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

Audited Consolidated Financial Statements

For the Year Ended June 30, 2019

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. and Self Enhancement Foundation, Inc (Oregon nonprofit organizations) which comprise the consolidated statement of financial position as of June 30, 2019, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

520 SW Yamhill Street Suite 500 Portland, Oregon 97204
P: 503 227 0581 F: 503 274 7611
mail@mcdonaldjacobs.com mcdonaldjacobs.com

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, 2019, 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., and Self Enhancement Foundation, Inc.'s 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters
As discussed in Note 6 to the consolidated financial statements, the consolidated financial statements include investments in limited partnerships valued at $3,732,152 (13% of total assets) and $4,338,721 (14% of total assets) as of June 30, 2019 and 2018, 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.

Emphasis of Matter – Restatement of Endowment Deficit
As discussed in Notes 2 and 15 to the consolidated financial statements, in 2019, Self Enhancement, Inc. and Self Enhancement Foundation, Inc. adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The implementation of the standard requires certain reclassification of endowment amounts. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020, 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 nosei t 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
January 23, 2020

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,795,131	$ 333,895
Accounts receivable	2,079,945	1,348,342
Contributions and grants receivable, net	254,400	540,424
Prepaid expenses, deposits and other assets	224,616	103,677
Investments	18,080,564	22,407,488
Property and equipment, net	6,630,106	6,735,701
TOTAL ASSETS	$ 29,064,762	$ 31,469,527
LIABILITIES AND NET ASSETS		
Liabilities:		
Checks drawn in excess of bank balance	$ 294,629	$ 319,195
Line of credit	387,702	265,892
Accounts payable and accrued expenses	289,035	290,735
Accrued payroll and related expenses	796,234	694,914
Deferred revenue	96,311	542,513
Notes payable	689,423	669,307
Margin note payable	1,000,000	3,832,729
Total liabilities	3,553,334	6,615,285
Net assets (deficit):		
Without donor restrictions:		
Available for general operations	(215,833)	(5,801,538)
Net investment in property and equipment	5,940,684	6,066,393
Total without donor restrictions	5,724,851	264,855
Net assets with donor restrictions:		
With expiring restrictions - program	2,963,933	3,766,743
With perpetual restrictions	16,822,644	20,822,644
Total net assets with donor restrictions	19,786,577	24,589,387
Total net assets	25,511,428	24,854,242
TOTAL LIABILITIES AND NET ASSETS	$ 29,064,762	$ 31,469,527

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Support and revenue:				
Government contracts	$ 14,079,675	$ -	$ 14,079,675	$ 13,820,479
Contributions	3,492,890	610,343	4,103,233	2,207,730
Special events, net of direct costs of $198,066 for 2019 ($219,217 for 2018)	1,030,156	-	1,030,156	828,333
Other revenue	148,704	-	148,704	137,181
Total revenue	18,751,425	610,343	19,361,768	16,993,723
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,293,745	(1,293,745)	-	-
Release from restriction - scholarships	193,644	(193,644)	-	-
Other transfers	936,958	(936,958)	-	-
Total support and revenue	21,175,772	(1,814,004)	19,361,768	16,993,723
Expenses:				
Core programming	5,582,532	-	5,582,532	5,307,409
Non-Core youth programming	1,814,515	-	1,814,515	1,697,833
Community and Family programming	7,649,036	-	7,649,036	7,158,897
Other programming	866,551	-	866,551	827,758
Total program services	15,912,634	-	15,912,634	14,991,897
Fundraising	1,103,534	-	1,103,534	1,048,216
Management and general	2,564,636	-	2,564,636	2,300,795
Total expenses	19,580,804	-	19,580,804	18,340,908
Change in net assets from operations	1,594,968	(1,814,004)	(219,036)	(1,347,185)
Non-operating and endowment activity:				
Interest and dividend income	-	386,957	386,957	191,650
Net change in value of investments	443	624,237	624,680	1,514,291
Release from restriction - endowment	4,000,000	(4,000,000)	-	-
Endowment expenses	(135,415)	-	(135,415)	(89,514)
Change in net assets	5,459,996	(4,802,810)	657,186	269,242
Net assets:				
Beginning of year, as restated	264,855	24,589,387	24,854,242	24,585,000
End of year	$ 5,724,851	$ 19,786,577	$ 25,511,428	$ 24,854,242

