

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

Audited Consolidated Financial Statements

For the Year Ended June 30, 2017



MCDONALD JACOBS



Shareholders

MARK A. CLIFT, CPA
KARIN S. WANDTKE, CPA
SANG AHN, CPA
GERARD DEBLOIS JR., CPA
MARY STRASDIN, CPA
ANTHONY ALMER, CPA
TYEE CARR, CPA

Principals

JAKE JACOBS, CPA RETIRED
SUSAN J. MARKS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Self Enhancement, Inc.

Report on the Consolidated financial statements

We have audited the accompanying consolidated financial statements of Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy (Oregon nonprofit organizations) which comprise the consolidated statement of financial position as of June 30, 2017, 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Self Enhancement, Inc., Self Enhancement Foundation, Inc. and The SEI Academy's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

As discussed in Note 5 to the consolidated financial statements, the consolidated financial statements include investments in limited partnerships valued at \$3,849,992 (13% of total assets) and \$4,546,339 (17% of total assets) as of June 30, 2017 and 2016, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017, on our consideration of Self Enhancement, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Self Enhancement, Inc.'s internal control over financial reporting and compliance.

McDonald Jacobz, P.C.

Portland, Oregon
September 21, 2017

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 June 30, 2017
 (With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 214,402	\$ 237,241
Accounts receivable	1,228,892	687,385
Contributions and grants receivable, net	1,021,408	698,413
Prepaid expenses, deposits and other assets	204,060	249,416
Investments	21,218,856	19,497,372
Property and equipment, net	6,869,081	6,096,525
TOTAL ASSETS	\$ 30,756,699	\$ 27,466,352
LIABILITIES AND NET ASSETS		
Liabilities:		
Checks drawn in excess of bank balance	\$ 112,958	\$ 72,621
Line of credit	375,055	-
Accounts payable and accrued expenses	523,142	356,281
Accrued payroll and related expenses	724,676	568,171
Deferred revenue	218,430	115,657
Notes payable	709,709	133,668
Margin note payable	3,507,729	3,510,000
Total liabilities	6,171,699	4,756,398
Net assets (deficit):		
Unrestricted:		
Available for general operations	(5,546,961)	(4,685,999)
Endowment deficit	(1,647,237)	(3,248,525)
Capital reserve fund	-	134,159
Net investment in property and equipment	6,374,081	6,096,525
Total unrestricted net assets (deficit)	(820,117)	(1,703,840)
Temporarily restricted net assets - program	5,321,247	4,329,924
Permanently restricted	20,083,870	20,083,870
Total net assets	24,585,000	22,709,954
TOTAL LIABILITIES AND NET ASSETS	\$ 30,756,699	\$ 27,466,352

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 CONSOLIDATED STATEMENT OF ACTIVITIES
 For the year ended June 30, 2017
 (With comparative totals for 2016)

	2017				Total	2016 Total
	Unrestricted	Temporarily Restricted		Permanently Restricted		
	Program	Endowment Earnings				
Support and revenue:						
Government contracts	\$ 13,040,110	\$ -	\$ -	\$ -	\$ 13,040,110	\$ 9,060,093
Contributions	699,058	2,214,126	-	-	2,913,184	1,486,366
Special events, net of direct costs of \$217,590 for 2017 (\$172,532 for 2016)	899,819	-	-	-	899,819	516,061
Other revenue	102,662	-	-	-	102,662	94,569
Total revenue	14,741,649	2,214,126	-	-	16,955,775	11,157,089
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,416,785	(1,416,785)	-	-	-	-
Release from restriction - scholarships	168,275	(168,275)	-	-	-	-
Other transfers	910,533	-	(910,533)	-	-	-
Total support and revenue	17,237,242	629,066	(910,533)	-	16,955,775	11,157,089
Expenses:						
Core programming	6,117,042	-	-	-	6,117,042	5,303,647
Non-Core youth programming	1,793,842	-	-	-	1,793,842	1,301,113
SEI Academy (Note 19)	819,700	-	-	-	819,700	1,090,744
Community & Family programming	5,097,164	-	-	-	5,097,164	2,941,652
Other programming	900,306	-	-	-	900,306	674,078
Total program services	14,728,054	-	-	-	14,728,054	11,311,234
Fundraising	587,583	-	-	-	587,583	526,526
Management and general	2,557,049	-	-	-	2,557,049	2,350,803
Total expenses	17,872,686	-	-	-	17,872,686	14,188,563
Change in net assets from operations	(635,444)	629,066	(910,533)	-	(916,911)	(3,031,474)

