

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

Audited Consolidated Financial Statements

For the Year Ended June 30, 2020



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Self Enhancement, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Self Enhancement, Inc. and Self Enhancement Foundation, Inc. (Oregon nonprofit organizations) which comprise the consolidated statement of financial position as of June 30, 2020, 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. and Self Enhancement Foundation, Inc. as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Self Enhancement, Inc., and Self Enhancement Foundation, Inc.'s 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Limited Partnership Investment Valuation

As discussed in Note 6 to the consolidated financial statements, the consolidated financial statements include investments in limited partnerships valued at \$3,916,738 (13% of total assets) and \$3,732,152 (13% of total assets) as of June 30, 2020 and 2019, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information in Schedules I through II (supplementary information) is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 December 17, 2020, on our consideration of Self Enhancement, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Self Enhancement, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Self Enhancement, Inc.'s internal control over financial reporting and compliance.

McDonald Jacobz, P.C.

Portland, Oregon
December 17, 2020

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 June 30, 2020
 (With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,034,535	\$ 1,795,131
Accounts receivable	2,356,406	2,079,945
Contributions and grants receivable, net	158,500	254,400
Prepaid expenses, deposits, and other assets	68,777	224,616
Investments	17,704,448	18,080,564
Property and equipment, net	6,318,868	6,630,106
TOTAL ASSETS	\$ 29,641,534	\$ 29,064,762
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ -	\$ 387,702
Accounts payable and accrued expenses	530,344	583,664
Accrued payroll and related expenses	926,134	796,234
Deferred revenue	101,895	96,311
Refundable advance	1,977,818	-
Notes payable	607,506	689,423
Margin note payable	1,000,000	1,000,000
Total liabilities	5,143,697	3,553,334
Net assets (deficit):		
Without donor restrictions:		
Available for general operations	(919,370)	(215,833)
Net investment in property and equipment	5,711,363	5,940,684
Total without donor restrictions	4,791,993	5,724,851
Net assets with donor restrictions:		
With expiring restrictions - program	2,883,200	2,963,933
With perpetual restrictions	16,822,644	16,822,644
Total net assets with donor restrictions	19,705,844	19,786,577
Total net assets	24,497,837	25,511,428
TOTAL LIABILITIES AND NET ASSETS	\$ 29,641,534	\$ 29,064,762

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 CONSOLIDATED STATEMENT OF ACTIVITIES
 For the year ended June 30, 2020
 (With comparative totals for 2019)

	2020		Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions		
Support and revenue:				
Government contracts	\$ 15,615,954	\$ -	\$ 15,615,954	\$ 14,079,675
Contributions	720,775	1,025,042	1,745,817	4,103,233
Special events, net of direct costs of \$299,472 for 2020 (\$198,066 for 2019)	750,720	-	750,720	1,030,156
Other revenue	123,260	-	123,260	148,704
Total revenue	17,210,709	1,025,042	18,235,751	19,361,768
Net assets released from restrictions:				
Satisfaction of purpose restrictions	803,827	(803,827)	-	-
Release from restriction - scholarships	193,606	(193,606)	-	-
Other transfers	874,801	(874,801)	-	-
Total support and revenue	19,082,943	(847,192)	18,235,751	19,361,768
Expenses:				
In-school programming	6,702,258	-	6,702,258	5,582,532
Extended day services	2,752,592	-	2,752,592	1,814,515
Community and family programming	6,117,319	-	6,117,319	7,649,036
Other programming	205,414	-	205,414	866,551
Total program services	15,777,583	-	15,777,583	15,912,634
Fundraising	1,191,627	-	1,191,627	1,103,534
Management and general	2,931,255	-	2,931,255	2,602,724
Total expenses	19,900,465	-	19,900,465	19,618,892
Change in net assets from operations	(817,522)	(847,192)	(1,664,714)	(257,124)
Non-operating and endowment activity:				
Interest and dividend income	(110,430)	367,205	256,775	386,957
Net change in value of investments	316	399,254	399,570	534,625
Endowment expenses	(5,222)	-	(5,222)	(7,272)
Change in net assets	(932,858)	(80,733)	(1,013,591)	657,186
Net assets:				
Beginning of year	5,724,851	19,786,577	25,511,428	24,854,242
End of year	<u>\$ 4,791,993</u>	<u>\$ 19,705,844</u>	<u>\$ 24,497,837</u>	<u>\$ 25,511,428</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, 2020
 (With comparative totals for 2019)

