

SE WORKS, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2010



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Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
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>	12-13
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	14-15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Summary of Findings and Questioned Costs	18
Summary Schedule of Summary Schedule of Prior Audit Findings	19



INDEPENDENT AUDITORS' REPORT

Board of Directors
SE Works, Inc.
Portland, Oregon

We have audited the accompanying statement of financial position of SE Works, Inc. (a not-for-profit corporation) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of SE Works, Inc. as of June 30, 2009 and, in our report dated December 21, 2009, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 SE Works, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year 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 a report dated January 25, 2011 on our consideration of SE Works, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 aspects, in relation to the basic financial statements taken as a whole.

Kern & Thompson, LLC

Portland, Oregon
January 25, 2011

SE WORKS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2010

(With Comparative Totals as of June 30, 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
Cash	\$ 59,079	\$ 66,850
Investments	3,620	2,355
Contracts receivable	346,978	306,423
Promises to give	5,420	1,414
Prepaid expenses	13,057	18,479
Property and equipment	<u>-</u>	<u>7,698</u>
Total assets	\$ <u>428,154</u>	\$ <u>403,219</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 201,969	\$ 156,076
Accrued vacation	22,282	33,055
Line of credit	94,668	99,668
Deferred revenue	<u>4,700</u>	<u>7,550</u>
Total liabilities	<u>323,619</u>	<u>296,349</u>
Net assets		
Unrestricted		
Investment in property and equipment	-	7,698
Undesignated	<u>104,535</u>	<u>57,115</u>
	104,535	64,813
Temporarily restricted	<u>-</u>	<u>42,057</u>
Total net assets	<u>104,535</u>	<u>106,870</u>
Total liabilities and net assets	\$ <u>428,154</u>	\$ <u>403,219</u>

See notes to financial statements.

SE WORKS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Revenues and other support				
Government grants and contracts	\$ 2,629,745	\$ -	\$ 2,629,745	\$ 2,235,409
Grants	-	-	-	26,000
Donations	11,073	-	11,073	47,097
Program fees	30,178	-	30,178	26,258
Interest	63	-	63	56
Special events	37,412	-	37,412	25,777
Unrealized gain (loss) on investments	1,265	-	1,265	(2,891)
Other revenue	187	-	187	10,041
	<u>2,709,923</u>	<u>-</u>	<u>2,709,923</u>	<u>2,367,747</u>
Net assets released from restrictions	42,057	(42,057)	-	-
Total revenues and other support	<u>2,751,980</u>	<u>(42,057)</u>	<u>2,709,923</u>	<u>2,367,747</u>
Expenses				
Program services				
Adult services	1,987,456	-	1,987,456	1,659,923
Youth services	365,003	-	365,003	372,678
Community learning center	168,917	-	168,917	178,905
Total program services	<u>2,521,376</u>	<u>-</u>	<u>2,521,376</u>	<u>2,211,506</u>
Supporting services				
Management and general	149,602	-	149,602	151,222
Fund-raising	41,280	-	41,280	74,251
Total expenses	<u>2,712,258</u>	<u>-</u>	<u>2,712,258</u>	<u>2,436,979</u>
Change in net assets	39,722	(42,057)	(2,335)	(69,232)
Net assets, beginning of year	<u>64,813</u>	<u>42,057</u>	<u>106,870</u>	<u>176,102</u>
Net assets, end of year	<u>\$ 104,535</u>	<u>\$ -</u>	<u>\$ 104,535</u>	<u>\$ 106,870</u>

See notes to financial statements.