Continued

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 CONSOLIDATED STATEMENT OF ACTIVITIES
 For the year ended June 30, 2017
 (With comparative totals for 2016)

	2017				2016 Total	
	Unrestricted	Temporarily Restricted		Total		
	Program	Endowment Earnings	Permanently Restricted	Total		
Change in net assets from operations	(635,444)	629,066	(910,533)	-	(916,911)	(3,031,474)
Non-operating and endowment activity:						
Interest and dividend income	2,090	90,856	75,110	-	168,056	275,723
Net unrealized and realized gain (loss) on investments	488	271,401	2,436,711	-	2,708,600	(1,874,658)
Endowment expenses	(84,699)	-	-	-	(84,699)	(68,878)
Other transfers	1,601,288	-	(1,601,288)	-	-	-
Change in net assets	883,723	991,323	-	-	1,875,046	(4,699,287)
Net assets (deficit):						
Beginning of year	(1,703,840)	4,329,924	-	20,083,870	22,709,954	27,409,241
End of year	<u>\$ (820,117)</u>	<u>\$ 5,321,247</u>	<u>\$ -</u>	<u>\$ 20,083,870</u>	<u>\$ 24,585,000</u>	<u>\$ 22,709,954</u>

Concluded

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2017
 (With comparative totals for 2016)

	Program services					Supporting services					
	Core	Non-Core	SEI	Community &	Other	Total	Fund-	Facilities	Management	Total	Total
	Programming	Youth Programming	Academy	Family Programming	Programming	Program Services	raising		and general	2017	2016
Salaries and related expenses	\$ 3,729,526	\$ 1,404,328	\$ 571,440	\$ 1,998,029	\$ 624,626	\$ 8,327,949	\$ 344,095	\$ 175,536	\$ 1,941,652	\$ 10,789,232	\$ 9,111,999
Professional services	70	-	12,843	594	250	13,757	7,525	-	337,735	359,017	342,704
Incentives, stipends and scholarships	429,004	-	-	4,778	443	434,225	1,274	-	211,383	646,882	612,515
Events and activities	368,760	45,485	3,997	52,762	20,778	491,782	10,621	-	3,990	506,393	485,742
Direct client assistance	201,246	2,044	90	2,159,091	188	2,362,659	71,777	-	-	2,434,436	1,219,597
Contract services	342,384	245,823	12,432	500,007	19,510	1,120,156	15,745	-	82	1,135,983	428,767
Facility rental	255	-	-	36,531	2,331	39,117	-	-	-	39,117	30,210
Transportation	181,523	434	24,000	16,768	408	223,133	-	2,342	3	225,478	210,885
Equipment maintenance	6,916	1,211	75	3,583	3,402	15,187	2,871	63,503	60,752	142,313	117,212
Building and grounds maintenance	-	-	125	-	-	125	3,119	65,834	-	69,078	70,003
Utilities	-	-	-	-	1,171	1,171	-	121,224	130	122,525	133,902
Telephone	21,598	7,310	350	25,105	250	54,613	1,050	2,150	45,466	103,279	84,619
Insurance	-	-	16,384	-	-	16,384	-	-	118,307	134,691	135,846
Supplies	163,135	60,233	18,498	76,699	8,637	327,202	8,997	1,515	31,437	369,151	369,384
Travel and mileage	20,933	9,413	569	48,468	14,261	93,644	7,859	1,310	60,849	163,662	133,665
Bad debt expense	-	-	-	10,541	-	10,541	25,350	-	-	35,891	68,613
Interest expense	-	-	-	-	-	-	-	5,317	18,564	23,881	25,021
Other operating costs	17,450	8,944	10,748	40,240	50,746	128,128	38,686	2,901	85,080	254,795	289,166
Total expenses before depreciation and allocations	5,482,800	1,785,225	671,551	4,973,196	747,001	13,659,773	538,969	441,632	2,915,430	17,555,804	13,869,850
Depreciation	145,890	1,909	40,662	31,371	33,967	253,799	10,771	-	52,312	316,882	318,713
Facilities allocation	205,382	2,688	52,772	44,163	47,818	352,823	15,163	(441,632)	73,646	-	-
Administrative allocation	282,970	4,020	54,715	48,434	71,520	461,659	22,680	-	(484,339)	-	-
Total expenses	<u>\$ 6,117,042</u>	<u>\$ 1,793,842</u>	<u>\$ 819,700</u>	<u>\$ 5,097,164</u>	<u>\$ 900,306</u>	<u>\$ 14,728,054</u>	<u>\$ 587,583</u>	<u>\$ -</u>	<u>\$ 2,557,049</u>	<u>\$ 17,872,686</u>	<u>\$ 14,188,563</u>

