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**SE WORKS, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2003**

**with**  
**Independent Auditors' Report**

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**SE WORKS, INC.**

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## Independent Auditors' Report

The Board of Directors  
SE Works, Inc.

We have audited the statement of financial position of SE Works, Inc. as of June 30, 2003 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 SE Works, Inc.'s 2002 financial statements and, in our report dated September 9, 2002, 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, 2003, 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 September 3, 2003 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, and grants. 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.

*Hoffman, Stewart & Schmidt, P.C.*

September 3, 2003

**SE WORKS, INC.**

**Statement of Financial Position**

<b>June 30, 2003</b> <i>(With Comparative Amounts for 2002)</i>	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Cash	\$ -	\$ 56,409
Investments <i>(Note 5)</i>	4,031	3,875
Accounts receivable <i>(Notes 3 and 13)</i>	145,268	160,712
Prepaid expenses	3,878	-
Property and equipment - net <i>(Note 4)</i>	<u>220,484</u>	<u>63,132</u>
<b>Total assets</b>	<b><u>\$ 373,661</u></b>	<b><u>\$ 284,128</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Cash overdraft	\$ 8,105	\$ -
Accounts payable	27,685	18,214
Accrued vacation	23,562	27,080
Deferred revenue	-	10,000
Notes payable <i>(Note 6)</i>	<u>66,112</u>	<u>34,852</u>
<b>Total liabilities</b>	<b>125,464</b>	<b>90,146</b>
Commitments and contingencies <i>(Notes 10 and 11)</i>		
<b>Net assets:</b>		
Unrestricted:		
Investment in property and equipment	146,872	10,780
Undesignated	<u>93,825</u>	<u>78,202</u>
Total unrestricted	240,697	88,982
Temporarily restricted <i>(Note 7)</i>	<u>7,500</u>	<u>105,000</u>
<b>Total net assets</b>	<b><u>248,197</u></b>	<b><u>193,982</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 373,661</u></b>	<b><u>\$ 284,128</u></b>

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

**SE WORKS, INC.**  
**Statement of Activities**

**Year Ended June 30, 2003** *(With Comparative Totals for 2002)*

	Unrestricted	Temporarily Restricted	Total	
			2003	2002
<b>Support and revenue:</b>				
Government grants and contracts <i>(Notes 8 and 13)</i>	\$ 1,040,710	\$ -	\$ 1,040,710	\$ 1,232,107
Grants	34,500	-	34,500	103,843
Donations	18,001	-	18,001	30,919
Resource sharing income	11,688	-	11,688	28,483
Interest	70	-	70	73
Unrealized gain on investments	156	-	156	3,875
Other revenue	18,241	-	18,241	28,452
Net assets released from restrictions <i>(Note 7)</i>	97,500	(97,500)	-	-
<b>Total support and revenue</b>	<b>1,220,866</b>	<b>(97,500)</b>	<b>1,123,366</b>	<b>1,427,752</b>
<b>Expenses:</b>				
Program services:				
Neighborhood Jobs Center	243,321	-	243,321	287,238
Advocacy/Training	307,745	-	307,745	402,074
Youth Services	340,113	-	340,113	340,917
Employer Services	132,725	-	132,725	122,134
Lents Tech Center	-	-	-	47,683
Total program services	1,023,904	-	1,023,904	1,200,046
Support services:				
Management and general	40,949	-	40,949	93,178
Fund raising	4,298	-	4,298	14,403
Total support services	45,247	-	45,247	107,581
<b>Total expenses</b>	<b>1,069,151</b>	<b>-</b>	<b>1,069,151</b>	<b>1,307,627</b>
<b>Increase (decrease) in net assets</b>	<b>151,715</b>	<b>(97,500)</b>	<b>54,215</b>	<b>120,125</b>
Net assets at beginning of year	88,982	105,000	193,982	73,857
<b>Net assets at end of year</b>	<b>\$ 240,697</b>	<b>\$ 7,500</b>	<b>\$ 248,197</b>	<b>\$ 193,982</b>

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

**SE WORKS, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2003** *(With Comparative Totals for 2002)*

	<b>Program Services</b>			
	<b>Neighborhood Jobs Center</b>	<b>Advocacy/ Training</b>	<b>Youth Services</b>	<b>Employer Services</b>
Salaries	\$ 145,130	\$ 166,041	\$ 188,720	\$ 66,835
Payroll taxes and employee benefits	27,483	30,916	36,879	11,607
Professional services	-	5,652	11,638	16,626
Occupancy	36	-	-	-
Telephone	-	-	85	465
Education and training	167	79	1,296	508
Direct training/supplies/tools	897	15,887	2,664	11,647
Office supplies	9,509	497	522	49
Postage and printing	-	188	116	7
Utilities	-	-	-	-
Mileage, parking, travel	761	629	1,629	1,126
Insurance	-	-	-	-
Advertising	68	-	796	-
Subscriptions, fees and dues	216	276	448	35
Interest	-	-	-	-
Equipment rental and maintenance	1,386	-	2,699	388
Subcontractors	-	-	-	-
Support services	2,173	21,936	19,781	-
Board and meeting expenses	99	7	321	97
Miscellaneous	-	-	-	-
Total expenses before depreciation and amortization and joint cost allocation	187,925	242,108	267,594	109,390
Depreciation and amortization	14,410	11,919	14,643	3,274
Joint cost allocation	40,986	53,718	57,876	20,061
	<b><u>\$ 243,321</u></b>	<b><u>\$ 307,745</u></b>	<b><u>\$ 340,113</u></b>	<b><u>\$ 132,725</u></b>

