

SE WORKS, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2007

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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 nonprofit corporation) as of June 30, 2007, 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, 2006 and, in our report dated November 28, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2007 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.

Kern + Thompson, LLC

December 6, 2007

SE WORKS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2007

(With Comparative Totals as of June 30, 2006)

ASSETS

	2007	2006
Cash	\$ -	\$ -
Investments	7,286	6,956
Contracts receivable	360,406	290,453
Promises to give	50,000	85,000
Prepaid expenses	21,102	26,890
Property and equipment	71,524	107,099
Total assets	\$ 510,318	\$ 516,398

LIABILITIES AND NET ASSETS

Bank overdraft	\$ 818	\$ 3,153
Accounts payable	146,297	123,329
Accrued vacation	40,004	33,168
Line of credit	60,281	39,769
Notes payable	12,159	22,743
Deferred revenue	10,541	6,829
Total liabilities	270,100	228,991
Net assets		
Unrestricted		
Investment in property and equipment	71,524	107,099
Undesignated	85,531	66,674
	157,055	173,773
Temporarily restricted	83,163	113,634
Total net assets	240,218	287,407
Total liabilities and net assets	\$ 510,318	\$ 516,398

See notes to financial statements.

SE WORKS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2007</u>	<u>2006</u>
Revenues and other support				
Government grants and contracts	\$ 2,736,958	\$ -	\$ 2,736,958	\$ 1,729,012
Grants	11,823	103,490	115,313	158,303
Donations	1,800	-	1,800	370
Program fees	4,419	-	4,419	5,690
Resource sharing income	22,969	-	22,969	19,020
Interest	100	-	100	85
Special events	32,587	-	32,587	28,176
Unrealized gain on investments	330	-	330	1,719
Other revenue	418	-	418	1,865
	<u>2,811,404</u>	<u>103,490</u>	<u>2,914,894</u>	<u>1,944,240</u>
Net assets released from restrictions for purpose	133,961	(133,961)	-	(133,961)
Total revenues and other support	<u>2,945,365</u>	<u>(30,471)</u>	<u>2,914,894</u>	<u>1,944,240</u>
Expenses				
Program services				
Adult services	2,198,713	-	2,198,713	1,284,795
Youth employment	443,498	-	443,498	399,674
Employer business services	69,736	-	69,736	115,239
Community learning	196,513	-	196,513	50,023
Total program services	<u>2,908,460</u>	<u>-</u>	<u>2,908,460</u>	<u>1,849,731</u>
Supporting services				
Management and general	16,079	-	16,079	82,888
Fund-raising	37,544	-	37,544	11,932
	<u>2,962,083</u>	<u>-</u>	<u>2,962,083</u>	<u>1,944,551</u>
Change in net assets	(16,718)	(30,471)	(47,189)	(311)
Net assets, beginning of year	<u>173,773</u>	<u>113,634</u>	<u>287,407</u>	<u>287,718</u>
Net assets, end of year	<u>\$ 157,055</u>	<u>\$ 83,163</u>	<u>\$ 240,218</u>	<u>\$ 287,407</u>

See notes to financial statements.

SE WORKS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

	PROGRAM			
	Adult Services	Youth Employ- ment	Employer Business Services	Community Learning
Salaries	\$ 649,460	\$ 173,688	\$ 43,679	\$ 94,575
Employee benefits	101,234	21,621	4,245	12,907
Payroll taxes	61,708	16,704	5,476	9,290
Professional services	180	-	1,560	7,000
Occupancy	-	-	-	-
Education and training	1,868	1,303	475	5,896
Direct training supplies	9,007	5,292	745	4,766
Office supplies	292,745	104,168	-	12,981
Postage and printing	900	-	-	-
Utilities	-	-	-	-
Mileage, parking, travel	9,835	4,578	804	168
Insurance	-	-	-	-
Advertising	1,338	-	70	100
Subscriptions, fees and dues	528	290	150	1,231
Interest	-	-	-	-
Equipment rental and maintenance	-	-	-	-
Subcontractors	322,513	-	-	-
Support services	436,565	41,452	133	8,285
Board and meeting expenses	2,535	1,181	124	2,124
Telephone	1,194	-	-	-
Miscellaneous	-	-	-	-
Depreciation and amortization	32,406	9,522	2,271	6,249
Joint cost allocation	274,697	63,699	10,004	30,941
Total expenses	\$ 2,198,713	\$ 443,498	\$ 69,736	\$ 196,513

See notes to financial statements.