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 CONSOLIDATED STATEMENT OF CASH FLOWS
 For the year ended June 30, 2017
 (With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from contributors and through service contracts	\$ 16,411,636	\$ 12,291,136
Interest and dividends received for operating purposes	164,393	275,723
Cash paid to employees and suppliers	(17,461,827)	(13,627,570)
Cash paid for interest	<u>(23,881)</u>	<u>(25,021)</u>
Net cash used in operating activities	<u>(909,679)</u>	<u>(1,085,732)</u>
Cash flows from investing activities:		
Additions to investments	(549,126)	(8,184,923)
Proceeds from sale of investments	1,536,242	9,064,599
Proceeds from note receivable	-	16,138
Capital expenditures	<u>(1,089,438)</u>	<u>(192,787)</u>
Net cash provided by (used in) investing activities	<u>(102,322)</u>	<u>703,027</u>
Cash flows from financing activities:		
Change in checks drawn in excess of bank balance	40,337	(63,493)
Proceeds from note payable	625,513	577,321
Payments on note payable	(51,743)	(36,953)
Net payments on line of credit	<u>375,055</u>	<u>(34,221)</u>
Net cash provided by financing activities	<u>989,162</u>	<u>442,654</u>
 Net increase (decrease) in cash and cash equivalents	 (22,839)	 59,949
Cash and cash equivalents - beginning of year	<u>237,241</u>	<u>177,292</u>
Cash and cash equivalents - end of year	<u>\$ 214,402</u>	<u>\$ 237,241</u>

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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 believes that young people are capable of making positive choices when provided with viable, constructive alternatives, and provides programs that help at-risk inner North and Northeast Portland youth recognize and choose among the alternatives to drugs, gangs and violence, thereby making positive contributions to society.

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

In July 2005, Self Enhancement (as sole member) formed The SEI Academy (The Academy), a nonprofit corporation. The mission of The Academy is to support Self Enhancement and provide educational services through a public charter school. On August 17, 2016, the Board of Directors of the Academy voted to terminate the School's charter and cease operations as of June 30, 2017 as services can now be effectively provided to students and their families through local public schools (see Note 19).

A significant portion of the Organizations' support is from contracts with Multnomah County, State of Oregon and Portland Public Schools to carry out its programs. These revenues approximated \$9.3 million (47%) of total revenue and support for the year ended June 30, 2017 and \$5.9 million (62%) for the year ended June 30, 2016.

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.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

1. THE ORGANIZATIONS, Continued

Non-Core Youth Programming

Self Enhancement provides several other youth programs beyond the Core programming. These programs include Schools Uniting Neighbors/21st Century Community Learning Centers at 10 Portland Public Schools and 4 additional schools in Multnomah County, Social and Support Services for Educational Success, and Basketball Camps.

The SEI Academy

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

Community & Family Programming

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

Other Programming

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

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

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

The Organizations present net assets and all balances and transactions based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organizations and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organizations and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Most gains and losses on investments are reported as increases or decreases in temporarily restricted net assets until appropriated for expenditure. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash Equivalents

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

Donated Securities

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

Accounts Receivable

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

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and Grants

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

Contributions and grants receivable are reported at the amount management expects to collect on balances outstanding at year-end. The Organization provides for losses on amounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of donors to meet their obligations.

