

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

Audited Consolidated Financial Statements

For the Year Ended June 30, 2022



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Self Enhancement, Inc.

Opinion

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, 2022, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Self Enhancement, Inc. and Self Enhancement Foundation, Inc. as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Self Enhancement, Inc. and Self Enhancement Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Self Enhancement, Inc. and Self Enhancement Foundation, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Self Enhancement, Inc. and Self Enhancement Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Self Enhancement, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Self Enhancement, Inc. and Self Enhancement Foundation, Inc.'s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information contained in Schedules I and II is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of the 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 the 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 the Self Enhancement, Inc.'s internal control over financial reporting and compliance.

McDonald Jacoby, P.C.

Portland, Oregon
January 25, 2023

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 AND THE SEI ACADEMY
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 June 30, 2022
 (With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 9,104,770	\$ 6,443,527
Accounts receivable	4,026,049	3,027,982
Contributions and grants receivable, net	23,933,461	12,624,897
Prepaid expenses, deposits, and other assets	240,471	139,918
Investments	17,731,624	22,472,121
Note receivable	323,000	-
Property and equipment, net	7,176,910	6,029,786
TOTAL ASSETS	\$ 62,536,285	\$ 50,738,231
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,368,123	\$ 822,935
Accrued payroll and related expenses	595,490	924,425
Deferred revenue	248,311	66,403
Refundable advance	-	1,997,564
Note payable	529,659	495,000
Total liabilities	2,741,583	4,306,327
Net assets:		
Without donor restrictions:		
Available for general operations	529,659	783,488
Board designated endowment fund	3,033,390	3,004,076
Net investment in property and equipment	6,647,251	5,534,786
Total without donor restrictions	10,210,300	9,322,350
Net assets with donor restrictions:		
With expiring restrictions	37,103,709	23,286,910
With perpetual restrictions	12,480,693	13,822,644
Total net assets with donor restrictions	49,584,402	37,109,554
Total net assets	59,794,702	46,431,904
TOTAL LIABILITIES AND NET ASSETS	\$ 62,536,285	\$ 50,738,231

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2022
(With comparative totals for 2021)

	2022		Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue:				
Government contracts	\$ 20,927,342	\$ -	\$ 20,927,342	\$ 19,016,561
Contributions and grants	727,270	16,669,240	17,396,510	17,445,251
Special events, net of direct costs of \$91,978 for 2021	-	-	-	1,272,326
Donated assets and services	47,390	-	47,390	342,946
Other revenue	1,916,008	-	1,916,008	29,390
Total revenue	<u>23,618,010</u>	<u>16,669,240</u>	<u>40,287,250</u>	<u>38,106,474</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	775,615	(775,615)	-	-
Release from restriction - scholarships	187,135	(187,135)	-	-
Other transfers	706,596	(706,596)	-	-
Total support and revenue	<u>25,287,356</u>	<u>14,999,894</u>	<u>40,287,250</u>	<u>38,106,474</u>
Expenses:				
Program services:				
In-school programming	8,213,791	-	8,213,791	7,485,474
Extended day services	4,183,736	-	4,183,736	2,598,439
Community and family programming	7,214,929	-	7,214,929	7,504,924
Other programming	301,670	-	301,670	812,178
Total program services	19,914,126	-	19,914,126	18,401,015
Fundraising	1,575,540	-	1,575,540	1,154,944
Management and general	2,802,729	-	2,802,729	2,330,814
Total expenses	<u>24,292,395</u>	<u>-</u>	<u>24,292,395</u>	<u>21,886,773</u>
Change in net assets from operations	994,961	14,999,894	15,994,855	16,219,701
Non-operating and endowment activities:				
Interest and dividend income	(36,749)	819,505	782,756	412,470
Net change in value of investments	(67,162)	(4,332,813)	(4,399,975)	5,306,926
Endowment expenses	(3,100)	-	(3,100)	(5,030)
Donated land	-	988,262	988,262	-
Change in net assets	887,950	12,474,848	13,362,798	21,934,067
Net assets:				
Beginning of year	<u>9,322,350</u>	<u>37,109,554</u>	<u>46,431,904</u>	<u>24,497,837</u>
End of year	<u>\$ 10,210,300</u>	<u>\$ 49,584,402</u>	<u>\$ 59,794,702</u>	<u>\$ 46,431,904</u>

