SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
and THE SEI ACADEMY

Audited Consolidated Financial Statements

For the Year Ended June 30, 2016

McDONALD JACOBS

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Self Enhancement, Inc.

Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy (Oregon nonprofit organizations) which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit

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procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters
As discussed in Note 5 to the consolidated financial statements, the consolidated financial statements include investments in limited partnerships valued at $4,546,339 (17% of total assets) and $6,167,639 (20% of total assets) as of June 30, 2016 and 2015, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of Self Enhancement, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Self Enhancement, Inc.'s internal control over financial reporting and compliance.

McDonald Jacobs, P.C.

Portland, Oregon
September 22, 2016

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 237,241	$ 177,292
Donated securities held at year-end	-	98,598
Accounts receivable	687,385	1,235,944
Contributions and grants receivable, net	698,413	1,069,646
Prepaid expenses, deposits and other assets	249,416	201,819
Investments	19,497,372	22,251,706
Note receivable	-	16,138
Property and equipment, net	6,096,525	6,222,451
TOTAL ASSETS	$ 27,466,352	$ 31,273,594
LIABILITIES AND NET ASSETS		
Liabilities:		
Checks drawn in excess of bank balance	72,621	$ 136,114
Line of credit	-	34,221
Accounts payable and accrued expenses	356,281	273,007
Accrued payroll and related expenses	568,171	317,711
Deferred revenue	115,657	-
Note payable	133,668	92,003
Margin note payable	3,510,000	3,011,297
Total liabilities	4,756,398	3,864,353
Net assets (deficit):		
Unrestricted:		
Available for general operations	(4,685,999)	(3,399,686)
Endowment deficit	(3,248,525)	(914,467)
Capital reserve fund	134,159	134,159
Net investment in property and equipment	6,096,525	6,222,451
Total unrestricted net assets deficit)	(1,703,840)	2,042,457
Temporarily restricted net assets - program	4,329,924	5,282,914
Permanently restricted	20,083,870	20,083,870
Total net assets	22,709,954	27,409,241
TOTAL LIABILITIES AND NET ASSETS	$ 27,466,352	$ 31,273,594

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016					
		Temporarily Restricted				
	Unrestricted	Program	Endowment Earnings	Permanently Restricted	Total	2015 Total
Support and revenue:						
Government contracts	$ 9,060,093	$ -	$ -	$ -	$ 9,060,093	$ 7,488,856
Contributions	743,718	742,648	-	-	1,486,366	4,199,637
Special events, net of direct costs of $172,532 for 2016	516,061	-	-	-	516,061	-
Other revenue	94,569	-	-	-	94,569	336,413
Total revenue	10,414,441	742,648	-	-	11,157,089	12,024,906
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,343,975	(1,343,975)	-	-	-	-
Release from restriction - scholarships	168,166	(168,166)				
Other transfers	916,004	-	(916,004)	-	-	-
Total support and revenue	12,842,586	(769,493)	(916,004)	-	11,157,089	12,024,906
Expenses:						
Core programming	5,303,647	-	-	-	5,303,647	4,677,162
Non-Core youth programming	1,301,113	-	-	-	1,301,113	1,052,842
SEI Academy	1,090,744	-	-	-	1,090,744	1,116,482
Community & Family programming	2,941,652	-	-	-	2,941,652	2,799,475
Other programming	674,078	-	-	-	674,078	942,065
Total program services	11,311,234	-	-	-	11,311,234	10,588,026
Fundraising	526,526	-	-	-	526,526	532,131
Management and general	2,350,803	-	-	-	2,350,803	2,265,021
Total expenses	14,188,563	-	-	-	14,188,563	13,385,178
Change in net assets from operations	(1,345,977)	(769,493)	(916,004)	-	(3,031,474)	(1,360,272)

