903	(11,997)
Increase (decrease) in accounts payable and accrued expenses	(31,625)	34,429
Increase (decrease) in deferred revenue	93,000	20,000
Net cash provided (used) by operating activities	150,592	(55,117)
<b>Cash flows from investing activities:</b>		
Proceeds on sale of fixed assets	55,000	-
Purchases of property and equipment	(12,111)	(9,426)
Net cash provided (used) by investing activities	42,889	(9,426)
<b>Net increase (decrease) in cash and cash equivalents</b>	193,481	(64,543)
<b>Cash and cash equivalents at beginning of year</b>	105,456	169,999
<b>Cash and cash equivalents at end of year</b>	\$ 298,937	\$ 105,456
<b>Amounts paid during the year for:</b>		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

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

**NOTES TO  
FINANCIAL STATEMENTS**

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

1. Organization and Nature of Activities

Skillpoint Alliance (Skillpoint) was incorporated as a nonprofit corporation in the State of Texas in 1994. The mission of Skillpoint Alliance is to build partnerships between industry, education and the community which lead to college and career successes for youth and adults, and provide employers with an educated, versatile workforce. This is accomplished by providing a synergistic focal point between industry, educators, students, parents and the public at large to promote school-to-work transitions through apprenticeships, internships, summer hire programs, technical preparation jobs, tech-prep and other similar programs.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

3. Basis of Presentation

Financial statement presentation follows the guidance of Accounting Standards Codification (FASB ASC) 958, *Not-for-Profit Entities* issued by the Financial Accounting Standards Board. Under FASB ASC 958, Skillpoint 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.

4. Contributions

Skillpoint records contributions using the guidance of FASB ASC 958-605-25, *Contributions Received*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. Skillpoint's policy is to report restricted support that is satisfied in the year of receipt as restricted and then released in the same year.

5. Revenue Recognition

Skillpoint considers all of its governmental grants and contracts to be exchange transactions and not contributions. Revenue is recognized from these transactions as services are rendered and expenses incurred. Grant advances received are reported as deferred revenue.

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

6. Donated Services

Skillpoint is the recipient of a substantial number of donated service hours by unpaid volunteers. The donated services are not recognized in the accompanying financial statements because such services do not meet the recognition requirements of FASB ASC 958-605-25.

7. Cash Equivalents

Skillpoint considers all highly liquid debt securities purchased with initial maturities of three months or less to be cash equivalents, including money market accounts.

8. Fair Value of Financial Instruments

The carrying amounts reflected in the statements of financial position for financial instruments approximate their respective fair values due to the composition and maturities of those instruments.

9. Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives once placed into service. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Skillpoint reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. Skillpoint reclassifies temporarily restricted net assets to unrestricted net assets at that time.

10. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as either (1) program services, (2) management and general, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function.

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

12. Agency Funds

In fulfilling its mission, Skillpoint occasionally acts as an agent or intermediary by helping grantors make contributions to other nonprofit entities. In accordance with FASB ASC 958-605-25, Skillpoint reports receipts of agency funds as increases in assets and liabilities; with distributions to the specified third-party beneficiaries reported as decreases in those accounts. These receipts and disbursements are not included in revenues and expenses of Skillpoint.

13. Income Taxes

Skillpoint is generally exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). Furthermore, Skillpoint has been determined not to be a private foundation, but rather a publicly supported organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes has been included in these financial statements.

Skillpoint has adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Tax*. This standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

14. Subsequent Events

Management of Skillpoint has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE B - GRANTS AND CONTRIBUTIONS RECEIVABLE**

Skillpoint considers grants and contributions receivable to be fully collectible. Therefore, no allowance has been recognized in these financial statements. As of December 31, 2013 and 2012, all grants and contributions receivable were due within one year.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment was comprised of the following as of December 31, 2013 and 2012.

	2013	2012
Furniture and equipment	\$ 154,567	\$ 130,419
Software	394,699	385,949
Mobile learning equipment	-	125,426
Leasehold improvements	23,361	14,848
Other Fixed Assets	-	6,287
Less: accumulated depreciation	(517,555)	(472,735)
	\$ 55,072	\$ 190,194

Depreciation expense totaled \$72,879 and \$108,013 for the years ended December 31, 2013 and 2012, respectively.