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, 2022
(With comparative totals for 2021)

	Program Services					Supporting Services				
	Community		Total			Fund-raising	Management and General	Facilities	Total 2022	Total 2021
	In-School Programming	Extended Day Services	and Family Programming	Other Programming	Program Services					
Salaries and related expenses	\$ 3,556,367	\$ 2,581,080	\$ 3,542,038	\$ 22,901	\$ 9,702,386	\$ 1,013,563	\$ 1,740,667	\$ 337,244	\$ 12,793,860	\$ 10,558,490
Professional services	74,731	30,189	68,231	2,275	175,426	163,399	247,921	1,100	587,846	286,483
Incentives, stipends and scholarships	481,632	11,070	16,105	-	508,807	-	-	-	508,807	575,349
Events, activities and program supplies	430,630	408,462	253,594	58,221	1,150,907	9,520	15,970	13,462	1,189,859	721,319
Direct client assistance	140,838	567,598	2,524,248	23,488	3,256,172	-	27,787	20	3,283,979	4,618,600
Contract services	3,062,536	179,815	274,884	12,650	3,529,885	2,500	13,110	260	3,545,755	3,379,407
Facility rental	-	-	137,192	-	137,192	-	-	-	137,192	134,678
Transportation	15,186	14,954	1,741	-	31,881	-	69	1,763	33,713	11,014
Equipment maintenance and rental	61,440	28,413	80,902	54,380	225,135	19,112	45,635	139,817	429,699	236,734
Computer software and support	38,643	33,193	31,148	5,418	108,402	22,861	130,929	322	262,514	249,810
Utilities	-	-	-	1,597	1,597	-	-	98,543	100,140	91,259
Telephone	18,236	15,231	44,800	-	78,267	3,379	7,327	32,429	121,402	135,261
Insurance	28,747	27,867	27,037	615	84,266	36,908	9,818	50,395	181,387	160,738
Travel and mileage	24,450	37,735	50,478	11	112,674	18,712	776	10	132,172	6,180
Bad debt expense	-	-	-	-	-	-	56,970	-	56,970	43,375
Interest expense	-	-	-	34,659	34,659	-	12,007	-	46,666	32,275
Other operating costs	18,246	16,332	34,177	5,952	74,707	254,189	62,732	7,781	399,409	281,746
Depreciation	-	-	-	607	607	-	301,074	-	301,681	298,407
Other allocated expenses	60,472	30,160	59,364	-	149,996	7,710	17,994	6,744	182,444	162,666
Facilities allocation	201,637	201,637	68,990	78,896	551,160	23,687	115,043	(689,890)	-	-
Total expenses before non-operating expenses and expenses netted with revenues	8,213,791	4,183,736	7,214,929	301,670	19,914,126	1,575,540	2,805,829	-	24,295,495	21,983,791
Less endowment expenses	-	-	-	-	-	-	(3,100)	-	(3,100)	(5,030)
Less special event direct benefit costs netted with revenue	-	-	-	-	-	-	-	-	-	(91,978)
Total expenses	\$ 8,213,791	\$ 4,183,736	\$ 7,214,929	\$ 301,670	\$ 19,914,126	\$ 1,575,540	\$ 2,802,729	\$ -	\$ 24,292,395	\$ 21,886,783
Supplemental Information:										
Allocation of expenses for grant reporting purposes*:										
Facilities allocation	(201,637)	(201,637)	(68,990)	(78,896)	(551,160)	(23,687)	574,847	-	-	-
Allocation of indirect costs*	1,356,996	1,109,971	1,506,275	54,806	4,028,048	-	(4,028,048)	-	-	-
Expenses with allocated expenses for grant reporting*	\$ 9,369,150	\$ 5,092,070	\$ 8,652,214	\$ 277,580	\$ 23,391,014	\$ 1,551,853	\$ (650,472)	\$ -	\$ 24,292,395	\$ 21,886,783