SE WORKS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	PROGRAM SERVICES				SUPPORTING SERVICES			Total	
	Adult Services	Youth Services	Community Learning Center	Total Program	Management and General	Fund-Raising	Shared Costs	2010	2009
Salaries	\$ 688,513	\$ 189,247	\$ 72,331	\$ 950,091	\$ 225,875	\$ 19,359	\$ 3,823	\$ 1,199,148	\$ 1,084,279
Employee benefits	94,175	16,243	10,886	121,304	26,650	534	3,347	151,835	131,193
Payroll taxes	68,456	17,595	7,892	93,943	22,079	1,883	5,869	123,774	106,500
Professional services	5,287	825	1,148	7,260	28,157	633	18,060	54,110	52,870
Occupancy	-	-	8,591	8,591	-	7,143	112,046	127,780	135,035
Education and training	1,600	17	125	1,742	570	-	987	3,299	3,134
Direct training supplies	408,119	47,301	17,809	473,229	-	-	-	473,229	342,457
Office supplies	5,898	3	533	6,434	2,313	1,829	15,436	26,012	38,893
Postage and printing	19	-	-	19	467	752	33,006	34,244	39,974
Utilities	-	-	-	-	-	-	25,185	25,185	22,384
Mileage, parking, travel	8,843	1,962	754	11,559	634	274	-	12,467	16,885
Insurance	-	-	-	-	3,018	-	8,419	11,437	8,715
Advertising	100	-	-	100	25	-	1,619	1,744	3,496
Subscriptions, fees and dues	4,315	-	6,998	11,313	4,607	1,331	2,204	19,455	18,640
Interest	-	-	-	-	223	-	4,018	4,241	5,192
Subcontractors	185,821	-	7,800	193,621	-	-	-	193,621	190,435
Support services	222,912	23,926	-	246,838	-	-	155	246,993	257,206
Board and meeting expenses	3,676	129	684	4,489	3,236	-	1,148	8,873	10,014
Telephone	2,236	91	-	2,327	908	-	24,340	27,575	26,048
Miscellaneous	-	-	-	-	1,394	-	-	1,394	127
Depreciation and amortization	767	2,066	1,367	4,200	2,912	207	377	7,696	16,080
Reimbursements	-	-	-	-	-	-	(41,854)	(41,854)	(72,578)
Joint cost allocation	286,719	65,598	31,999	384,316	(173,466)	7,335	(218,185)	-	-
Total expenses	\$ 1,987,456	\$ 365,003	\$ 168,917	\$ 2,521,376	\$ 149,602	\$ 41,280	\$ -	\$ 2,712,258	\$ 2,436,979

See notes to financial statements.

SE WORKS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,335)	\$ (69,232)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,696	16,080
Unrealized loss on investments	(1,265)	2,891
Changes in assets and liabilities:		
Contracts receivable	(40,555)	(71,430)
Promises to give	(4,006)	60,354
Prepaid expenses	5,424	(5,900)
Accounts payable	45,893	69,137
Accrued vacation	(10,773)	(8,075)
Deferred revenue	(2,850)	2,250
Cash flows provided by (used in) operating activities	<u>(2,771)</u>	<u>(3,925)</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(429)
Cash flows from financing activities:		
Net proceeds from (payments to) line of credit	-	49,668
Payments on notes payable	(5,000)	(4,229)
Cash flows provided by (used in) financing activities	<u>(5,000)</u>	<u>45,439</u>
Change in cash	(7,771)	41,085
Cash, beginning of year	<u>66,850</u>	<u>25,765</u>
Cash, end of year	\$ <u>59,079</u>	\$ <u>66,850</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 4,241</u>	<u>\$ 5,192</u>

See notes to financial statements.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A – DESCRIPTION OF ORGANIZATION

SE Works, Inc. (the Organization), which began independent operations on July 1, 1998, was incorporated under the laws of the State of Oregon as a nonprofit corporation. The mission of the Organization is to increase the economic health and well-being of Southeast Portland neighborhoods by enhancing business and community access to employment resources. To achieve the organizational mission, SE Works, Inc. offers the following programs to the general public:

Adult Services – A drop-in employment resource center for resume development, job search assistance, social services referrals and basic technology skills enhancement. The center also offers support services, case management and employment-related training. Eligibility requirements frequently apply for specific programs.

Youth Services – Employment placement assistance, support services and General Education Degree (GED) completion classes.

Community Learning Center – GED preparation, mathematics and reading classes to increase educational and employment opportunities for youth and adults.