SERVICES	SUPPORTING SERVICES					
	Total Program	Management and General	Fund-Raising	Shared Costs	Total	
					2007	2006
\$ 961,402	\$ 81,556	\$ 3,623	\$ 49,990	\$ 1,096,571	\$ 882,770	
140,007	11,141	498	9,451	161,097	104,975	
93,178	7,909	314	5,193	106,594	85,947	
8,740	28,499	19,683	21,725	78,647	57,390	
-	-	1,000	43,612	44,612	36,892	
9,542	690	1,150	225	11,607	12,274	
19,810	342	2,231	25,851	48,234	208,102	
409,894	-	289	-	410,183	40,535	
900	5,143	-	24,978	31,021	34,631	
-	-	-	17,688	17,688	13,870	
15,385	1,328	279	197	17,189	28,451	
-	2,045	-	8,435	10,480	9,115	
1,508	236	-	1,314	3,058	3,284	
2,199	2,063	1,689	1,395	7,346	5,449	
-	-	4,756	-	4,756	3,985	
-	-	-	18,235	18,235	19,142	
322,513	-	-	-	322,513	96,612	
486,435	-	-	-	486,435	216,732	
5,964	2,015	415	787	9,181	6,484	
1,194	763	-	17,598	19,555	19,214	
-	-	-	-	-	631	
50,448	3,442	619	2,572	57,081	58,066	
379,341	(131,093)	998	(249,246)	-	-	
\$ 2,908,460	\$ 16,079	\$ 37,544	\$ -	\$ 2,962,083	\$ 1,944,551	

SE WORKS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (47,189)	\$ (311)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,081	58,066
Unrealized gain on investments	(330)	(1,718)
Changes in assets and liabilities:		
Contracts receivable	(69,953)	(169,542)
Promises to give	35,000	(35,000)
Prepaid expenses	5,788	(2,314)
Accounts payable	22,968	84,967
Accrued vacation	6,836	3,026
Deferred revenue	3,712	(3,428)
Cash flows (used in) provided by operating activities	13,913	(66,254)
Cash flows from investing activities:		
Purchase of property and equipment	(21,506)	(11,569)
Cash flows from financing activities:		
Bank overdraft	(2,335)	3,153
Proceeds from line of credit - net of payments	20,512	30,230
Payments on notes payable	(10,584)	(10,304)
Cash flows provided by (used in) financing activities	7,593	23,079
Change in cash	-	(54,744)
Cash, beginning of year	-	54,744
Cash, end of year	\$ -	\$ -
Supplemental disclosures:		
Cash paid for interest	\$ 4,756	\$ 3,985

See notes to financial statements.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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.

Employer Services - Employee recruitment and screening for regional and local employers and industry-specific employment training.

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 and/or the passage of time.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE B - 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 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.

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.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,500.

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.

Investments

Investment in a security is stated at fair 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.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

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

Income Taxes

The Organization operates as a nonprofit corporation and has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code.

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, 2006, from which the summarized information was derived.

NOTE C – CONTRACTS RECEIVABLE

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

Worksystems, Inc.	\$	109,093
Bureau of Housing and Community Development		101,565
U.S. Department of Labor		89,186
Youth Employment Institute		6,568
Multnomah County		11,669
Oregon Department of Corrections		18,520
Portland Public Schools		10,090
Other		<u>13,715</u>
	\$	<u><u>360,406</u></u>

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 293,284
Furniture and equipment	<u>215,392</u>
	508,676
Less accumulated depreciation and amortization	<u>(437,152)</u>
	<u>\$ 71,524</u>

NOTE E – LINE OF CREDIT

The Organization has an unsecured line of credit of \$65,000 with Wells Fargo Bank. At June 30, 2007, the interest rate was payable monthly at 2.75% over prime (11% at June 30, 2007). There was a \$60,281 balance outstanding at June 30, 2007.

NOTE F – LONG-TERM DEBT

Notes payable consist of the following at June 30, 2007:

Note payable to the Portland Development Commission in monthly installments of \$483, including interest at 3% per annum; due January 2009; secured by property.	\$ 10,261
Note payable to Seton Enablement Fund, Inc. in monthly installments of \$180, including interest at 3% per annum; due September 2007.	358
Note payable to Sisters of St. Francis of Philadelphia in monthly installments of \$263, including interest at 2% per annum; due January 2008.	<u>1,540</u>
	<u>\$ 12,159</u>

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F – LONG-TERM DEBT (CONTINUED)

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

Year Ending <u>June 30,</u>	
2008	\$ 7,938
2009	<u>4,221</u>
	<u>\$ 12,159</u>

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

For purpose:	
Oregon Community Foundation	\$ 25,000
United Way	8,163
For timing:	
United Way	<u>50,000</u>
	<u>\$ 83,163</u>

NOTE H – 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.

SE WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE I – COMMITMENTS

The Organization leases facility and equipment under various operating leases which expire through March 2010. Future minimum payments due under these leases are as follows:

<u>Year Ending June 30,</u>	
2008	\$ 64,376
2009	39,816
2010	<u>28,012</u>
	<u>\$ 132,204</u>

Rent expense for the year ended June 30, 2007 was \$53,324.

NOTE J – 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. Retirement expense amounted to \$25,463 for the year ended June 30, 2007.

NOTE K – CONCENTRATIONS

The Organization earned \$1,379,399 from Worksystems, Inc. during the year ended June 30, 2007, 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 represents approximately 47% of total revenues.