*Management allocates shared costs under an indirect cost rate; allocation does not constitute allocations under generally accepted accounting principles.

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, 2022
 (With comparative totals for 2021)

	2022	2021
Cash flows from operating activities:		
Cash received from contributors and through service contracts	\$ 26,347,382	\$ 25,135,969
Interest and dividends received	779,656	407,440
Cash paid to employees and suppliers	(24,010,767)	(21,428,328)
Cash paid for interest	(12,007)	(32,275)
Net cash flows from operating activities	3,104,264	4,082,806
Cash flows from investing activities:		
Additions to investments	(11,097,269)	(10,200,701)
Proceeds from sale of investments	11,437,791	10,739,954
Issuance of note receivable	(323,000)	-
Capital expenditures	(460,543)	(100,561)
Net cash flows from investing activities	(443,021)	438,692
Cash flows from financing activities:		
Payments on note payable	-	(1,112,506)
Net cash flows from financing activities	-	(1,112,506)
Net change in cash and cash equivalents	2,661,243	3,408,992
Cash and cash equivalents - beginning of year	6,443,527	3,034,535
Cash and cash equivalents - end of year	\$ 9,104,770	\$ 6,443,527
Supplemental cash flow information:		
Non-cash operating, investing, and financing transactions:		
Contribution of land	\$ 988,262	\$ -
Interest accrued on note payable added to principal	34,659	-

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

I. 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 is dedicated to guiding underserved youth to realize their full potential. Working with schools, families, and partner community organizations, Self Enhancement provides support, guidance, and opportunities to achieve personal and academic success. Self Enhancement brings hope to individual young people and enhances the quality of community life.

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.

During the year ended June 30, 2022, Self Enhancement Inc., as sole member, created wholly owned subsidiaries, Self Enhancement Community Developments – Alberta Alive, LLC and SEI – 5020 N Interstate, LLC for the purpose of developing housing developments. There were no subsidiary transactions during 2022.

A significant portion of Self Enhancement’s support is from contracts with Multnomah County, State of Oregon, U.S. Department of Education and U.S. Department of Housing & Urban Development to carry out its programs. These revenues approximated \$17.2 million (46%) of total revenue and support for the year ended June 30, 2022 and \$15.8 million (36%) for the year ended June 30, 2021. Additionally, the Organizations’ support included one major donor, which accounted for approximately 40% of total revenue and support for the year ended June 30, 2022 and 34% for the year ended June 30, 2021.

Self Enhancement’s programs include:

In-School 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.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

1. THE ORGANIZATIONS, Continued

Extended Day Services

Self Enhancement provides after school and summer program services to youth aged 6-22, annually, during the school year and summer. These program services include individualized academic support, homework assistance, and enrichment activities at the Center for Self Enhancement, as well as at our Schools Uniting Neighborhoods Community Learning Centers. Self Enhancement serve 10 Portland Public Schools and 6 additional schools in Multnomah County. In addition, SEI's Leadership Post High programs are designed to allow at-risk students the opportunity to participate in life skills development programs, peer discussion, and college & career exploration opportunities.

Community and Family Programming

Self Enhancement, Inc.'s Community and Family Programs (CFP) are designed to provide families with the resources, supports, and wrap-around services needed to help ensure they are safe, stable, and have their critical social, emotional, and economic needs met. CFP services address economic disparities by providing a broad continuum of anti-poverty, family stabilization, and employment services that are culturally specific for African American families and/or culturally responsive for other families in need.