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, 2019

	Program Services					Supporting Services			
	Core Programming	Non-Core Youth Programming	Community and Family Programming	Other Programming	Total Program Services	Fund-raising	Facilities	Management and General	Total
Salaries and related expenses	$ 3,379,338	$ 1,586,436	$ 2,734,302	$ 585,610	$ 8,285,686	$ 839,267	$ 206,540	$ 1,482,648	$ 10,814,141
Professional services	242	-	58	42,285	42,585	4,388	40	526,451	573,464
Incentives, stipends and scholarships	599,775	-	3,298	-	603,073	300	-	1,185	604,558
Events, activities and program supplies	490,706	129,466	110,271	21,276	751,719	208,532	472	30,468	991,191
Direct client assistance	87,376	3,561	2,807,837	472	2,899,246	5,987	-	1,730	2,906,963
Contract services	311,315	71,770	1,569,741	32,078	1,984,904	11,560	-	24,767	2,021,231
Facility rental	-	-	53,235	-	53,235	-	3,187	-	56,422
Transportation	159,972	4,478	38,613	1,026	204,089	14	1,920	497	206,520
Equipment maintenance	3,364	2,814	8,223	13,529	27,930	19,496	55,759	63,611	166,796
Building and grounds maintenance	-	-	-	746	746	-	58,386	-	59,132
Utilities	-	-	-	2,723	2,723	-	126,428	-	129,151
Telephone	20,905	7,065	31,098	3,016	62,084	4,948	1,500	43,057	111,589
Insurance	-	-	-	-	-	-	-	130,871	130,871
Supplies	6,337	1,579	6,517	5,819	20,252	3,811	1,263	14,076	39,402
Travel and mileage	39,850	370	21,280	4,238	65,738	41,725	345	24,081	131,889
Bad debt expense	-	-	137,068	-	137,068	-	-	1,095	138,163
Interest expense	-	-	-	-	-	612	6,164	59,736	66,512
Dues and subscriptions	1,200	-	13,201	55,405	69,806	9,093	-	98,162	177,061
Depreciation	198,506	2,067	33,959	36,769	271,301	11,660	-	56,628	339,589
Facilities allocation	271,019	2,822	46,364	50,200	370,405	15,919	(463,638)	77,314	-
Other operating costs	12,627	2,087	33,971	11,359	60,044	124,288	1,634	63,674	249,640
Total expenses before nonoperating expenses and expenses netted with revenues	5,582,532	1,814,515	7,649,036	866,551	15,912,634	1,301,600	-	2,700,051	19,914,285
Less endowment expenses	-	-	-	-	-	-	-	(135,415)	(135,415)
Less special event direct benefit costs netted with revenue	-	-	-	-	-	(198,066)	-	-	(198,066)
Total expenses	$ 5,582,532	$ 1,814,515	$ 7,649,036	$ 866,551	$ 15,912,634	$ 1,103,534	$ -	$ 2,564,636	$ 19,580,804

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

	Program Services					Supporting Services			
	Core Programming	Non-Core Youth Programming	Community and Family Programming	Other Programming	Total Program Services	Fund-raising	Facilities	Management and General	Total
Salaries and related expenses	$ 3,244,154	$ 1,508,353	$ 2,591,125	$ 558,804	$ 7,902,436	$ 827,171	$ 204,061	$ 1,419,596	$ 10,353,264
Professional services	-	-	199	23,653	23,852	1,850	35	301,927	327,664
Incentives, stipends and scholarships	599,016	600	1,961	-	601,577	-	450	-	602,027
Events, activities and program supplies	311,964	100,446	83,583	6,749	502,742	226,311	1,194	14,225	744,472
Direct client assistance	197,837	1,503	2,921,617	35	3,120,992	4,579	200	465	3,126,236
Contract services	293,825	62,229	1,256,792	72,712	1,685,558	14,535	738	2,565	1,703,396
Facility rental	-	-	46,578	-	46,578	-	-	-	46,578
Transportation	145,109	5,413	53,694	121	204,337	-	2,810	34	207,181
Equipment maintenance	-	-	16,540	1,790	18,330	16,413	53,751	55,427	143,921
Building and grounds maintenance	-	-	-	2,454	2,454	557	65,954	-	68,965
Utilities	-	-	-	2,925	2,925	-	114,919	-	117,844
Telephone	20,950	5,650	28,963	1,000	56,563	3,826	1,750	44,117	106,256
Insurance	-	-	-	-	-	-	-	137,644	137,644
Supplies	12,248	4,621	26,703	5,527	49,099	7,846	1,719	18,028	76,692
Travel and mileage	2,841	540	16,394	4,532	24,307	34,602	-	6,892	65,801
Interest expense	-	-	-	-	-	-	5,908	104,779	110,687
Dues and subscriptions	207	-	4,259	50,569	55,035	18,293	-	90,982	164,310
Depreciation	198,410	2,066	33,942	36,751	271,169	11,654	-	56,601	339,424
Facilities allocation	266,533	2,775	45,596	49,369	364,273	15,655	(455,964)	76,036	-
Other operating costs	14,315	3,637	30,951	10,767	59,670	84,141	2,475	60,991	207,277
Total expenses before nonoperating expenses and expenses netted with revenues	5,307,409	1,697,833	7,158,897	827,758	14,991,897	1,267,433	-	2,390,309	18,649,639
Less endowment expenses	-	-	-	-	-	-	-	(89,514)	(89,514)
Less special event direct benefit costs netted with revenue	-	-	-	-	-	(219,217)	-	-	(219,217)
Total expenses	$ 5,307,409	$ 1,697,833	$ 7,158,897	$ 827,758	$ 14,991,897	$ 1,048,216	$ -	$ 2,300,795	$ 18,340,908