Continued

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016					
		Temporarily Restricted				
	Unrestricted	Program	Endowment Earnings	Permanently Restricted	Total	2015 Total
Change in net assets from operations	(1,345,977)	(769,493)	(916,004)	-	(3,031,474)	(1,360,272)
Non-operating and endowment activity:						
Interest and dividend income	8	4,600	271,115	-	275,723	568,799
Net unrealized and realized gain (loss) on investments	2,608	(188,097)	(1,689,169)	-	(1,874,658)	785,720
Endowment expenses	(68,878)	-	-	-	(68,878)	(152,626)
Other transfers	(2,334,058)	-	2,334,058	-	-	-
Change in net assets	(3,746,297)	(952,990)	-	-	(4,699,287)	(158,379)
Net assets (deficit):						
Beginning of year	2,042,457	5,282,914	-	20,083,870	27,409,241	27,567,620
End of year	$ (1,703,840)	$ 4,329,924	$ -	$ 20,083,870	$ 22,709,954	$ 27,409,241

Concluded

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016
(With comparative totals for 2015)

	Program services						Supporting services				
	Core Programming	Non-Core Youth Programming	SEI Academy	Community & Family Programming	Other Programming	Total Program Services	Fund-raising	Facilities	Management and general	Total 2016	Total 2015
Salaries and related expenses	$ 3,086,518	$ 1,153,954	$ 812,212	$ 1,568,219	$ 388,432	$ 7,009,335	$ 321,021	$ 135,689	$ 1,645,954	$ 9,111,999	$ 8,271,042
Professional services	338	-	13,368	-	1,646	15,352	200	-	327,152	342,704	810,887
Incentives, stipends and scholarships	393,147	803	27	6,967	550	401,494	555	-	210,466	612,515	658,082
Events and activities	356,279	31,534	6,413	58,499	14,619	467,344	6,400	345	11,653	485,742	479,393
Direct client assistance	204,671	4,810	52	942,120	2,799	1,154,452	65,089	56	-	1,219,597	951,029
Contract services	192,329	28,755	48,943	80,109	62,457	412,593	16,115	59	-	428,767	465,176
Facility rental	-	-	-	29,217	993	30,210	-	-	-	30,210	49,895
Transportation	186,908	6,230	10,752	6,839	-	210,729	156	-	-	210,885	149,930
Equipment maintenance	10,081	87	-	3,103	1,495	14,766	8,491	50,091	43,864	117,212	78,614
Building and grounds maintenance	109	-	-	-	-	109	-	69,894	-	70,003	66,254
Utilities	-	-	-	-	-	-	-	133,902	-	133,902	132,409
Telephone	18,625	6,118	900	13,984	250	39,877	850	852	43,040	84,619	80,324
Insurance	-	-	15,828	-	-	15,828	-	58,820	61,198	135,846	121,083
Supplies	212,545	49,334	25,087	45,884	7,832	340,682	8,159	2,219	18,324	369,384	350,050
Travel and mileage	28,652	7,909	2,235	40,606	5,607	85,009	4,192	4,081	40,383	133,665	130,893
Bad debt expense	-	-	-	-	-	-	5,850	-	62,763	68,613	108,200
Interest expense	-	-	-	-	-	-	-	-	25,021	25,021	23,045
Other operating costs	15,590	3,467	17,016	28,823	43,080	107,976	43,684	(41,241)	178,747	289,166	178,277
Total expenses before depreciation and allocations	4,705,792	1,293,001	952,833	2,824,370	529,760	10,305,756	480,762	414,767	2,668,565	13,869,850	13,104,583
Depreciation	147,921	1,936	38,646	31,808	34,440	254,751	10,921	-	53,041	318,713	280,595
Facilities allocation	192,888	2,524	49,563	41,477	44,910	331,362	14,241	(414,767)	69,164	-	-
Administrative allocation	257,046	3,652	49,702	43,997	64,968	419,365	20,602	-	(439,967)	-	-
Total expenses	$ 5,303,647	$ 1,301,113	$ 1,090,744	$ 2,941,652	$ 674,078	$ 11,311,234	$ 526,526	$ -	$ 2,350,803	$ 14,188,563	$ 13,385,178