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

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

Investments

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

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost, and at estimated fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, generally 5 to 50 years for buildings and related improvements, and 3 to 10 years for furniture, equipment and vehicles.

Deferred Revenue

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

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted and Unrestricted Revenue and Support

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

Donated Assets and Services

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

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

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

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

Contributions of Long-Lived Assets

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

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Earnings on Permanent Endowment

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

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

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

Income Taxes

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

Some income received from investments in pass-through entities, resulting from activities considered not substantially related to the Organizations' tax exempt purpose, may be subject to reporting as unrelated business income. Taxes resulting from unrelated business income were insignificant to the financial statements for 2017 and 2016.

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

Subsequent Events

The Organizations have evaluated all subsequent events through September 21, 2017, the date the consolidated financial statements were available to be issued.

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Reclassifications

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

Summarized Financial Information for 2016

The accompanying financial information as of and for the year ended June 30, 2016 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

3. ACCOUNTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Multnomah County	\$ 523,564	\$ 270,463
City of Portland	85,697	143,896
State of Oregon	399,346	129,934
Portland Public Schools	56,059	34,830
Other	164,226	108,262
Total accounts receivable	<u>\$ 1,228,892</u>	<u>\$ 687,385</u>

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 963,142	\$ 540,147
One year to five years	<u>100,000</u>	<u>200,000</u>
	1,063,142	740,147
Less unamortized discount and allowance for uncollectible pledges	<u>41,734</u>	<u>41,734</u>
Contributions and grants receivable, net	<u>\$ 1,021,408</u>	<u>\$ 698,413</u>

Contributions receivable are concentrated in that approximately 19% is due from one donor as of June 30, 2017 (40% due from the same donor at June 30, 2016).

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

5. INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Equity mutual funds	\$ 9,262,219	\$ 8,786,492
Fixed income mutual funds	1,913,234	1,286,312
Equities - common stock	3,314,280	2,704,869
Multi-advisor funds and other investments	1,694,670	1,558,094
Alternative investments	3,849,992	4,546,339
Other stock investment	147,889	147,889
Cash equivalents	<u>1,036,572</u>	<u>467,377</u>
Total investments	<u>\$ 21,218,856</u>	<u>\$ 19,497,372</u>
Investments held in endowment	\$ 18,436,633	\$ 16,835,345
Investments held for other purposes and operations	<u>2,782,223</u>	<u>2,662,027</u>
Total investments	<u>\$ 21,218,856</u>	<u>\$ 19,497,372</u>

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

5. INVESTMENTS, Continued

Alternative investments include limited partnerships which are carried at fair value as determined by the general partners, which is an amount equal to the sum of the capital accounts in invested funds determined from audited financial statements prepared in accordance with U.S. generally accepted accounting principles and financial information provided by the investment managers of the invested funds. Other stock investment represents shares held in a closely-held corporation, and is valued at its redemption value of \$10 per share. Commitments for limited partnership investments not yet funded approximated \$436,000 at June 30, 2017.

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 168,056	\$ 275,723
Net realized/unrealized loss on investments in marketable securities	2,623,850	(1,797,848)
Realized/unrealized gain (loss) on limited partnership interests	<u>84,750</u>	<u>(76,810)</u>
Net realized/unrealized gain (loss)	<u>2,708,600</u>	<u>(1,874,658)</u>
Total investment income (loss)	<u>\$ 2,876,656</u>	<u>\$ (1,598,935)</u>

Margin Note Payable

The Organizations hold a portfolio margin loan against the investments as of year-end. Interest is payable at the corresponding portfolio loan index plus 1.25% (2.47% at June 30, 2017 and 2.23% at June 30, 2016). The total amount that may be borrowed is \$6,162,918. Balances due on the loan at June 30, 2017 and 2016 totaled \$3,507,729 and \$3,510,000, respectively.

6. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 10,777,193	\$ 9,696,581
Furniture and equipment	1,323,948	1,315,123
Vehicles	<u>47,431</u>	<u>47,431</u>
	12,148,572	11,059,135
Less accumulated depreciation	<u>5,279,491</u>	<u>4,962,610</u>
Property and equipment, net	<u>\$ 6,869,081</u>	<u>\$ 6,096,525</u>

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

6. PROPERTY AND EQUIPMENT, Continued

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

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

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

7. LINE OF CREDIT AND NOTE PAYABLE

Line of Credit

Self Enhancement has a \$500,000 revolving line of credit at a financial institution with interest payable monthly on outstanding balances at 1.00% over the bank's prime rate (prime rate 5.25% and 4.5% at June 30, 2017 and 2016, respectively). The line is unsecured and matures October 2017. The line contains certain financial covenants including a requirement, among others, to rest the line for 30 days. Outstanding advances totaled \$375,055 at June 30, 2017. There were no outstanding advances at June 30, 2016.

Notes Payable:

Self Enhancement has an equipment line of credit of \$150,000 at a financial institution. The line is payable in 60 equal monthly payments of interest and principal of \$2,844. Balances outstanding at June 30, 2017 and 2016 totaled \$99,540 and \$133,668, respectively.

During 2017, Self Enhancement established a loan with a financial institution for lighting improvements during 2017 totaling \$132,802. The loan is payable in 60 equal monthly payments of interest and principal of \$2,546. Balances outstanding at June 30, 2017 totaled \$115,169.

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

7. LINE OF CREDIT AND NOTE PAYABLE, Continued

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

Future maturities of the notes payable are as follows:

Year ending June 30, 2018	\$	54,109
2019		57,155
2020		66,670
2021		29,222
2022		7,553
Thereafter		495,000
		<u>\$ 709,709</u>

8. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

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

	2017	2016
Contributions and other unexpended support available for:		
Current and future operations	\$ 284,198	\$ 415,752
Program services	1,391,542	462,647
Scholarships	<u>3,645,507</u>	<u>3,451,525</u>
Total temporarily restricted net assets	<u>\$ 5,321,247</u>	<u>\$ 4,329,924</u>

In addition, at June 30, 2017 and 2016, the Organizations hold \$20,083,870 in a permanently restricted endowment. Investment income earned on the endowment is temporarily restricted until appropriated for expenditure. Also see Note 16.

At June 30, 2016, the Board had designated unrestricted net assets totaling \$134,159 for a capital reserve fund. The funds were utilized during 2017.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, *Continued*
June 30, 2017

9. COMMITMENTS AND CONTINGENCIES

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

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

10. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2017 and 2016, the Organizations incurred expenses totaling \$1,585,060 and \$1,512,141, respectively, in satisfaction of the restricted purposes imposed on contributions by donors, by the occurrence of other events specified by donors, or by the passage of time. Other transfers represent the release of restrictions on endowment earnings. Also see Note 16.

11. EXPENSES

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

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

12. RETIREMENT PLANS

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

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

- The Pension Program, the defined benefit portion of the plan, applies to qualifying school employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.
- Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

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

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

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

12. RETIREMENT PLANS, Continued

The rate in effect for the years ended June 30, 2017 and 2016 was 22.33% for OPERF and 17.64% for OPSRP. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

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

Self Enhancement's contributions to the Plans totaled \$227,588 and \$218,281 for the years ended June 30, 2017 and 2016, respectively.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Consolidated Statement of Cash Flows Reconciliation:

The following presents a reconciliation of the change in net assets (as reported on the consolidated statement of activities) to net cash used in operating activities (as reported on the consolidated statement of cash flows):

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,875,046	\$ (4,699,287)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Sale of donated securities	-	98,598
Depreciation	316,882	318,713
Net realized and unrealized gain (loss) on investments	(2,708,600)	1,874,658
(Increase) decrease in:		
Accounts, contributions and grants receivable	(864,502)	919,792
Prepaid expenses and other assets	45,356	(47,597)
Increase (decrease) in:		
Accounts payable and accrued expenses	323,366	333,734
Deferred revenue	102,773	115,657
Net cash used in operating activities	\$ (909,679)	\$ (1,085,732)

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

14. RELATED PARTY DISCLOSURES

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

15. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

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

- Cash equivalents: From time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) (up to \$250,000 per institution). To limit credit risk, the Organizations place cash equivalents and other short-term investments with high credit quality financial institutions.
- Investments: Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. The fair values of interests in limited partnership are estimated by the partnerships and estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. The Organizations have established a diversified investment policy which reduces the Organizations' exposure to both credit risk and to concentrations of credit risk.
- Contributions and accounts receivable: Concentrations of credit risk with respect to contributions and accounts receivable are limited through credit approvals, credit limits, and various monitoring procedures. The majority of the Organizations' receivables is either with reputable individuals and corporations, or with governmental institutions, and is considered to be low in risk.