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

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<b>Support Services</b>					
<b>Management and General</b>	<b>Fund Raising</b>	<b>Joint Costs</b>	<b>Total</b>		
			<b>2003</b>	<b>2002</b>	
\$ 22,191	\$ 333	\$ -	\$ 589,250	\$ 705,259	
2,930	82	-	109,897	146,670	
37,069	-	1,276	72,261	58,371	
10,110	-	46,547	56,693	38,781	
446	-	24,647	25,643	24,025	
3,080	-	-	5,130	6,457	
-	-	-	31,095	56,109	
3,220	667	9,183	23,647	21,584	
437	-	14,986	15,734	15,539	
-	-	10,809	10,809	10,251	
660	58	-	4,863	5,756	
-	-	7,185	7,185	4,759	
-	-	205	1,069	1,385	
1,075	-	243	2,293	5,131	
1,879	-	-	1,879	2,462	
503	-	1,807	6,783	3,069	
-	-	-	-	34,085	
552	-	-	44,442	116,985	
1,745	2,851	60	5,180	9,600	
31	255	-	286	644	
85,928	4,246	116,948	1,014,139	1,266,922	
10,766	-	-	55,012	40,705	
(55,745)	52	(116,948)	-	-	
<b>\$ 40,949</b>	<b>\$ 4,298</b>	<b>\$ -</b>	<b>\$ 1,069,151</b>	<b>\$ 1,307,627</b>	

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**SE WORKS, INC.**

**Statement of Cash Flows**

<b>Year Ended June 30, 2003</b> <i>(With Comparative Totals for 2002)</i>	<b>2003</b>	<b>2002</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 54,215	\$ 120,125
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,012	40,705
Unrealized gain on investments	(156)	(3,875)
Loss on disposition of assets	381	-
Changes in:		
Accounts receivable	15,444	10,865
Prepaid expenses	(3,878)	-
Accounts payable	9,471	(721)
Accrued vacation	(3,518)	2,738
Refundable advance	-	(47,028)
Deferred revenue	(10,000)	(49,088)
<b>Net cash provided by operating activities</b>	<b>116,971</b>	<b>73,721</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(212,745)	(17,359)
<b>Net cash used by investing activities</b>	<b>(212,745)</b>	<b>(17,359)</b>
<b>Cash flows from financing activities:</b>		
Cash overdraft	8,105	(10,306)
Proceeds from notes payable	45,000	-
Payments on notes payable	(13,740)	(4,680)
<b>Net cash provided (used) by financing activities</b>	<b>39,365</b>	<b>(14,986)</b>
<b>Net increase (decrease) in cash</b>	<b>(56,409)</b>	<b>41,376</b>
Cash at beginning of year	56,409	15,033
<b>Cash at end of year</b>	<b>\$ -</b>	<b>\$ 56,409</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 1,879	\$ 2,462

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

# SE WORKS, INC.

## Notes to Financial Statements

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### 1. 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:

- Neighborhood Jobs Center: drop-in employment resource center for résumé development, job search assistance, social services referrals and basic technology skills enhancement.
- Advocacy/Training: support services, case management, and employment related training. Eligibility requirements frequently apply for specific programs.
- Youth Services: employment placement assistance, support services and GED completion classes.
- Employer Services: employee recruitment and screening for regional and local employers and industry-specific employment training.

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

### 2. 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 and/or the passage of time.

SE WORKS, INC.

Notes to Financial Statements - Continued

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2. Summary of Significant Accounting Policies - Continued

**Basis of Presentation - Continued** - Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases 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.

**Use of 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these 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** - The organization follows the practice of capitalizing major expenditures for buildings and equipment at cost or estimated fair market value at date of donation. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

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

**SE WORKS, INC.**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued**

**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 \$100,000.

**Receivables** - Receivables are recognized as goods and services are provided. The organization does not assess finance charges on past due amounts.

The organization uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions. Such allowance was not considered necessary at June 30, 2003 and 2002.

**Investments** - Investments are stated at market value.

**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 is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

**Summarized Financial Information for 2002** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2002, from which the summarized information was derived.

**Reclassifications** - Certain reclassifications have been made in the 2002 information to conform with the 2003 presentation.