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC. ,
AND THE SEI ACADEMY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from contributors and through service contracts	$ 12,291,136	$ 12,638,953
Interest and dividends received for operating purposes	275,723	567,449
Cash paid to employees and suppliers	(13,627,570)	(13,476,536)
Cash paid for interest	(25,021)	(23,045)
Net cash used in operating activities	(1,085,732)	(293,179)
Cash flows from investing activities:		
Additions to investments	(8,184,923)	(9,828,119)
Proceeds from sale of investments	9,064,599	10,527,131
Proceeds from note receivable	16,138	16,138
Capital expenditures	(192,787)	(219,691)
Net cash provided by investing activities	703,027	495,459
Cash flows from financing activities:		
Change in checks drawn in excess of bank balance	(63,493)	44,593
Proceeds from note payable	577,321	92,248
Payments on note payable	(36,953)	-
Net payments on line of credit	(34,221)	(238,502)
Net cash provided by (used in) financing activities	442,654	(101,661)
Net increase in cash and cash equivalents	59,949	100,619
Cash and cash equivalents - beginning of year	177,292	76,673
Cash and cash equivalents - end of year	$ 237,241	$ 177,292

See notes to consolidated financial statements.

1. THE ORGANIZATIONS

Self Enhancement, Inc. (Self Enhancement) is a nonprofit corporation organized and incorporated under the laws of the State of Oregon. Self Enhancement was founded in 1980 under the auspices of the Albina Ministerial Alliance. Self Enhancement believes that young people are capable of making positive choices when provided with viable, constructive alternatives, and provides programs that help at-risk inner North and Northeast Portland youth recognize and choose among the alternatives to drugs, gangs and violence, thereby making positive contributions to society.

In April 2002, Self Enhancement (as sole member) formed Self Enhancement Foundation, Inc. (the Foundation), a nonprofit corporation. The mission of the Foundation is to support Self Enhancement and to implement fund-raising programs in coordination with Self Enhancement for the long-term and exclusive benefit of the programs and activities of Self Enhancement.

In July 2005, Self Enhancement (as sole member) formed The SEI Academy (The Academy), a nonprofit corporation. The mission of The Academy is to support Self Enhancement and provide educational services through a public charter school.

A significant portion of the Organizations' support is from contracts with Multnomah County, State of Oregon and Portland Public Schools to carry out its programs. These revenues approximated $5.9 million (62%) of total revenue and support for the year ended June 30, 2016 and $5.5 million (42%) for the year ended June 30, 2015.

Self Enhancement's programs include:

<u>Core Programming</u>
To realize its mission, Self Enhancement's goal is to have all of its core students become "positive contributing citizens," by which Self Enhancement means young adults who have not only graduated from high school but also have sustained at least 2 years of post-secondary education or employment. Self Enhancement has learned over the years that program participants who have met these thresholds are well set to succeed in life. Self Enhancement works to achieve this goal in four ways; 1) The Relationship Model, 2) The Culture of Success, 3) Comprehensive Approach and 4) Continuum of Services. Services are provided on a year-round basis through the In-School Program, the After-School Program and the Summer Program.

1. THE ORGANIZATIONS, Continued

Non-Core Youth Programming
Self Enhancement provides several other youth programs beyond the Core programming. These programs include Schools Uniting Neighbors/21st Century Community Learning Centers at 7 Portland Public Schools, Social and Support Services for Educational Success, and Basketball Camps.

The SEI Academy
The SEI Academy is a grades 6-8 public charter school dedicated to helping all students realize their full academic and personal potential. The Academy is founded on the principles of integrity and respect and the Self Enhancement tenet that every child will be successful. The Academy opened in September 2007 with fifty 6th graders. The Academy operates at all three grade levels with an enrollment capacity of 150. Beginning in September 2016, the Academy will not have a sixth grade class and the Academy will discontinue operations at the end of the 2016-2017 school year.

Community & Family Programming
Self Enhancement offers intensive intervention services to families at risk for child and domestic abuse and neglect as well as services to families with gang-involved, gang-affected and adjudicated youth. Self Enhancement also provides housing and energy assistance to Multnomah County residents.

Other Programming
Other programming services include program advancement and program replication in other communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation
The consolidated financial statements include the accounts of Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy (collectively, the Organizations). All significant inter-organization amounts have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

The Organizations present net assets and all balances and transactions based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organizations 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 Organizations and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Most gains and losses on investments are reported as increases or decreases in temporarily restricted net assets until appropriated for expenditure. 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.

Cash Equivalents

For purposes of the consolidated financial statements, the Organizations consider all liquid investments having maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents included in investments are considered investments.