	Program Services					Supporting Services					Total 2020	Total 2019
	Community		Total			Fund- raising	Management and General		Total			
	In-School Programming	Extended Day Services	and Family Programming	Other Programming	Program Services		Facilities	Supporting Services				
Salaries and related expenses	\$ 3,168,467	\$ 2,229,763	\$ 2,978,126	\$ 75,277	\$ 8,451,633	\$ 852,983	\$ 1,769,709	\$ 281,211	\$ 2,903,903	\$ 11,355,536	\$ 10,814,141	
Professional services	9,895	116	41,325	8,000	59,336	30,508	265,689	1,310	297,507	356,843	483,409	
Incentives, stipends and scholarships	450,819	14,245	2,891	1,500	469,455	860	-	-	860	470,315	604,558	
Events, activities and program supplies	130,281	181,282	61,326	3,175	376,064	316,732	8,287	1,636	326,655	702,719	991,191	
Direct client assistance	31,636	93,118	2,273,022	380	2,398,156	6,248	1,075	-	7,323	2,405,479	2,906,963	
Contract services	2,352,419	90,904	398,514	34,592	2,876,429	22,305	23,009	1,200	46,514	2,922,943	2,021,231	
Facility rental	-	-	90,294	275	90,569	-	-	-	-	90,569	56,422	
Transportation	89,836	37,424	40,449	91	167,800	145	445	2,028	2,618	170,418	206,520	
Equipment maintenance and rental	22,217	20,126	22,352	13,066	77,761	19,911	20,392	57,833	98,136	175,897	166,796	
Building and grounds maintenance	169	253	177	425	1,024	-	1,519	69,240	70,759	71,783	59,132	
Utilities	-	-	-	529	529	-	-	107,237	107,237	107,766	129,151	
Telephone	20,792	10,733	45,517	(864)	76,178	1,561	18,920	20,713	41,194	117,372	111,589	
Insurance	13,414	10,226	12,260	969	36,869	3,838	81,379	30,946	116,163	153,032	130,871	
Travel and mileage	22,821	83	9,496	1,604	34,004	15,307	680	610	16,597	50,601	131,889	
Bad debt expense	540	555	-	-	1,095	60,000	753	-	60,753	61,848	138,163	
Interest expense	-	-	-	-	-	1,289	81,485	273	83,047	83,047	66,512	
Other operating costs	37,856	41,637	70,618	3,668	153,779	131,109	231,327	5,099	367,535	521,314	466,103	
Depreciation	-	-	-	-	-	-	324,079	-	324,079	324,079	339,589	
Other allocated expenses	12,447	18,598	13,019	-	44,064	8,412	11,122	-	19,534	63,598	-	
Facilities allocation	338,649	3,529	57,933	62,727	462,838	19,891	96,607	(579,336)	(462,838)	-	-	
Total expenses before non-operating expenses and expenses netted with revenues	6,702,258	2,752,592	6,117,319	205,414	15,777,583	1,491,099	2,936,477	-	4,427,576	20,205,159	19,824,230	
Less endowment expenses	-	-	-	-	-	-	(5,222)	-	(5,222)	(5,222)	(7,272)	
Less special event direct benefit costs netted with revenue	-	-	-	-	-	(299,472)	-	-	(299,472)	(299,472)	(198,066)	
Total expenses	\$ 6,702,258	\$ 2,752,592	\$ 6,117,319	\$ 205,414	\$ 15,777,583	\$ 1,191,627	\$ 2,931,255	\$ -	\$ 4,122,882	\$ 19,900,465	\$ 19,618,892	
Supplemental Information:												
Allocation of expenses for grant reporting purposes*:												
Facilities allocation	(338,649)	(3,529)	(57,933)	(62,727)	(462,838)	(19,891)	482,729	-	462,838	-	-	
Allocation of indirect costs*	1,169,629	795,102	1,186,796	225	3,151,752	-	(3,151,752)	-	(3,151,752)	-	-	
Expenses with allocated expenses for grant reporting*	\$ 7,533,238	\$ 3,544,165	\$ 7,246,182	\$ 142,912	\$ 18,466,497	\$ 1,171,736	\$ 262,232	\$ -	\$ 1,433,968	\$ 19,900,465	\$ 19,618,892	