**SE WORKS, INC.**

**Notes to Financial Statements - Continued**

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**3. Accounts Receivable**

Accounts receivable represents outstanding billings to various agencies for expenses incurred or services performed prior to year end. Accounts receivable consist of the following at June 30:

	<b>2003</b>	<b>2002</b>
worksystems inc.	\$ 85,937	\$ 108,091
City of Portland	2,246	3,000
Multnomah County	11,659	8,739
Oregon Health Sciences University	19,054	21,778
Other	<u>26,372</u>	<u>19,104</u>
	<u>\$ 145,268</u>	<u>\$ 160,712</u>

**4. Property and Equipment**

	<b>2003</b>	<b>2002</b>
Leasehold improvements	\$ 289,651	\$ 100,000
Furniture and equipment	134,012	102,200
Construction in progress	<u>-</u>	<u>11,941</u>
	423,663	214,141
Less accumulated depreciation and amortization	<u>(203,179)</u>	<u>(151,009)</u>
	<u>\$ 220,484</u>	<u>\$ 63,132</u>

**5. Investments**

During the year ended June 30, 2002, the organization received common stock as a result of the demutualization of Principal Financial Group. At June 30, 2003 and 2002, the fair market value of the stock was \$4,031 and \$3,875, respectively.

**SE WORKS, INC.**

**Notes to Financial Statements - Continued**

6. Notes Payable	2003	2002
Notes payable consist of the following at June 30, 2003 and 2002:		
Note payable to the Portland Development Commission in monthly installments of \$483 including interest at 3 percent per annum. Secured by property. Due January, 2009.	\$ 30,052	\$ 34,852
Note payable to Sisters of Loretto in monthly installments of \$300 including interest at 2 percent per annum. Due May, 2005.	6,840	-
Note payable to Sisters of Charity, BVM in monthly installments of \$300 including interest at 2 percent per annum. Due May, 2005.	6,845	-
Note payable to Seton Enablement Fund, Inc. in monthly installments of \$180 including interest at 3 percent per annum. Due September, 2007.	8,594	-
Note payable to Sisters of St. Francis of Philadelphia in monthly installments of \$263 including interest at 2 percent per annum. Due January, 2008.	<u>13,781</u>	<u>-</u>
	<u>\$ 66,112</u>	<u>\$ 34,852</u>

Future principal maturities of long-term debt are as follows:

Years Ending June 30	Amount
2004	\$ 16,790
2005	16,763
2006	10,344
2007	10,628
2008	7,938
Thereafter	<u>3,649</u>
	<u>\$ 66,112</u>

**SE WORKS, INC.**

**Notes to Financial Statements - Continued**

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<b>7. Temporarily Restricted Net Assets</b>	<b>2003</b>	<b>2002</b>
Donated leasehold improvements <sup>A</sup>	\$ 7,500	\$ 17,500
Restricted for renovation projects	<u>-</u>	<u>87,500</u>
	<u>\$ 7,500</u>	<u>\$ 105,000</u>

<sup>A</sup> Temporarily restricted net assets include the net book value of leasehold improvements that were funded with a restricted contribution from the Portland Development Commission. The release of this temporarily restricted net asset is recorded over the estimated useful life of the leasehold improvements. Net assets released from restrictions of \$97,500 represents current year amortization expense of \$10,000 on the donated leasehold improvements plus \$87,500 used in renovation projects.

**8. Government Grants and Contracts**

The majority of the organization's government grants and contracts are derived from worksystems inc. A portion of these funds are passed through from Federal and state sources.

**9. Line of Credit**

The organization has an unsecured line of credit of \$60,000 with Wells Fargo Bank. At June 30, 2003, the interest rate on the line of credit was 7.0 percent (prime plus 2.75 percent). There was no balance outstanding at June 30, 2003 and 2002.

**10. 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 that have not already been provided for.

**SE WORKS, INC.**

**Notes to Financial Statements - Continued**

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**11. Commitments**

The organization leases property and equipment under various operating leases which expire through October, 2008. Future minimum payments due under these leases are as follows:

<b>Years Ended June 30</b>	<b>Amount</b>
2004	\$ 43,836
2005	44,979
2006	46,158
2007	37,207
2008	36,840
Thereafter	<u>9,210</u>
	<u>\$ 218,230</u>

Rent expense for the years ended June 30, 2003 and 2002 was \$41,986 and \$37,458, respectively.

**12. Retirement Plan**

The organization sponsors a SIMPLE IRA retirement plan, which replaced the 403(b) retirement plan previously sponsored by the organization. The SIMPLE IRA plan covers all eligible employees who elect to have retirement plan contributions withheld from their regular salary. Prior to July 1, 2002, the organization also made contributions of 2 percent of eligible salaries for all employees who earned at least \$5,000 during the year; these contributions totaled \$12,658 for the year ended June 30, 2002. The organization is no longer making contributions to the plan.

**13. Related Parties**

One of the organization's major sources of revenue is worksystems, inc. Heidi Soderberg, Executive Director, is a Board member of worksystems, inc. The organization earned \$769,670 from worksystems, inc. during the year ended June 30, 2003, which is included in the heading "government grants and contracts" on the statement of activities. The organization had billings under the worksystems programs of \$85,937, which are included in accounts receivable on the statement of financial position at June 30, 2003.