SELF ENHANCEMENT, INC. and
SELF ENHANCEMENT FOUNDATION, INC.

Audited Consolidated Financial Statements

For the Year Ended June 30, 2018

McDONALD JACOBS

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. and Self Enhancement Foundation, Inc (Oregon nonprofit organizations) which comprise the consolidated statement of financial position as of June 30, 2018, 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 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.

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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. and Self Enhancement Foundation, Inc. as of June 30, 2018, 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 $4,338,721 (14% of total assets) and $3,849,922 (13% of total assets) as of June 30, 2018 and 2017, 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 20, 2018, 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 solely 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 effectiveness of Self Enhancement, Inc.'s 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 20, 2018

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 333,895	$ 214,402
Accounts receivable	1,348,342	1,228,892
Contributions and grants receivable, net	540,424	1,021,408
Prepaid expenses, deposits and other assets	103,677	204,060
Investments	22,407,488	21,218,856
Property and equipment, net	6,735,701	6,869,081
TOTAL ASSETS	$ 31,469,527	$ 30,756,699
LIABILITIES AND NET ASSETS		
Liabilities:		
Checks drawn in excess of bank balance	$ 319,195	$ 112,958
Line of credit	265,892	375,055
Accounts payable and accrued expenses	290,735	523,142
Accrued payroll and related expenses	694,914	724,676
Deferred revenue	542,513	218,430
Notes payable	669,307	709,709
Margin note payable	3,832,729	3,507,729
Total liabilities	6,615,285	6,171,699
Net assets (deficit):		
Unrestricted:		
Available for general operations	(5,801,538)	(5,546,961)
Endowment deficit	(1,463,744)	(1,647,237)
Net investment in property and equipment	6,066,393	6,374,081
Total unrestricted net assets (deficit)	(1,198,889)	(820,117)
Temporarily restricted net assets - program	5,230,487	5,321,247
Permanently restricted	20,822,644	20,083,870
Total net assets	24,854,242	24,585,000
TOTAL LIABILITIES AND NET ASSETS	$ 31,469,527	$ 30,756,699

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018					
		Temporarily Restricted				
	Unrestricted	Program	Endowment Earnings	Permanently Restricted	Total	2017 Total
Support and revenue:						
Government contracts	$ 13,820,479	$ -	$ -	$ -	$ 13,820,479	$ 13,040,110
Contributions	498,141	970,815	-	738,774	2,207,730	2,913,184
Special events, net of direct costs of $219,217 for 2018 ($217,590 for 2017)	828,333	-	-	-	828,333	899,819
Other revenue	137,181	-	-	-	137,181	102,662
Total revenue	15,284,134	970,815	-	738,774	16,993,723	16,955,775
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,174,408	(1,174,408)	-	-	-	-
Release from restriction - scholarships	195,882	(195,882)	-	-	-	-
Other transfers	1,213,881	-	(1,213,881)	-	-	-
Total support and revenue	17,868,305	(399,475)	(1,213,881)	738,774	16,993,723	16,955,775
Expenses:						
Core programming	5,473,768	-	-	-	5,473,768	6,117,042
Non-Core youth programming	1,722,578	-	-	-	1,722,578	1,793,842
SEI Academy (Note 19)	-	-	-	-	-	819,700
Community & Family programming	7,240,521	-	-	-	7,240,521	5,097,164
Other programming	906,129	-	-	-	906,129	900,306
Total program services	15,342,996	-	-	-	15,342,996	14,728,054
Fundraising	570,901	-	-	-	570,901	587,583
Management and general	2,427,011	-	-	-	2,427,011	2,557,049
Total expenses	18,340,908	-	-	-	18,340,908	17,872,686
Change in net assets from operations	(472,603)	(399,475)	(1,213,881)	738,774	(1,347,185)	(916,911)