Other Programming

Other programming services include program advancement and internal data and evaluation.

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.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

- *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.

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 Receivable

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 contributions on the consolidated statement of activities.

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.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments, Continued

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 an increase in net assets without donor restrictions. Interest and dividend income is accrued as earned and reported net of investment advisory fees.

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 5 to 50 years for buildings and related improvements, and 3 to 10 years for furniture, equipment and vehicles.

Refundable Advance

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue. Self Enhancement received an advance of \$1,977,818 during the year ended June 30, 2020, obtained partial forgiveness during the year ended June 30, 2022 and recognized \$1,827,152 as revenue, included in other revenue on the consolidated statement of activities.

Revenue Recognition

Revenues from various sources are recognized as follows:

Government Contracts: Government contracts are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organizations have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organizations have been awarded cost-reimbursable grants of approximately \$6.6 million for the period through December 2023 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred. The Organizations received approximately \$248,000 and \$66,000 as advances on these grants as of June 30, 2022 and 2021, respectively.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Contributions and Grants: Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organizations are notified of the commitment. Bequests are recorded as revenue at the time the Organizations have an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special Events: The Organizations record special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Sponsorships are recorded as revenue at the time of the commitment unless commensurate value is included a part of the agreements. The portion of the sponsorship revenue that relates to commensurate value of the sponsor received in return is recognized when the related events are held and performance obligations are met.

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.

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 2022 and 2021.

The Organizations follow the provisions of FASB ASC *Topic 740 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.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 salaries and related expenses, professional services, vehicle and equipment rentals, repairs and maintenance, insurance, outside information technology, telephone, supplies, and other operating costs, which are allocated based on estimates of time and effort. Facilities costs are allocated based on square footage.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$137,400 during the year ended June 30, 2022.

Change in Accounting Standards

The Organizations have implemented Accounting Standards Update 2020-07, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07) for the year ended June 30, 2022 on a retrospective basis. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. There was no impact on the Organizations' consolidated financial position and change in net assets upon adoption.

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 2021

The accompanying financial information as of and for the year ended June 30, 2021 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Subsequent Events

The Organizations have evaluated all subsequent events through January 25, 2023, the date the consolidated financial statements were available to be issued.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Future Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organizations expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organizations are lessees. Upon adoption, among other effects, the Organizations will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organizations' future financial statements of these changes and related retrospective adjustments have not yet been determined.

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 available for general expenditure consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,104,770	\$ 6,443,527
Accounts receivable	4,026,049	3,027,982
Contributions and grants receivable, net	23,933,461	12,624,897
Investments	<u>17,731,624</u>	<u>22,472,121</u>
	54,795,904	44,568,527
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	49,584,402	37,109,554
Board designated endowment funds	3,033,390	3,004,076
Plus other amounts available:		
Approved distribution from endowment	<u>1,017,000</u>	<u>931,800</u>
Financial assets available for general expenditure	<u>\$ 1,161,112</u>	<u>\$ 3,523,097</u>

See Note 6 for information on additional financial resources available through a margin loan and Note 9 regarding the Organization's line of credit. Also see Notes 12 and 17 on board designated net assets.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

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:

	<u>2022</u>	<u>2021</u>
Multnomah County	\$ 1,423,958	\$ 822,796
Dept. of Housing and Urban Development	132,004	33,578
City of Portland	417,623	529,585
State of Oregon	240,035	453,869
US Department of Education	731,404	434,051
Portland Public Schools	787,053	360,092
Other	353,972	427,389
	<u>4,086,049</u>	<u>3,061,360</u>
Less allowance for doubtful accounts	60,000	33,378
Total accounts receivable	<u>\$ 4,026,049</u>	<u>\$ 3,027,982</u>

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Expected to be collected within:		
One year	\$ 5,480,836	\$ 2,675,000
Two to five years	<u>20,163,073</u>	<u>10,056,570</u>
	25,643,909	12,731,570
Less discount on long term pledge	1,710,448	106,673
Less allowance for uncollectible amounts	<u>60,000</u>	<u>33,378</u>
Contributions and grants receivable, net	<u>\$23,873,461</u>	<u>\$ 12,591,519</u>

Contributions and grants at June 30, 2022 and 2021 include a pledge receivable of \$25 million and \$12.5 million from an individual donor, respectively.