Donated Securities

Donated securities consist of publically traded securities donated at or near year-end for which the proceeds from sale have not yet been received. The Organizations' policy is to sell donated securities as soon as possible after receipt.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and Grants

Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the collection history with those having outstanding balances and current relationships with the donors, management has concluded that any uncollectible pledges will be immaterial.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using estimated market interest rates. Amortization of the discount is included in contribution support.

Bequests are recorded as revenue at the time the Organizations have an established right to the bequest and the proceeds are measurable.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Investments in limited partnerships are reported at fair value as determined by the general partners. Net appreciation in the fair value of investments, which consists of the realized gains (losses) and the unrealized appreciation (depreciation) of those investments, is presented in the statement of activities. Interest income is accrued as earned.

Property and Equipment

Acquisitions of property and equipment in excess of $1000 are capitalized. Property and equipment are carried at cost, and at estimated fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, generally 15 to 50 years for buildings and related improvements, and 3 to 10 years for furniture, equipment and vehicles.

Deferred Revenue

Service revenues are recognized at the time services are provided and the revenues are earned. Advance on contracts for which services will be provided in the future are recorded as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organizations' activities.

The Organizations report as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated.

In addition, the Organizations regularly receive contributed services from a large number of volunteers who assist in fundraising and other efforts through their participation in a range of events and by working with members of the Organizations' staff in a variety of capacities. These services do not meet the specific criteria for recognition of contributed services and have not been included in the financial statements.

See *Note 6* for information regarding the favorable lease of land by Self Enhancement.

Contributions of Long-Lived Assets

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Earnings on Permanent Endowment
The Board of Directors has designated that unrestricted income earned from permanently restricted net assets be held in a separate net asset class for purposes of building the Organizations' endowment fund.

Earnings on the Investment of Endowment and Similar Funds - Income, realized net gains (losses), and unrealized net gains (losses) on the investment of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- As increases in unrestricted net assets in all other cases, after appropriation by the Board for expenditure.

Income Taxes
The Organizations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organizations are not private foundations.

Some income received from investments in pass-through entities, resulting from activities considered not substantially related to the Organizations' tax exempt purpose, may be subject to reporting as unrelated business income. Taxes resulting from unrelated business income were insignificant to the financial statements for 2016 and 2015.

The Organizations follows the provisions of FASB *ASC Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organizations' tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organizations' information and income tax returns for years ended June 30, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Subsequent Events
The Organizations have evaluated all subsequent events through September 22, 2016, the date the consolidated financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Summarized Financial Information for 2015
The accompanying financial information as of and for the year ended June 30, 2015 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

3. ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and consist of amounts due from a variety of government agencies based upon annual contracts to provide services. Billings are prepared monthly, based on services provided. No reserve for uncollectible accounts has been established, as all accounts receivable are deemed by management to be fully collectible. Accounts receivable include the following at June 30:

	2016	2015
Multnomah County	$ 270,463	$ 410,389
HomeForward	81,568	-
Housing Authoity of Portland	-	89,134
City of Portland	62,328	179,730
State of Oregon	129,934	253,082
Portland Public Schools	34,830	136,913
Other	108,262	166,696
Total accounts receivable	$ 687,385	$ 1,235,944

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following at June 30:

	2016	2015
Unconditional promises to give expected to be collected in:		
Less than one year	$ 540,147	$ 883,705
One year to five years	200,000	200,000
	740,147	1,083,705
Less unamortized discount	41,734	14,059
Contributions and grants receivable, net	$ 698,413	$ 1,069,646

Contributions receivable are concentrated in that approximately 40% is due from one donor as of June 30, 2016. Contributions receivable at June 30, 2015 include 78% of the total due from four donors.

Unconditional promises to give and grants receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5.0%.