Continued

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018					
		Temporarily Restricted				
	Unrestricted	Program	Endowment Earnings	Permanently Restricted	Total	2017 Total
Change in net assets from operations	(472,603)	(399,475)	(1,213,881)	738,774	(1,347,185)	(916,911)
Non-operating and endowment activity:						
Interest and dividend income	-	99,426	92,224	-	191,650	168,056
Net unrealized and realized gain on investments	(148)	209,289	1,305,150	-	1,514,291	2,708,600
Endowment expenses	(89,514)	-	-	-	(89,514)	(84,699)
Other transfers	183,493	-	(183,493)	-	-	-
Change in net assets	(378,772)	(90,760)	-	738,774	269,242	1,875,046
Net assets (deficit):						
Beginning of year	(820,117)	5,321,247	-	20,083,870	24,585,000	22,709,954
End of year	$ (1,198,889)	$ 5,230,487	$ -	$ 20,822,644	$ 24,854,242	$ 24,585,000

Concluded

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018
(With comparative totals for 2017)

	Program services					Supporting services				
	Core Programming	Non-Core Youth Programming	Community & Family Programming	Other Programming	Total Program Services	Fund-raising	Facilities	Management and general	Total 2018	Total 2017
Salaries and related expenses	$ 3,241,159	$ 1,508,353	$ 2,591,125	$ 558,803	$ 7,899,440	$ 393,818	$ 204,060	$ 1,852,949	$ 10,350,267	$ 10,789,232
Professional services	-	-	200	23,653	23,853	1,850	35	298,827	324,565	359,017
Incentives, stipends and scholarships	366,074	600	1,961	-	368,635	-	450	232,941	602,026	646,882
Events, activities and program supplies	311,964	100,446	83,583	6,749	502,742	7,094	1,194	14,225	525,255	506,393
Direct client assistance	197,837	1,503	2,921,617	35	3,120,992	4,579	200	465	3,126,236	2,434,436
Contract services	293,825	62,229	1,256,792	72,712	1,685,558	14,535	738	2,565	1,703,396	1,135,983
Facility rental	-	-	46,578	-	46,578	-	-	-	46,578	39,117
Transportation	145,109	5,413	53,694	121	204,337	-	2,810	34	207,181	225,478
Equipment maintenance	-	-	16,540	1,790	18,330	2,868	69,063	69,212	159,473	142,313
Building and grounds maintenance	-	-	-	2,454	2,454	317	27,524	-	30,295	69,078
Utilities	-	-	-	2,925	2,925	-	114,919	-	117,844	122,525
Telephone	20,950	5,650	28,963	1,000	56,563	700	1,750	47,242	106,255	103,279
Insurance	42,164	20,744	33,426	7,203	103,537	5,564	-	28,543	137,644	134,691
Supplies	12,248	4,621	26,703	5,527	49,099	7,783	24,837	18,092	99,811	369,151
Travel and mileage	3,144	540	17,754	8,355	29,793	1,749	175	49,280	80,997	163,662
Bad debt expense	-	-	-	-	-	35,250	-	-	35,250	35,891
Interest expense	-	-	-	-	-	-	5,908	21,415	27,323	23,881
Other operating costs	14,218	3,638	33,850	57,512	109,218	44,916	2,300	164,654	321,088	254,795
Total expenses before depreciation and allocations	4,648,692	1,713,737	7,112,786	748,839	14,224,054	521,023	455,963	2,800,444	18,001,484	17,555,804
Depreciation	198,410	2,066	33,942	36,751	271,169	11,654	-	56,601	339,424	316,882
Facilities allocation	266,535	2,775	45,596	49,369	364,275	15,655	(455,963)	76,033	-	-
Administrative allocation	360,131	4,000	48,197	71,170	483,498	22,569	-	(506,067)	-	-
Total expenses	$ 5,473,768	$ 1,722,578	$ 7,240,521	$ 906,129	$ 15,342,996	$ 570,901	$ -	$ 2,427,011	$ 18,340,908	$ 17,872,686