In addition to providing programs, the Organization provides office space and resources to employment and social service providers.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increase or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contribution Recognition

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 are reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year of receipt are reported as unrestricted contributions.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions over the estimated useful lives of the related long-lived assets.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair market value when donated. Depreciation is computed on the estimated useful lives of the assets using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 – 7 years
Furniture and equipment	2 – 5 years

Maintenance and repairs are expensed when incurred. Betterments and renewals are capitalized. The capitalization threshold is \$5,000.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Cash balances are insured by the Federal Deposit Insurance Corporation up to the maximum allowed.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services have not been reflected in the accompanying financial statements since the appropriate criteria for recording these services have not been met. Nevertheless, a number of volunteers have donated their time to the Organization's program and supporting services.

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 functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Advertising

The Organization charges all nondirect advertising costs to expense as incurred.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

The Organization's federal exempt organization business returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Accordingly, management considers unrecognized tax positions to be either immaterial or non-existent, therefore any interest or penalties would be immaterial or non-existent and disclosure of a policy for recognizing interest and penalties would related to tax positions as referred to by FASB Codification 740-10-50-19 is not necessary.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE C – CONTRACTS RECEIVABLE

Contracts receivable represent reimbursement requests under contractual agreements with various agencies for expenses incurred or services performed prior to year end. Contracts receivable consist of the following at June 30:

Worksystems, Inc.	\$	194,724
Bureau of Housing and Community Development		42,497
U.S. Department of Labor		60,622
Multnomah County		18,162
Housing Authority of Portland		12,533
Other		18,440
		<u>346,978</u>
	\$	<u>346,978</u>

Contracts receivable are generally due within 30 days and are unsecured. The Organization has not experienced any losses on those accounts. Contracts receivable older than 90 days as of June 30, 2010 are immaterial.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$	293,284
Furniture and equipment		215,821
		<u>509,105</u>
Less accumulated depreciation and amortization		<u>(509,105)</u>
	\$	<u>-</u>

NOTE E – LINE OF CREDIT

The Organization has a line of credit of \$100,000 with Bank of the West secured by essentially all assets. The line of credit is necessary since the Organization is primarily funded by expense reimbursement contracts, paying out expenses prior to the reimbursement from funding sources. At June 30, 2010, the interest rate was payable monthly at 2.5% over prime (5.75% at June 30, 2010). There was a \$94,668 balance outstanding at June 30, 2010.

In September 2010, the Organization was approved for a second line of credit of \$71,000, secured by all assets at a rate of prime plus 5%.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE F – CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future for which no provisions have been made.

NOTE G – LEASES

The Organization has various operating leases for facilities, most of which are month-to-month. One lease expires March 2011. For the year ended June 30, 2010, total rent expense for facilities amounted to \$90,219.

The Organization is obligated under a non-cancelable operating lease for office equipment through February 2015. Total equipment rental expense for the year ended June 30, 2010 was \$18,126.

Minimum future lease payments under the operating leases are as follows:

Year Ending June 30,	Equipment	Office	Total
2011	\$ 17,866	\$ 84,682	\$ 102,548
2012	17,866	91,542	109,408
2013	12,042	94,288	106,330
2014	10,850	97,117	107,967
2015	8,537	100,030	108,567
Thereafter	-	226,926	226,926
	\$ 67,161	\$ 694,585	\$ 761,746

NOTE H – RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA retirement plan which covers all eligible employees who elect to have retirement plan contributions withheld from their regular salary. The employer provides a 3% match. Retirement expense amounted to \$22,286 for the year ended June 30, 2010.

NOTE I – CONCENTRATION OF REVENUE

The Organization had revenues totalling \$1,325,130 from Worksystems, Inc. during the year ended June 30, 2010, which is included in the heading "government grants and contracts" on the statement of activities. A portion of these funds is passed through from federal and state sources. The contract revenue from Worksystems, Inc. represents approximately 49% of total revenues.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 25, 2011, which is the date the financial statements were available to be issued.



**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
SE Works, Inc.
Portland, Oregon

We have audited the financial statements of SE Works, Inc. (the Organization) for the year ended June 30, 2010 and have issued our report thereon dated January 25, 2011. 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 Organization'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 Organization'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 *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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

KERN & THOMPSON, LLC

To the Board of Directors
SE Works, Inc.