5. INVESTMENTS

Investments held by the Organizations at June 30 are stated at fair value and consist of the following:

	2016	2015
Equity mutual funds	$ 8,786,492	$ 9,518,079
Fixed income mutual funds	1,286,312	598,149
Equities - common stock	2,704,869	2,977,144
Multi-advisor funds	1,558,094	2,693,659
Limited partnership investments	4,546,339	6,167,639
Other stock investment	147,889	147,889
Cash equivalents	467,377	149,147
Total investments	$ 19,497,372	$ 22,251,706
Donated securities - common stock	$ -	$ 98,598

5. INVESTMENTS, Continued

Investments in limited partnerships are carried at fair value as determined by the general partners, which is an amount equal to the sum of the capital accounts in invested funds determined from audited financial statements prepared in accordance with U.S. generally accepted accounting principles and financial information provided by the investment managers of the invested funds. Other stock investment represents shares held in a closely-held corporation, and is valued at its redemption value of $10 per share. Commitments for limited partnership investments not yet funded approximated $470,000 at June 30, 2016.

Investment income (loss) consists of the following for the years ended June 30:

	2016	2015
Interest and dividends	$ 275,723	$ 568,799
Net realized/unrealized loss on investments in marketable securities	(1,797,848)	(392,463)
Realized/unrealized gain (loss) on limited partnership interests	(76,810)	1,178,183
Net realized/unrealized gain (loss)	(1,874,658)	785,720
Total investment income	$ (1,598,935)	$ 1,354,519

Margin Note Payable

The Organizations hold a portfolio margin loan against the investments as of year-end. Interest is payable at the corresponding portfolio loan index plus 1.25% (2.23% at June 30, 2016 and 2015). The total amount that may be borrowed is $7,412,000. Balances due on the loan at June 30, 2016 and 2015 totaled $3,510,000 and $3,011,297, respectively.

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2016	2015
Building and improvements	$ 9,696,581	$ 9,660,580
Furniture and equipment	1,315,123	1,285,486
Vehicles	47,431	47,431
	11,059,135	10,993,497
Less accumulated depreciation	4,962,610	4,771,046
Property and equipment, net	$ 6,096,525	$ 6,222,451

6. PROPERTY AND EQUIPMENT, Continued

The land that the Organizations occupy is leased from the City of Portland under a lease agreement that expires September 30, 2046. Under the terms of the agreement, the Organizations are restricted to using the land for the following purposes and uses:

- Operate a community center that provides educational and support programs targeted to help young people stay in and perform well at school;
- Provide and promote family enrichment programs and activities; and
- Provide and promote cultural opportunities and events for the general public and Self Enhancement's mission-related organizational activities.

The lease agreement payment terms are $100 for the entire lease period. A dollar amount for the fair market value of the benefit that the Organizations receive under this arrangement is not reflected in the accompanying consolidated financial statements as it would be impracticable to determine such value due to the specialty of use and restrictions.

7. LINE OF CREDIT AND NOTE PAYABLE

Line of Credit: Self Enhancement has a $500,000 revolving line of credit at a financial institution with interest payable monthly at 1.00% over the bank's prime rate (prime rate 4.5% and 4.25% at June 30, 2016 and 2015, respectively). The line is unsecured and matures April 2017. The line contains certain financial covenants including a requirement, among others, to rest the line for 30 days. There were no advances at June 30, 2016. Advances totaled $34,221 at June 30, 2015.

Note Payable: Self Enhancement has established an equipment line of credit of $150,000 at a financial institution. The line is payable in 60 equal monthly payments of interest and principal of $2,844. Balances outstanding at June 30, 2016 and 2015 totaled $133,668 and $92,003, respectively.

Current maturities of the note payable are as follows:

Year ending June 30, 2017	$ 27,994
2018	29,483
2019	31,051
2020	45,140
	$ 133,668

8. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Contributions and other unexpended support available for:		
Current and future operations	$ 415,752	$ 709,823
Program services	462,647	769,903
Scholarships	3,451,525	3,803,188
Total temporarily restricted net assets	$ 4,329,924	$ 5,282,914

In addition, at June 30, 2016 and 2015, the Organizations hold $20,083,870 in a permanently restricted endowment. Investment income earned on the endowment is temporarily restricted until appropriated for expenditure. Also see Note 16.

The Board has designated unrestricted net assets totaling $134,159 at June 30, 2016 and 2015 for a capital reserve fund.