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2018
(With comparative totals for 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contributors and through service contracts	$ 17,159,783	$ 16,411,636
Interest and dividends received for operating purposes	187,669	164,393
Cash paid to employees and suppliers	(18,440,697)	(17,461,827)
Cash paid for interest	(27,323)	(23,881)
Net cash used in operating activities	(1,120,568)	(909,679)
Cash flows from investing activities:		
Additions to investments	(5,053,552)	(549,126)
Proceeds from sale of investments	5,379,211	1,536,242
Capital expenditures	(206,044)	(1,089,438)
Net cash provided by (used in) investing activities	119,615	(102,322)
Cash flows from financing activities:		
Change in checks drawn in excess of bank balance	206,237	40,337
Contributions restricted to long-term purposes	738,774	-
Proceeds from note payable	325,000	625,513
Payments on note payable	(40,402)	(51,743)
Net proceeds from (payments on) line of credit	(109,163)	375,055
Net cash provided by financing activities	1,120,446	989,162
Net increase (decrease) in cash and cash equivalents	119,493	(22,839)
Cash and cash equivalents - beginning of year	214,402	237,241
Cash and cash equivalents - end of year	$ 333,895	$ 214,402

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. On August 17, 2016, the Board of Directors of the Academy voted to terminate the School's charter and cease operations as of June 30, 2017 as services can now be effectively provided to students and their families though local public schools (see Note 19).

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 $10.6 million (57%) of total revenue and support for the year ended June 30, 2018 and $9.3 million (47%) for the year ended June 30, 2017.

Self Enhancement's programs include:

Core Programming
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 10 Portland Public Schools and 4 additional schools in Multnomah County, Social and Support Services for Educational Success, and Basketball Camps.

The SEI Academy *(2017 only)*

The SEI Academy operated a grades 6-8 public charter school dedicated to helping all students realize their full academic and personal potential. The Academy was 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 operated at all three grade levels with an enrollment capacity of 150. Beginning in September 2016, the Academy did not enroll a sixth grade class and the Academy discontinued 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 (for 2017) (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. The Organization provides for losses on amounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of donors to meet their obligations.

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 $1,000 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 5 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 2018 and 2017.

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.

Subsequent Events

The Organizations have evaluated all subsequent events through September 20, 2018, 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.

Summarized Financial Information for 2017

The accompanying financial information as of and for the year ended June 30, 2017 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:

	2018	2017
Multnomah County	$ 406,023	$ 523,564
Dept. of Housing and Urban Development	176,957	-
City of Portland	337,604	85,697
State of Oregon	256,153	399,346
Portland Public Schools	18,842	56,059
Other	152,763	164,226
Total accounts receivable	$ 1,348,342	$ 1,228,892

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	2018	2017
Unconditional promises to give expected to be collected in:		
Less than one year	$ 489,483	$ 963,142
One year to five years	65,000	100,000
	554,483	1,063,142
Less unamortized discount and allowance for uncollectible pledges	14,059	41,734
Contributions and grants receivable, net	$ 540,424	$ 1,021,408

Contributions receivable are concentrated in that approximately 60% is due from three donor as of June 30, 2018 (19% due from the one donor at June 30, 2017).

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 are stated at fair value and consist of the following at June 30:

	2018	2017
Equity mutual funds	$ 9,691,780	$ 9,262,219
Fixed income mutual funds	1,897,500	1,913,234
Equities - common stock	4,137,274	3,314,280
Multi-advisor funds and other investments	2,065,235	1,694,670
Alternative investments	4,338,721	3,849,992
Other stock investment	104,430	147,889
Cash equivalents	172,548	1,036,572
Total investments	$ 22,407,488	$ 21,218,856
Investments held in endowment	$ 19,358,900	$ 18,436,633
Investments held for other purposes and operations	3,048,588	2,782,223
Total investments	$ 22,407,488	$ 21,218,856

5. INVESTMENTS, Continued

Alternative investments include limited partnerships which 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 $417,106 at June 30, 2018.