We noted certain matters that we reported to management of the Organization in a separate letter dated January 25, 2011.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kern & Thompson, LLC

Portland, Oregon
January 25, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 (UNQUALIFIED OPINION ON COMPLIANCE; NO
MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES IN INTERNAL
CONTROL OVER COMPLIANCE IDENTIFIED)**

INDEPENDENT AUDITORS' REPORT

Board of Directors
SE Works, Inc.
Portland, Oregon

Compliance

We have audited SE Works, Inc.'s 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 SE Works, Inc.'s major federal programs for the year ended June 30, 2010. SE Works, Inc.'s major 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 Organization's management. Our responsibility is to express an opinion on the Organization'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. 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 Organization'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 Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the Organization 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 Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Board of Directors
SE Works, Inc.

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.

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 deficiencies, 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 management, Board of directors, others within the Organization, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Kern & Thompson, LLC

Portland, Oregon
January 25, 2011

SE WORKS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

<u>FEDERAL GRANTOR/Passed through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures of Federal Awards</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<i>Passed through:</i>		
Oregon Department of Education National School Lunch Program	10.555	\$ <u>18,262</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<i>Passed through:</i>		
Worksystems, inc. Community Development Block/Entitlement Grants	14.218	\$ 70,726
City of Portland, Bureau of Housing Community Department and Development		
Community Reinvestment Project	14.218	111,903
Workforce Housing Alliance	14.218	25,412
Manufacturing Training	14.218	117,297
Total U.S. Department of Housing and Urban Development		<u><u>325,338</u></u>
U.S. DEPARTMENT OF JUSTICE:		
<i>Passed through:</i>		
Multnomah County Department of Community Justice Byrne Formula Grant	16.579	\$ <u>62,848</u>
U.S. DEPARTMENT OF LABOR:		
<i>Passed through:</i>		
Worksystems, inc.		
WIA Adult	17.258	355,044 *
ARRA - Adult	17.258	60,091 *
WIA Youth Program	17.259	168,016 *
ARRA - Youth Fund	17.259	85,303 *
WIA Dislocated Workers	17.260	470,000 *
ARRA - Dislocated Workers	17.260	115,950 *
Total Worksystems cluster		<u>1,254,404</u>
Reintegration of Ex-Offenders	17.270	544,763 *
Total U.S. Department of Labor		<u><u>1,799,167</u></u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		
<i>Passed through:</i>		
Volunteers of America Substance Abuse & Mental Health Services	93.243	<u>15,703</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,221,318</u></u>

*Major program

SE WORKS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of SE Works, Inc. and is presented on the accrual basis of accounting.

The information is presented in accordance with 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.

2. Catalog of Federal Domestic Assistance Programs

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the catalog of federal domestic assistance.

3. Contingencies

The amounts expended by SE Works, Inc. under federal programs are subject to audit by governmental agencies. SE Works, Inc. believes that any liabilities arising from such audits will not have a material impact on SE Works, Inc.'s financial position.

4. Subrecipients

SE Works, Inc. provided federal awards to subrecipients as follows:

<u>Program - Reintegration of Ex-Offenders</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Central City Concern	17.270	\$ 152,657
YWCA of Greater Portland	17.270	9,595
Volunteers of America Oregon	17.270	<u>21,554</u>
		\$ <u>183,806</u>

SE WORKS, INC.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

Section 1 – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued – **Unqualified**
2. Significant deficiencies identified during the audit of the financial statements – **None reported**
3. Material weaknesses identified during the audit of the financial statements – **None**
4. Noncompliance that is material to the financial statements noted – **None**

Federal Awards

5. Significant deficiencies in internal control over major programs identified in the audit of the financial statements – **None reported**
6. Material weaknesses in internal control over major programs identified in the audit of the financial statements – **None**
7. The type of auditors' report issued on compliance for major programs – **Unqualified**
8. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 – **None**

Identification of Major Program

- **WIA Cluster – CDFA #17.258, 17.259, and 17.260**
- **Reintegration of Ex-Offenders – CDFA #17.270**
9. Dollar threshold used to distinguish between Type A and Type B programs – **\$300,000.**
10. Is the auditee qualified as a low-risk auditee under Section 530 of OMB Circular A – **Yes**

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **None**

Section 3 – Federal Award Findings and Questioned Costs

12. **None.**

SE WORKS, INC.

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2010

There were no prior audit findings.