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 2.99% and 0.43% at June 30, 2022 and 2021, respectively.

The Organization was awarded a pledge of \$215,000 which is conditioned on obtaining a certificate of occupancy on a construction project (see Note 20) and accordingly, has not been recorded. The pledge will be recognized as revenue upon satisfaction of the condition.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

6. INVESTMENTS

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

	2022	2021
Equity mutual funds	\$ 4,148,159	\$ 8,679,834
Fixed income mutual funds	3,726,795	4,201,402
Equities - common stock	7,007,068	5,292,907
Multi-advisor funds and other investments	312,204	697,925
Alternative investments	2,144,350	3,197,780
Other stock investment	104,480	104,430
Cash equivalents	288,568	297,843
Total investments	<u>\$ 17,731,624</u>	<u>\$ 22,472,121</u>
Investments held in endowment	\$ 15,514,083	\$ 18,829,752
Investments held for other purposes and operations	<u>2,217,541</u>	<u>3,642,369</u>
Total investments	<u>\$ 17,731,624</u>	<u>\$ 22,472,121</u>

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 approximate \$130,800 at June 30, 2022.

Margin Note Payable

The Organizations hold a portfolio margin loan against the investments. Interest is payable at the corresponding portfolio loan index plus 1.25% (1.36% at June 30, 2022 and 2021). The total amount that may be borrowed at June 30, 2022 is \$1,000,000 (\$1,000,000 at June 30, 2021). There were no outstanding balances due at June 30, 2022 and 2021.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

7. NOTE RECEIVABLE

On December 10, 2021, Self Enhancement Inc. entered into a sponsor loan agreement with Alberta Alive Limited Partnership, a partner in the Alberta Alive development project. The sponsor loan is \$323,000 with interest at 8%. Payments of interest and principal are due annually from net cash flows as defined by the operating agreement and matures December 10, 2061.

8. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 988,262	\$ -
Building and improvements	11,025,803	10,580,464
Furniture and equipment	627,946	612,741
Vehicles	<u>195,897</u>	<u>195,897</u>
	12,837,908	11,389,102
Less accumulated depreciation	<u>5,660,998</u>	<u>5,359,316</u>
Property and equipment, net	<u>\$ 7,176,910</u>	<u>\$ 6,029,786</u>

During September 2021, land valued at \$988,262 was donated to the Organizations. The land is restricted for a mixed use development project.

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.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

9. LINE OF CREDIT AND NOTES PAYABLE

Line of Credit

The Organizations have a \$1,750,000 revolving line of credit at a financial institution with interest payable monthly on outstanding balances with interest at 7.00%. The line is collateralized with a money market account and matured November 2022. There were no outstanding advances at June 30, 2022 and 2021.

Notes Payable

Self Enhancement had various equipment lines of credit and loans with financial institutions for lighting improvements and equipment, with monthly payments of principal and interest totaling \$3,929. The loans were paid in full during the year ended June 30, 2021.

During 2017, Self Enhancement established a note payable of \$495,000 with a financial institution secured by real property. No payments are due until maturity, which occurred 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 and accrued interest outstanding at June 30, 2022 and 2021 total \$529,659 and \$495,000, respectively.

10. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Board Designated Net Assets:

During the year ended June 30, 2021, the Organizations established a board designated endowment from released donor-restricted endowment funds. See Notes 12 and 17. The balance at June 30, 2022 and 2021 totals \$3,033,390 and \$3,004,076, respectively.