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, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contributors and through service contracts	$ 18,661,053	$ 17,159,783
Interest and dividends received	386,957	187,669
Cash paid to employees and suppliers	(19,529,503)	(18,440,697)
Cash paid for interest	(66,512)	(27,323)
Net cash flows from operating activities	(548,005)	(1,120,568)
Cash flows from investing activities:		
Additions to investments	(869,819)	(5,053,552)
Proceeds from sale of investments	5,821,423	5,379,211
Capital expenditures	(226,994)	(206,044)
Net cash flows from investing activities	4,724,610	119,615
Cash flows from financing activities:		
Change in checks drawn in excess of bank balance	(24,566)	206,237
Contributions restricted to long-term purposes	-	738,774
Proceeds from note payable	82,248	325,000
Payments on note payable	(2,894,861)	(40,402)
Net proceeds from (payments on) line of credit	121,810	(109,163)
Net cash flows from financing activities	(2,715,369)	1,120,446
Net change in cash and cash equivalents	1,461,236	119,493
Cash and cash equivalents - beginning of year	333,895	214,402
Cash and cash equivalents - end of year	$ 1,795,131	$ 333,895

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.

A significant portion of Self Enhancement's support is from contracts with Multnomah County, State of Oregon and Portland Public Schools to carry out its programs. These revenues approximated $10.8 million (52%) of total revenue and support for the year ended June 30, 2019 and $10.6 million (57%) for the year ended June 30, 2018. Additionally, the Organizations' support included one major donor which accounted for approximately 15% of total revenue and support for the year ended June 30, 2019.

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.

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.

1. THE ORGANIZATIONS, Continued

Community and 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., and Self Enhancement Foundation, Inc., (collectively, the Organizations). All significant inter-organization amounts have been eliminated in consolidation.

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and 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.

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.

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 Organizations provide 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. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction. All other investment income is reported as in increase in net assets without donor restrictions. Interest and dividend income is accrued as earned and reported net of investment advisory fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Acquisitions of property and equipment in excess of $5,000 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 15 to 50 years for buildings and related improvements, and 3 to 10 years for furniture, equipment and vehicles.

Contract Revenue and Deferred Revenue

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

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 7 for information regarding the favorable lease of land by Self Enhancement.

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 2019 and 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes, Continued

The Organizations follows the provisions of FASB *ASC Topic 470 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.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include facilities and depreciation which are allocated on a square footage basis, as well as salaries and related expenses, professional services, vehicle and equipment rentals, repairs and maintenance, utilities, telephone, supplies, and other operating costs, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

The Organizations have implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented, except for Note 3 on available resources and liquidity. The application of the principle resulted in a restatement to net assets without donor restrictions and net assets with donor restrictions relating to reclassifications of underwater endowment funds (see Note 15).

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 2018

The accompanying financial information as of and for the year ended June 30, 2018 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events
The Organizations have evaluated all subsequent events through January 23, 2020, the date the consolidated financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organizations regularly monitor liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of their available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organizations consider all expenditures related to their primary operations to be general expenditures. They exclude financial assets with donor or other restrictions limiting their use.