9. COMMITMENTS AND CONTINGENCIES

During the course of each year, the Organizations enter into various contracts that reimburse expenditures, as defined in each contract. Certain amounts received or receivable under these contracts are subject to audit and adjustment by the contracting agencies, by the State of Oregon, and by various agencies of the U.S. government. Any expenditures or claims disallowed as a result of such audits would become a liability of the Organizations' unrestricted fund. In the opinion of the Organizations' management, any adjustments that might result from such audits would not be material to the Organizations' overall consolidated financial statements.

Several of the Organizations' contracts cover multiple years with obligations to provide services over the contract period. Revenues under these contracts are recognized when the services have been provided.

10. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2016 and 2015, the Organizations incurred expenses totaling $1,512,141 and $1,764,710, respectively, in satisfaction of the restricted purposes imposed on contributions by donors, by the occurrence of other events specified by donors, or by the passage of time. Other transfers represent the release of restrictions on endowment earnings. Also see Note 16.

11. EXPENSES

The costs of providing the various programs and other activities of the Organizations have been summarized on a functional basis in the consolidated statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by natural classification are presented in the consolidated statements of activities and functional expenses.

12. RETIREMENT PLANS

The Organizations adopted a standardized 401(k) Profit Sharing Plan that is made available to substantially all regular, full-time employees. Employees are eligible to participate in the plan on the first calendar quarter following the date of hire. Participants may elect to contribute up to 100% of annual compensation, up to the maximum allowed by law. The Organizations will match the participant's contributions up to 3% of compensation. Vesting of a participant's interest is determined by a vesting schedule, based on the number of years of service.

In connection with Self Enhancement operating The Academy, a charter school, the Academy contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) receives the Academy's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs:

- The Pension Program, the defined benefit portion of the plan, applies to qualifying school employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

12. RETIREMENT PLANS, Continued

- Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The Academy is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan.

The rate in effect for the years ended June 30, 2016 was 22.33% for OPERF and 17.64% for OPSRP (22.29% for OPERF and 20.29% for OPSRP for June 30, 2015). The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Self Enhancement adopted a Deferred Compensation Plan (Section 457 Plan) beginning January 1, 2002.

Self Enhancement's contributions to the Plans totaled $218,281 and $198,111 for the years ended June 30, 2016 and 2015, respectively.

13. SUPPLEMENTAL CASH FLOW INFORMATION

<u>Consolidated Statement of Cash Flows Reconciliation:</u>
The following presents a reconciliation of the change in net assets (as reported on the consolidated statement of activities) to net cash used in operating activities (as reported on the consolidated statement of cash flows):

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (4,699,287)	$ (158,379)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Donated securities	-	(98,598)
Sale of donated securities	98,598	745,896
Depreciation	318,713	280,595
Net realized and unrealized gain (loss) on investments	1,874,658	(785,720)
(Increase) decrease in:		
Accounts, contributions and grants receivable	919,792	(62,461)
Prepaid expenses and other assets	(47,597)	(100,889)
Increase (decrease) in:		
Accounts payable and accrued expenses	333734	(113,623)
Deferred revenue	115,657	-
Net cash used in operating activities	$ (1,085,732)	$ (293,179)

14. RELATED PARTY DISCLOSURES

A Board member provided donated legal services during the years ended June 30, 2016 and 2015 which management considers to be immaterial to the financial statements and are not recorded by the Organizations. The Organizations have bank accounts with a financial institution where a board member is employed.

15. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist primarily of cash equivalents, equity and fixed income securities, nontraditional investments, and contributions and accounts receivable. These financial instruments may subject the Organizations to concentrations of credit risk.

- Cash equivalents: From time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) (up to $250,000 per institution). To limit credit risk, the Organizations place cash equivalents and other short-term investments with high credit quality financial institutions.

- Investments: Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. The fair values of interests in limited partnership are estimated by the partnerships and estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. The Organizations have established a diversified investment policy which reduces the Organizations' exposure to both credit risk and to concentrations of credit risk.

- Contributions and accounts receivable: Concentrations of credit risk with respect to contributions and accounts receivable are limited through credit approvals, credit limits, and various monitoring procedures. The majority of the Organizations’ receivables is either with reputable individuals and corporations, or with governmental institutions, and is considered to be low in risk.