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

16. ENDOWMENT

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

Interpretation of Relevant Law

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

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

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

16. ENDOWMENT, Continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2017				
Donor-restricted endowment funds	<u>\$ (1,647,237)</u>	<u>\$ -</u>	<u>\$20,083,870</u>	<u>\$ 18,436,633</u>
June 30, 2016				
Donor-restricted endowment funds	<u>\$(3,248,525)</u>	<u>\$ -</u>	<u>\$20,083,870</u>	<u>\$ 16,835,345</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets:				
Balance, June 30, 2015	\$ (914,467)	\$ -	\$20,083,870	\$ 19,169,403
Contributions	-	-	-	-
Investment income	-	271,115	-	271,115
Net realized/unrealized depreciation	-	(1,689,169)	-	(1,689,169)
Appropriated for expenditure	-	(916,004)	-	(916,004)
Other changes	<u>(2,334,058)</u>	<u>2,334,058</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2016	<u>(3,248,525)</u>	<u>-</u>	<u>20,083,870</u>	<u>16,835,345</u>
Contributions	-	-	-	-
Investment income	-	75,110	-	75,110
Net realized/unrealized appreciation	-	2,436,711	-	2,436,711
Appropriated for expenditure	-	(910,533)	-	(910,533)
Other changes	<u>1,601,288</u>	<u>(1,601,288)</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2017	<u>\$ (1,647,237)</u>	<u>\$ -</u>	<u>\$20,083,870</u>	<u>\$ 18,436,633</u>

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

16. ENDOWMENT, Continued

Fund with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or the Act requires the Organizations to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and were \$1,647,237 and \$3,248,525 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

16. ENDOWMENT, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

17. FAIR VALUE MEASUREMENTS

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

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

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

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

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

17. FAIR VALUE MEASUREMENTS, Continued

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2017			
Investments:			
Equity mutual funds	\$9,262,219	\$ -	\$ -
Fixed income mutual funds	1,913,234	-	-
Equities - common stock	3,314,280	-	-
Multi-advisor funds and other investments	-	1,694,670	-
Limited partnership investments	-	-	3,849,992
Other stock investment	-	147,889	-
2016			
Investments:			
Equity mutual funds	8,786,492	-	-
Fixed income mutual funds	1,286,312	-	-
Equities - common stock	2,704,869	-	-
Multi-advisor funds and other investments	-	1,558,094	-
Limited partnership investments	-	-	4,546,339
Other stock investment	-	147,889	-

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

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

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

SELF ENHANCEMENT, INC.,
 SELF ENHANCEMENT FOUNDATION, INC.,
 AND THE SEI ACADEMY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2017

17. FAIR VALUE MEASUREMENTS, Continued

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

Limited partnership investments:

	<u>2017</u>	<u>2016</u>
Beginning of year	\$ 4,546,339	\$ 6,167,639
Purchases and (distributions), net	(41,109)	(924,288)
Realized loss on investments	(17,401)	(149,883)
Unrealized gain (loss) on investments	<u>(637,837)</u>	<u>(547,129)</u>
End of year	<u>\$ 3,849,992</u>	<u>\$ 4,546,339</u>

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

18. LEASE COMMITMENTS

The Organizations lease equipment under several operating lease agreements expiring between July 2019 and April 2021. In addition, the Organizations lease office space under an operating agreement which expires June 2019. Lease expense for the years ended June 30, 2017 and 2016 totaled approximately \$287,000 and \$287,100, respectively.

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

June 30, 2018	\$ 216,700
2019	125,300
2020	60,000
2021	<u>35,900</u>
	<u>\$ 437,900</u>

SELF ENHANCEMENT, INC.,
SELF ENHANCEMENT FOUNDATION, INC.,
AND THE SEI ACADEMY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2017

19. THE SEI ACADEMY – DISCONTINUED PROGRAM

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

20. FISCAL SPONSORSHIP

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