Donor Restricted Net Assets:

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

	<u>2022</u>	<u>2021</u>
Net assets with expiring donor restrictions:		
Current and future operations	\$ 30,974,671	\$ 15,004,138
Program services	2,327,780	1,416,426
Scholarships	3,801,258	4,863,314
Accumulated endowment earnings (Note 17)	-	2,003,032
Total net assets with expiring donor restrictions	<u>37,103,709</u>	<u>23,286,910</u>
Net assets with perpetual donor restrictions:		
Donor-restricted endowment (Note 17)	<u>12,480,693</u>	<u>13,822,644</u>
Total net assets with donor restrictions	<u>\$49,584,402</u>	<u>\$ 37,109,554</u>

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

II. 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. Approximate amounts committed but not yet recorded at June 30, 2022 total \$2,848,000. These commitments will be funded through existing contract service agreements of the Organizations.

12. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2022 and 2021, the Organizations incurred expenses totaling \$962,750 and \$794,346, respectively, in satisfaction of the restricted purposes imposed on contributions by donors, by the granting of scholarships, 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 17.

The Organizations received approval to release a donation of \$3 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 and are being treated as a board designated endowment. Also see Note 17.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

13. DONATED ASSETS AND SERVICES

The Organizations received the following contributions of nonfinancial assets for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program:		
Supplies	\$ 16,249	\$ 331,586
Transportation	13,821	-
Computer software and support	14,240	2,393
Management:		
Computer software and support	732	124
Fundraising:		
Professional services	-	3,000
Computer software and support	2,348	443
Capital assets - operating	<u>-</u>	<u>5,400</u>
Total donated assets and services, operating	47,390	342,946
Capital assets - non-operating		
Land	988,262	-
Total donated assets and services	<u>\$ 1,035,652</u>	<u>\$ 342,946</u>

All contributed nonfinancial assets except for land are recorded at fair value based on the current cost to acquire the goods or services, or the sale price of comparable goods or services. Land is recorded at the appraised fair market value.

14. 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 approximately \$225,000 and \$179,600 for the years ended June 30, 2022 and 2021, respectively.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

15. RELATED PARTY DISCLOSURES

At times in 2021, a Board member provided donated legal services for business matters which management considers to be immaterial to the consolidated financial statements and are not recorded by the Organizations. The Organizations have bank accounts with a financial institution where a board member is employed.

16. 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.

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, 2022 and 2021, balances in excess of federally insured limits total approximately \$8,558,000 and \$5,848,000, respectively.

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.

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.

17. ENDOWMENT

The Organizations' endowment consists of funds established for long-term support of the Organizations and consists of 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.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

17. ENDOWMENT, Continued

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

The composition of endowment net assets is as follows at June 30:

	Without Donor Restrictions	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
June 30, 2022				
Donor-restricted endowment fund	\$ -	\$ -	\$ 12,480,693	\$ 12,480,693
Board designated endowment	3,033,390	-	-	3,033,390
Total endowment funds	<u>\$ 3,033,390</u>	<u>\$ -</u>	<u>\$ 12,480,693</u>	<u>\$ 15,514,083</u>
June 30, 2021				
Donor-restricted endowment fund	\$ -	\$ 2,003,032	\$ 13,822,644	\$ 15,825,676
Board designated endowment	3,004,076	-	-	3,004,076
Total endowment funds	<u>\$ 3,004,076</u>	<u>\$ 2,003,032</u>	<u>\$ 13,822,644</u>	<u>\$ 18,829,752</u>