**NOTE D - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were comprised of net assets restricted for the following purposes as of December 31,

	2013	2012
Technology & Education Executive Council	\$ -	\$ 252,504
College and Career Fair	-	126,423
STEM Council	451,024	-
Texas Pioneer Foundation	34,000	-
	\$ 485,024	\$ 378,927

During 2013, Skillpoint realigned the activities of Technology & Education Executive Council and College and Career Fair into STEM Council. As such, the remaining restricted net assets at the time of realignment were reclassified to STEM Council.

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE D - TEMPORARILY RESTRICTED NET ASSETS-CONTINUED**

Satisfactions of temporarily restricted net assets were comprised of the following for the years ended December 31,

	2013	2012
Technology & Education Executive Council	\$ -	\$ 564,037
College and Career Fair	-	211,554
STEM Council	876,676	-
Texas Pioneer Foundation	6,000	-
	\$ 882,676	\$ 775,591

**NOTE E - AVAILABLE LINE OF CREDIT**

On October 18, 2010, Skillpoint established an available line of credit of \$100,000. The line of credit, which was renewed on October 1, 2013, was not used during 2012 or 2013 and there were no outstanding balances as of December 31, 2013 and 2012. The line of credit will expire on October 1, 2014.

**NOTE F - FACILITIES AND EQUIPMENT**

Skillpoint entered into a lease agreement for office space with the City of Austin through February 1, 2013, with three one-year extension options which provides for discounted monthly rent payments of \$2,500. Skillpoint has exercised its options to extend the lease to February 2015. The difference between the fair value of the facilities and the discounted rate paid by Skillpoint has been included in contributions and expense on the statements of activities. Contributions of \$98,976 and \$105,240 were recognized during the years ended December 31, 2013 and 2012, respectively, for the contributed office space.

Skillpoint leases office equipment under a non-cancelable lease which expires in October 2018. The lease provides for monthly payments of \$638.

Facilities and equipment lease expense of \$198,099 and \$184,366 was recognized for 2013 and 2012, respectively. As of December 31, 2013, the total remaining lease payments under non-cancelable facility and equipment leases are as follows:

Year Ending December 31,		
2014	\$	37,656
2015		37,656
2016		10,156
2017		7,656
2018		6,380
	\$	99,504

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE G - CONTINGENCIES AND CONCENTRATION RISKS**

*Contingencies*

Skillpoint participates in several federal, state and locally assisted programs that are subject to review and audit by grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under terms and conditions of the appropriate agency. In the opinion of Skillpoint's management, such disallowed expenses, if any, will not be significant.

*Cash in Excess of FDIC Insured Limits*

The total cash held by Skillpoint may, at times, exceed the insurance provided by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013, Skillpoint's cash position exceeded FDIC coverage limits by \$53,272. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

*Concentration in Accounts Receivable and Grants and Contributions*

Certain organizations have comprised a concentration of Skillpoint's total receivables at December 31, 2013 and 2012, and total grants and contributions for the years ended December 31, 2013 and 2012, as presented below.

	Receivables		Grants and Contributions	
	2013	2012	2013	2012
Organization 1	30%	36%	32%	17%
Organization 2	25%	29%	23%	13%
Organization 3	0%	18%	17%	23%

**NOTE H - DONATED SERVICES**

Skillpoint receives substantial support from volunteers assisting with its various programs. Management estimates that approximately 9,258 and 6,877 volunteer hours were donated during the years ended December 31, 2013 and 2012, respectively. Assuming a value of \$22.55/hour and \$22.14/hour, respectively, the value of these services for the years ended December 31, 2013 and 2012, was approximately \$208,768 and \$152,257, respectively. However, this amount was not recognized in these financial statements because these services did not meet the recognition criteria of FASB ASC 958-605-25.

**SKILLPOINT ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE I - EMPLOYEE BENEFIT PLAN**

Skillpoint sponsors a 401(k) Plan to eligible employees. Any employee over 18 years of age, who has completed one month of service, is eligible to participate. One month of service is considered completed in any month the employee is paid, or entitled to be paid, for one hour of service. Eligible employees can contribute, through elective deferrals, a minimum of 1% and a maximum of 70% of their salary, limited to a maximum annual amount as set periodically by the Internal Revenue Service. Skillpoint matches 100% of the first 2% of participants' elective deferrals. The expense to Skillpoint for the years ended December 31, 2013 and 2012, was \$15,404 and \$15,410, respectively.