Financial assets of the Organizations consist of the following at June 30, 2019:

	Total Financial Assets	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	$ 1,795,131	$ 1,451,613	$ 343,518
Accounts receivable	2,079,945	-	2,079,945
Contributions and grants receivable	254,400	254,400	-
Investments	18,080,564	18,080,564	-
Total financial assets	$22,210,040	$ 19,786,577	2,423,463
Approved distribution from endowment			1,097,381
Total available for general expenditure			$ 3,520,844

Also see Note 6 for information on margin loan and Note 8 for information on line of credit.

4. 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:

	2019	2018
Multnomah County	$ 594,474	$ 406,023
Dept. of Housing and Urban Development	265,726	176,957
City of Portland	426,560	337,604
State of Oregon	362,777	256,153
Portland Public Schools	158,733	18,842
Other	271,675	152,763
Total accounts receivable	$2,079,945	$ 1,348,342

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	2019	2018
Unconditional promises to give expected to be collected in:		
Within one year	$ 234,400	$ 489,483
Two to five years	20,000	65,000
	254,400	554,483
Less unamortized discount and allowance for uncollectible pledges	-	14,059
Contributions and grants receivable, net	$ 254,400	$ 540,424

The Organizations have received $160,000 in pledges contingent on meeting specific requirements that were determined not to have been met as of June 30, 2019, and accordingly, are not recorded in the consolidated financial statements. The Organizations will record the pledges as revenue when the conditions have been met.

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%. The discount to multi-year receivables due as of June 30, 2019 was deemed by management to be immaterial.

6. INVESTMENTS

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

	2019	2018
Equity mutual funds	$ 3,452,880	$ 9,691,780
Fixed income mutual funds	3,309,339	1,897,500
Equities - common stock	5,551,266	4,137,274
Multi-advisor funds and other investments	1,774,271	2,065,235
Alternative investments	3,732,152	4,338,721
Other stock investment	104,430	104,430
Cash equivalents	156,226	172,548
Total investments	$ 18,080,564	$22,407,488
Investments held in endowment	$ 15,218,446	$ 19,358,900
Investments held for other purposes and operations	2,862,118	3,048,588
Total investments	$ 18,080,564	$22,407,488

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 $157,000 at June 30, 2019.

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% (3.65% at June 30, 2019 and 3.35% at June 30, 2018). The total amount that may be borrowed at June 30, 2019 is $3,257,542 ($6,162,918 at June 30, 2018). Balances due on the loan at June 30, 2019 and 2018 totaled $1,000,000 and $3,832,729, respectively.

7. PROPERTY AND EQUIPMENT

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

	2019	2018
Building and improvements	$10,834,680	$10,812,002
Furniture and equipment	1,041,308	1,025,890
Vehicles	208,047	47,431
	12,084,035	11,885,323
Less accumulated depreciation	5,453,929	5,149,622
Property and equipment, net	$ 6,630,106	$ 6,735,701

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.

8. 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 6.5% and 6% at June 30, 2019 and 2018, respectively). The line is unsecured and matures October 2020. The line contains certain financial covenants including a requirement, among others, to rest the line for 30 days. Outstanding advances, including interest, totaled $387,702 at June 30, 2019 ($265,892 at June 30, 2018).

Subsequent to year end, a new line of credit was established with a financial institution for $1,750,000, collateralized with a money market account.

Notes Payable

Self Enhancement has various equipment lines of credit and loans with financial institutions for lighting improvements and equipment. Monthly payments of principal and interest are $6,773 and expire April 2020 through April 2025. Balances outstanding at June 30, 2019 and 2018 total $194,423 and $174,307, respectively.

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 2019; however, the agreement has unlimited extension options as long as certain conditions are being met. Repayment is not anticipated in the near term. The balance outstanding at June 30, 2019 and 2018 is $495,000.

Future maturities of the notes payable are as follows:

Year ended June 30, 2020	$ 584,383
2021	41,629
2022	20,939
2023	14,434
2024	15,569
Thereafter	12,469
	$ 689,423

9. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Net assets with expiring donor restrictions:		
Current and future operations	$ 48,335	$ 102,016
Program services	741,410	1,371,131
Scholarships	3,778,386	3,757,340
Endowment deficit	(1,604,198)	(1,463,744)
Total net assets with expiring donor restrictions	2,963,933	3,766,743
Net assets with perpetual donor restrictions	16,822,644	20,822,644
Total net assets with donor restrictions	$ 19,786,577	$24,589,387

10. 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' net assets without donor restrictions. 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.

11. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2019 and 2018, the Organizations incurred expenses totaling $1,487,389 and $1,370,290, 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 15.

11. NET ASSETS RELEASED FROM RESTRICTIONS, Continued

During the year ended June 30, 2019, the Organizations received approval to release a donation of $4 million previously recorded as net assets with perpetual donor restrictions. The donor specified that the funds may be used without restriction. The funds were released from the net assets with perpetual restrictions during the year ending June 30, 2019. Also see Note 15.

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.

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

Self Enhancement's contributions to the Plans totaled $174,364 and $218,558 for the years ended June 30, 2019 and 2018, respectively.

13. 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.

14. 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. At June 30, 2019, balances in excess of federally insured limits were approximately $1,386,000.

- 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.

15. ENDOWMENT

The Organizations' endowment consists of funds established for long-term support of the Organizations and consist of donor-restricted endowment funds. 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 classifies as net assets with perpetual restrictions, (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 perpetuity restricted net assets is classified net assets with perpetual restrictions is classified as net assets with expiring restrictions 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

15. ENDOWMENT, Continued

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

	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
Balance, June 30, 2017, as restated	$ (1,647,237)	$ 20,083,870	$18,436,633
Contributions	-	738,774	738,774
Investment income	92,224	-	92,224
Change in investment value	1,305,150	-	1,305,150
Appropriated for expenditure	(1,213,881)	-	(1,213,881)
Balance, June 30, 2018	(1,463,744)	20,822,644	19,358,900
Contributions	-	-	-
Investment income	264,681	-	264,681
Change in investment value	531,823	-	531,823
Appropriated for expenditure	(936,958)	-	(936,958)
Donor release of restriction	-	(4,000,000)	(4,000,000)
Balance, June 30, 2019	$ (1,604,198)	$ 16,822,644	$15,218,446

In accordance with ASU 2016-14, beginning net assets with donor restrictions were restated to include underwater endowment funds (funds with deficiencies) of $(1,647,237) previously reported as net assets without donor restrictions.

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 net assets with expiring donor restrictions and are $1,604,198 and $1,463,744 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of net assets with perpetual donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

15. 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.

16. 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.

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	Total	Level 1	Level 2
Investments:			
Equity mutual funds	$ 3,452,880	$ 9,691,780	$ -
Fixed income mutual funds	3,309,339	1,897,500	-
Equities - common stock	5,551,266	4,137,274	-
Multi-advisor funds and other investments	1,774,271	-	1,774,271
Other stock investment	104,430	-	104,430
	14,192,186	$15,726,554	$ 1,878,701
Investments measured at NAV	3,732,152		
Cash equivalents	156,226		
Total investments	$ 18,080,564		

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Total	Level 1	Level 2
Investments:			
Equity mutual funds	$ 9,691,780	$ 9,691,780	$ -
Fixed income mutual funds	1,897,500	1,897,500	-
Equities - common stock	4,137,274	4,137,274	-
Multi-advisor funds and other investments	2,065,235	-	2,065,235
Other stock investment	104,430	-	104,430
	17,896,219	$15,726,554	$ 2,169,665
Investments measured at NAV	4,338,721		
Cash equivalents	172,548		
Total investments	$22,407,488		

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.

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)
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.

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.

There were no changes in the valuation techniques during the years ended June 30, 2019 and 2018.

17. LEASE COMMITMENTS

The Organizations lease office and equipment under several operating lease agreements expiring between July 2019 and August 2029. Lease expense for the years ended June 30, 2019 and 2018 totaled approximately $326,100 and $311,600, respectively.

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

June 30, 2020	$ 238,700
2021	152,800
2022	116,600
2023	110,400
2024	98,100
Thereafter	555,800
	$1,272,400

18. FISCAL SPONSORSHIP

Self Enhancement is acting as the fiscal agent for another organization that is applying to be a public charity and received its IRS determination letter subsequent to June 30, 2019. Revenue and expenses of the sponsored organization are included in the statement of activities; however, these are not material to the financial statements. At June 30, 2019 and 2018, Self Enhancement has recorded property and equipment and note payable each of $495,000. At June 30, 2019, Self Enhancement holds approximately $108,000 in grants receivable and $142,000 in net assets with donor restrictions. These items will be transferred to the newly-formed public charity during the year ending June 30, 2020.