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

17. ENDOWMENT, Continued

Changes in endowment net assets for the year ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
Balance, June 30, 2020	\$ -	\$ (1,830,060)	\$16,822,644	\$14,992,584
Investment income	4,076	444,001	-	448,077
Change in investment value	-	4,127,891	-	4,127,891
Appropriated for expenditure	-	(738,800)	-	(738,800)
Donor release of restriction	3,000,000	-	(3,000,000)	-
Balance, June 30, 2021	3,004,076	2,003,032	13,822,644	18,829,752
Investment income	95,892	675,088	-	770,980
Change in investment value	(66,578)	(1,971,524)	(1,341,951)	(3,380,053)
Appropriated for expenditure	-	(706,596)	-	(706,596)
Balance, June 30, 2022	<u>\$ 3,033,390</u>	<u>\$ -</u>	<u>\$ 12,480,693</u>	<u>\$ 15,514,083</u>

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. At June 30, 2022, original perpetual donor restricted net assets of \$13,822,644 reflect fair values of \$12,480,693 and deficiencies of \$1,341,951. 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. There were no funds with deficiencies at June 30, 2021.

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 7% annually, net of fees. Actual returns in any given year may vary from this amount.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

17. ENDOWMENT, Continued

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 an 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.

18. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

18. FAIR VALUE MEASUREMENTS, Continued

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.

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Investments:			
Equity mutual funds	\$ 4,148,159	\$ 4,148,159	\$ -
Fixed income mutual funds	3,726,795	3,726,795	-
Equities - common stock	7,007,068	7,007,068	-
Multi-advisor funds and other investments	312,204	-	312,204
Other stock investment	104,480	-	104,480
	<u>15,298,706</u>	<u>\$14,882,022</u>	<u>\$ 416,684</u>
Investments measured at NAV	2,144,350		
Cash equivalents	288,568		
Total investments	<u>\$ 17,731,624</u>		

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2022

18. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Investments:			
Equity mutual funds	\$ 8,679,834	\$ 8,679,834	\$ -
Fixed income mutual funds	4,201,402	4,201,402	-
Equities - common stock	5,292,907	5,292,907	-
Multi-advisor funds and other investments	697,925	-	697,925
Other stock investment	104,430	-	104,430
	<u>18,976,498</u>	<u>\$ 18,174,143</u>	<u>\$ 802,355</u>
Investments measured at NAV	3,197,780		
Cash equivalents	<u>297,843</u>		
Total investments	<u>\$ 22,472,121</u>		

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.

There were no changes in the valuation techniques during the years ended June 30, 2022 and 2021.

19. LEASE COMMITMENTS

The Organizations lease offices and equipment under several operating lease agreements expiring between May 2023 and August 2030. Lease expense for the years ended June 30, 2022 and 2021 totaled approximately \$212,000 and \$206,000, respectively.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2022

19. LEASE COMMITMENTS, Continued

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

June 30, 2023	\$ 155,700
2024	142,800
2025	145,700
2026	132,200
2027	104,100
Thereafter	<u>350,600</u>
	<u>\$ 1,031,100</u>

20. SUBSEQUENT EVENT

Self Enhancement Inc., as sole member of the wholly owned subsidiary, SEI - 5020 N Interstate, LLC, entered into an operating agreement as a minority owner for the purpose of developing affordable housing.

CONSOLIDATING INFORMATION

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 SCHEDULE I
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 June 30, 2022