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

	2018	2017
Interest and dividends	$ 191,650	$ 168,056
Net realized/unrealized gain on investments in marketable securities	1,436,371	2,623,850
Realized/unrealized gain on limited partnership interests	77,920	84,750
Net realized/unrealized gain	1,514,291	2,708,600
Total investment income	$ 1,705,941	$ 2,876,656

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% (3.35% at June 30, 2018 and 2.47% at June 30, 2017). The total amount that may be borrowed is $6,162,918. Balances due on the loan at June 30, 2018 and 2017 totaled $3,832,729 and $3,507,729, respectively.

6. PROPERTY AND EQUIPMENT

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

	2018	2017
Building and improvements	$ 10,812,002	$ 10,777,193
Furniture and equipment	1,025,890	1,323,948
Vehicles	47,431	47,431
	11,885,323	12,148,572
Less accumulated depreciation	5,149,622	5,279,491
Property and equipment, net	$ 6,735,701	$ 6,869,081

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 on outstanding balances at 1.00% over the bank's prime rate (prime rate 6% and 5.25% at June 30, 2018 and 2017, respectively). The line is unsecured and matures October 2018. The line contains certain financial covenants including a requirement, among others, to rest the line for 30 days. Outstanding advances totaled $265,892 at June 30, 2018 ($375,055 at June 30, 2017).

Notes Payable:
Self Enhancement has 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, 2018 and 2017 totaled $69,540 and $99,540, respectively.

Self Enhancement has a loan with a financial institution for lighting improvements. The loan is payable in 60 equal monthly payments of interest and principal of $2,546. Balances outstanding at June 30, 2018 and 2017 totaled $104,767 and $115,169, respectively.

7. LINE OF CREDIT AND NOTE PAYABLE, Continued

During 2017, Self Enhancement established a note payable of $495,000 with a financial institution secured by real property. The agreement is being held for another organization for which Self Enhancement is the fiscal sponsor. No payments are due until maturity, November 2018; however, the agreement has unlimited extension options as long as certain conditions are being met. Repayment is not anticipated in the near term. Balances outstanding at June 30, 2018 and 2017 totaled $495,000.

Future maturities of the notes payable are as follows:

Year ending June 30, 2019	$ 75,549
2020	61,980
2021	29,222
2022	7,556
Thereafter	495,000
	$ 669,307

8. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

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

	2018	2017
Contributions and other unexpended support available for:		
Current and future operations	$ 102,016	$ 284,198
Program services	1,371,131	1,391,542
Scholarships	3,757,340	3,645,507
Total temporarily restricted net assets	$ 5,230,487	$ 5,321,247

In addition, at June 30, 2018 and 2017, the Organizations hold $20,822,644 and $20,083,870, respectively, in a permanently restricted endowment. Investment income earned on the endowment is temporarily restricted until appropriated for expenditure. Also see Note 16.

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, 2018 and 2017, the Organizations incurred expenses totaling $1,370,290 and $1,585,060, 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.

12. RETIREMENT PLANS, Continued

In connection with Self Enhancement operating The Academy, a charter school, the Academy contributed 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.

- 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 year ended June 30, 2017 was 22.33% for OPERF and 17.64% for OPSRP. 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 $218,558 and $227,588 for the years ended June 30, 2018 and 2017, respectively.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Consolidated Statement of Cash Flows Reconciliation:
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):

Cash flows from operating activities:		
Change in net assets	$ 269,242	$ 1,875,046
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	339,424	316,882
Net realized, unrealized gains on investments	(1,514,291)	(2,708,600)
Contributions restricted to long-term purposes	(738,774)	-
Decrease (increase) in:		
Accounts, contributions and grants receivable	361,534	(864,502)
Other current assets	100,383	45,356
Increase (decrease) in:		
Accounts payable and accrued expenses	(262,169)	323,366
Deferred revenue	324,083	102,773
Net cash used in operating activities	$ (1,120,568)	$ (909,679)

14. RELATED PARTY DISCLOSURES

At times, Board member provides donated legal services for business matter 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, 2018				
Donor-restricted endowment funds	$ (1,463,744)	$ -	$20,822,644	$ 19,358,900
June 30, 2017				
Donor-restricted endowment funds	$ (1,647,237)	$ -	$ 20,083,870	$ 18,436,633