16. ENDOWMENT

The Organizations' endowment consists of funds established for long-term support of the Organizations. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

Interpretation of Relevant Law

The Board of Directors of the Organizations have interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment funds
(2) The purposes of the Organizations and the donor-restricted endowment funds
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organizations
(7) The investment policies of the Organizations

16. ENDOWMENT, Continued

Endowment net asset composition by fund type is as follows as of June 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2016				
Donor-restricted endowment funds	$ (3,248,525)	$ -	$ 20,083,870	$ 16,835,345
June 30, 2015				
Donor-restricted endowment funds	$ (914,467)	$ -	$ 20,083,870	$ 19,169,403

Changes in endowment net assets for the years ended June 30 are as follows:

Endowment net assets:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2014	$ (1,093,989)	$ -	$ 20,083,870	$ 18,989,881
Contributions	-	-	-	-
Investment income	-	344,423	-	344,423
Net realized/unrealized appreciation	-	733,478	-	733,478
Appropriated for expenditure	-	(898,379)	-	(898,379)
Other changes	179,522	(179,522)	-	-
Balance, June 30, 2015	(914,467)	-	20,083,870	19,169,403
Contributions	-	-	-	-
Investment income	-	271,115	-	271,115
Net realized/unrealized depreciation	-	(1,689,169)	-	(1,689,169)
Appropriated for expenditure	-	(916,004)	-	(916,004)
Other changes	(2,334,058)	2,334,058	-	-
Balance, June 30, 2016	$ (3,248,525)	$ -	$ 20,083,870	$ 16,835,345

16. ENDOWMENT, Continued

Fund with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or the Act requires the Organizations to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and were $3,248,525 and $914,467 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 5% over the long-term (7+ years) while assuming a moderate level of investment risk. The Organizations expect their endowment funds, over the long-term, to provide an average rate of return of approximately 9% annually, net of fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations have adopted an asset allocation strategy that results in an acceptable risk and return profile while also providing and acceptable probability of achieving the investment objectives over the long-term.

16. ENDOWMENT, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organizations have a policy of appropriating for distribution each year 5% percent of its endowment fund's average fair value over the prior 5 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organizations considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organizations expect the current spending policy to allow its endowment to grow at an average of 3% percent annually. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

17. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

17. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30 are as follows:

	Level 1	Level 2	Level 3
2016			
Investments:			
Equity mutual funds	$ 8,786,492	$ -	$ -
Fixed income mutual funds	1,286,312	-	-
Equities - common stock	2,704,869	-	-
Multi-advisor funds	-	1,558,094	-
Limited partnership investments	-	-	4,546,339
Other stock investment	-	147,889	-
2015			
Investments:			
Equity mutual funds	9,518,079	-	-
Fixed income mutual funds	598,149	-	-
Equities - common stock	2,977,144	-	-
Multi-advisor funds	-	2,693,659	-
Limited partnership investments	-	-	6,167,639
Other stock investment	-	147,889	-
Donated securities - common stock	98,598	-	-

Fair values for investments in publicly traded mutual funds, equities and multi-advisor funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Quoted market prices are not available for investments in limited partnership interests. These investments are recorded at their fair market value, using a market approach, as determined by assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by the Organizations' management. The Organization believes that the reported amounts for these investments are a reasonable estimate of their fair value.

Other stock investment represents shares held in a closely-held corporation, and is valued at its redemption value of $10 per share.

17. FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Limited partnership investments:

	2016	2015
Beginning of year	$ 6,167,639	$ 5,547,437
Purchases and (distributions), net	(924,288)	(1,257,556)
Realized loss on investments	(149,883)	(13,063)
Unrealized gain (loss) on investments	(547,129)	1,890,821
End of year	$ 4,546,339	$ 6,167,639

The change in value is included in investment income on the statement of activities as temporarily restricted.

18. LEASE COMMITMENTS

The Organizations lease equipment under several operating lease agreements expiring between June 2017 and January 2020. In addition, the Organizations lease office space under an operating agreement which expires June 2019. Lease expense for the years ended June 30, 2016 and 2015 totaled approximately $287,100 and $235,700, respectively.

Total future minimum lease payments are as follows for the years ending:

June 30, 2017	$ 309,200
2018	216,700
2019	125,300
2020	60,000
2021	35,900
	$ 747,100