	Self Enhancement Inc.	Self Enhancement Foundation, Inc.	Eliminating Entries	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 8,769,292	\$ 335,478	\$ -	\$ 9,104,770
Accounts receivable, net	4,026,049	-	-	4,026,049
Contributions and grants receivable, net	23,933,461	-	-	23,933,461
Intercompany receivable	11,020	-	(11,020)	-
Prepaid expenses, deposits and other assets	240,471	-	-	240,471
Investments	50	17,731,574	-	17,731,624
Note receivable	323,000	-	-	323,000
Property and equipment, net	7,176,910	-	-	7,176,910
	<u>44,480,253</u>	<u>18,067,052</u>	<u>(11,020)</u>	<u>62,536,285</u>
TOTAL ASSETS	\$ 44,480,253	\$ 18,067,052	\$ (11,020)	\$ 62,536,285
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,368,123	\$ -	\$ -	\$ 1,368,123
Accrued payroll and related expenses	595,490	-	-	595,490
Intercompany payable	-	11,020	(11,020)	-
Deferred revenue	248,311	-	-	248,311
Note payable	529,659	-	-	529,659
Total liabilities	<u>2,741,583</u>	<u>11,020</u>	<u>(11,020)</u>	<u>2,741,583</u>
Net assets (deficit):				
Without donor restrictions:				
Available for general operations	(1,244,422)	1,774,081	-	529,659
Board designated endowment fund	3,033,390	-	-	3,033,390
Net investment in property and equipment	6,647,251	-	-	6,647,251
Total without donor restrictions	<u>8,436,219</u>	<u>1,774,081</u>	<u>-</u>	<u>10,210,300</u>
Net assets with donor restrictions:				
With expiring restrictions - program	33,302,451	3,801,258	-	37,103,709
With perpetual restrictions	-	12,480,693	-	12,480,693
Total net assets with donor restrictions	<u>33,302,451</u>	<u>16,281,951</u>	<u>-</u>	<u>49,584,402</u>
Total net assets	<u>41,738,670</u>	<u>18,056,032</u>	<u>-</u>	<u>59,794,702</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 44,480,253	\$ 18,067,052	\$ (11,020)	\$ 62,536,285

See independent auditor's report.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 SCHEDULE II
 CONSOLIDATING STATEMENT OF ACTIVITIES
 For the year ended June 30, 2022

	Self Enhancement, Inc.		Self Enhancement Foundation, Inc.		Eliminating Entries	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Support and revenue:						
Government contracts	\$ 20,927,342	\$ -	\$ -	\$ -	\$ -	\$ 20,927,342
Contributions	1,433,866	16,669,240	-	-	(706,596)	17,396,510
Donated assets and services	47,390	-	-	-	-	47,390
Other revenue	1,916,008	-	-	-	-	1,916,008
Total revenue	24,324,606	16,669,240	-	-	(706,596)	40,287,250
Net assets released from restrictions:						
Satisfaction of purpose restrictions	775,615	(775,615)	-	-	-	-
Release from restriction - scholarships	-	-	187,135	(187,135)	-	-
Other transfers	-	-	706,596	(706,596)	-	-
Total support and revenue	25,100,221	15,893,625	893,731	(893,731)	(706,596)	40,287,250
Expenses:						
Program services:						
In-school programming	8,026,656	-	187,135	-	-	8,213,791
Extended day services	4,183,736	-	-	-	-	4,183,736
Community and family programming	7,214,929	-	-	-	-	7,214,929
Other programming	301,670	-	706,596	-	(706,596)	301,670
Total program services	19,726,991	-	893,731	-	(706,596)	19,914,126
Fundraising	1,575,540	-	-	-	-	1,575,540
Management and general	2,802,584	-	145	-	-	2,802,729
Total expenses	24,105,115	-	893,876	-	(706,596)	24,292,395
Change in net assets from operations	995,106	15,893,625	(145)	(893,731)	-	15,994,855
Non-operating and endowment activities:						
Interest and dividend income, net	18,264	-	(55,013)	819,505	-	782,756
Net change in value of investments	(584)	-	(66,578)	(4,332,813)	-	(4,399,975)
Endowment expenses	-	-	(3,100)	-	-	(3,100)
Donated land	-	988,262	-	-	-	988,262
Change in net assets	1,012,786	16,881,887	(124,836)	(4,407,039)	-	13,362,798
Net assets:						
Beginning of year	7,423,433	16,420,564	1,898,917	20,688,990	-	46,431,904
End of year	\$ 8,436,219	\$ 33,302,451	\$ 1,774,081	\$ 16,281,951	\$ -	\$ 59,794,702

See independent auditor's report.