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	$(3,248,525)	$ -	$ 20,083,870	$ 16,835,345
Contributions	-	-	-	-
Investment income	-	75,110	-	75,110
Net realized/unrealized appreciation	-	2,436,711	-	2,436,711
Appropriated for expenditure	-	(910,533)	-	(910,533)
Other changes	1,601,288	(1,601,288)	-	-
Balance, June 30, 2017	(1,647,237)	-	20,083,870	18,436,633
Contributions	-	-	738,774	738,774
Investment income	-	92,224	-	92,224
Net realized/unrealized appreciation	-	1,305,150	-	1,305,150
Appropriated for expenditure	-	(1,213,881)	-	(1,213,881)
Other changes	183,493	(183,493)	-	-
Balance, June 30, 2018	$ (1,463,744)	$ -	$20,822,644	$ 19,358,900

<u>Fund with Deficiencies</u>

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 $1,463,744 and $1,647,237 as of June 30, 2018 and 2017, 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.

16. ENDOWMENT, Continued

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.

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.

17. FAIR VALUE MEASUREMENTS, Continued

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.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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

	Level 1	Level 2	Investments Measured at NAV
2018			
Investments:			
Equity mutual funds	$ 9,691,780	$ -	$ -
Fixed income mutual funds	1,897,500	-	-
Equities - common stock	4,137,274	-	-
Multi-advisor funds and other investments	-	2,065,235	-
Limited partnership investments	-	-	4,338,721
Other stock investment	-	104,430	-
2017			
Investments:			
Equity mutual funds	9,262,219	-	-
Fixed income mutual funds	1,913,234	-	-
Equities - common stock	3,314,280	-	-
Multi-advisor funds and other investments	-	1,694,670	-
Limited partnership investments	-	-	3,849,992
Other stock investment	-	147,889	-

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.

17. FAIR VALUE MEASUREMENTS, Continued

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

Investments Valued at Net Asset Value (NAV)
Limited Partnerships/Private Equity Funds – Funds focused on growth in equity, buyout opportunities, or distressed debt. These investments are not readily redeemable; however, a secondary market does exist. Distributions normally are received through the liquidation of the underlying assets in the fund. The terms of these investments range from three to ten years.

18. LEASE COMMITMENTS

The Organizations lease equipment under several operating lease agreements expiring between July 2019 and April 2021. In addition, the Organizations lease office space under an operating agreement which expires June 2019. Lease expense for the years ended June 30, 2018 and 2017 totaled approximately $311,600 and $287,000, respectively.

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

June 30, 2019	$ 188,800
2020	105,500
2021	81,400
2022	45,500
2023	45,500
	$ 466,700

19. THE SEI ACADEMY – DISCONTINUED PROGRAM

On August 17, 2016, the Board of Directors of the Academy voted to terminate the School's charter and cease operations as of June 30, 2017. The remaining assets and related liabilities were transferred to Self Enhancement Inc., the parent organization of which The SEI Academy is a subsidiary. Management made this decision based on the evaluation of the ability for students to receive similar or increased services through the local public schools with the support of Self Enhancement through its programs to support students and families in the community. Academy revenues, excluding support from Self Enhancement, for 2017 was $469,872. Direct expenses to operate the Academy totaled, $671,551 in 2017.

20. FISCAL SPONSORSHIP

Self Enhancement is acting as the fiscal agent for another organization that is applying to be a public charity. At June 30, 2018 and 2017, Self Enhancement has recorded property and equipment and note payable each of $495,000. Revenue and expenses of the sponsored organization are included in the statement of activities; however, these are not material to the financial statements.

21. SUBSEQUENT EVENT

Subsequent to June 30, 2018, the Organizations received approval to release a donation of $4 million previously recorded as permanently restricted. The donor has specified that the funds may be used without restriction. The funds will be released from the endowment assets during the year ending June 30, 2019.