*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, 2020
 (With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from contributors and through service contracts	\$ 20,338,064	\$ 18,661,053
Interest and dividends received	251,553	386,957
Cash paid to employees and suppliers	(19,560,392)	(19,529,503)
Cash paid for interest	<u>(83,047)</u>	<u>(66,512)</u>
Net cash flows from operating activities	<u>946,178</u>	<u>(548,005)</u>
 Cash flows from investing activities:		
Additions to investments	(2,991,798)	(869,819)
Proceeds from sale of investments	3,767,484	5,821,423
Capital expenditures	<u>(12,841)</u>	<u>(226,994)</u>
Net cash flows from investing activities	<u>762,845</u>	<u>4,724,610</u>
 Cash flows from financing activities:		
Change in checks drawn in excess of bank balance	-	(24,566)
Proceeds from note payable	-	82,248
Payments on note payable	(81,917)	(2,894,861)
Net proceeds from (payments on) lines of credit	<u>(387,702)</u>	<u>121,810</u>
Net cash flows from financing activities	<u>(469,619)</u>	<u>(2,715,369)</u>
 Net change in cash and cash equivalents	1,239,404	1,461,236
 Cash and cash equivalents - beginning of year	<u>1,795,131</u>	<u>333,895</u>
 Cash and cash equivalents - end of year	<u>\$ 3,034,535</u>	<u>\$ 1,795,131</u>

See notes to consolidated financial statements.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

1. THE ORGANIZATIONS

Self Enhancement, Inc. (Self Enhancement) is a nonprofit corporation organized and incorporated under the laws of the State of Oregon. Self Enhancement was founded in 1980 under the auspices of the Albina Ministerial Alliance. Self Enhancement 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.

A significant portion of Self Enhancement's support is from contracts with Multnomah County, State of Oregon and U.S. Department of Education to carry out its programs. These revenues approximated \$14.2 million (75%) of total revenue and support for the year ended June 30, 2020 and \$10.8 million (52%) for the year ended June 30, 2019. Additionally, the Organizations' support included one major donor which accounted for approximately 15% of total revenue and support for the year ended June 30, 2019.

Self Enhancement's programs include:

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, 2020

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, 2020

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, Net

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

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

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

Investments in marketable securities with readily determinable fair values, and all investments in debt securities, are valued at their fair value in the statement of financial position. Investments in limited partnerships are reported at fair value as determined by the general partners. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction. All other investment income is reported as 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.

Revenue Recognition

Revenues from various sources are recognized as follows:

Government Contracts: Government grants and 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 \$9.6 million for the period through December 2023 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. The Organizations had received approximately \$101,900 and \$96,300 as an advance on these grants as of June 30, 2020 and 2019, respectively.

Contributions: Contributions, 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.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

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.

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.

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

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

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

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

Income Taxes

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

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes, Continued

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 2020 and 2019.

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.

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.

Change in Accounting Principle

The Organizations implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organizations' revenue recognition in either year presented for this change in accounting principle.

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.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 2019

The accompanying financial information as of and for the year ended June 30, 2019 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 December 17, 2020, the date the consolidated financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

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

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,034,535	\$ 1,795,131
Accounts receivable	2,356,406	2,079,945
Contributions and grants receivable, net	158,500	254,400
Investments	<u>17,704,448</u>	<u>18,080,564</u>
	23,253,889	22,210,040
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	19,705,844	19,786,577
Plus other amounts available:		
Approved distribution from endowment	<u>761,390</u>	<u>1,097,381</u>
Financial assets available for general expenditure	<u>\$ 4,309,435</u>	<u>\$3,520,844</u>

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

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

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>2020</u>	<u>2019</u>
Multnomah County	\$ 623,783	\$ 594,474
Dept. of Housing and Urban Development	328,166	265,726
City of Portland	284,263	426,560
State of Oregon	155,308	362,777
US Department of Education	325,906	74,947
Portland Public Schools	286,421	158,733
Other	<u>394,624</u>	<u>196,728</u>
Total accounts receivable	<u>\$ 2,398,471</u>	<u>\$2,079,945</u>

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Expected to be collected within:		
One year	\$ 208,500	\$ 234,400
Two to five years	<u>-</u>	<u>20,000</u>
	208,500	254,400
Less allowance for uncollectible amounts	<u>92,065</u>	<u>-</u>
Contributions and grants receivable, net	<u>\$ 116,435</u>	<u>\$ 254,400</u>

The Organizations have been awarded \$175,000 in contributions contingent on meeting specific requirements that were determined not to have been met as of June 30, 2020, and accordingly, are not recorded as revenue in the consolidated financial statements. The Organizations will record the contributions as revenue when the conditions have been met.

Unconditional promises to give and grants receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5.0%. The discount to multi-year receivables due as of June 30, 2019 was deemed by management to be immaterial.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

6. INVESTMENTS

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

	2020	2019
Equity mutual funds	\$ 7,728,216	\$ 3,452,880
Fixed income mutual funds	2,954,755	3,309,339
Equities - common stock	2,161,068	5,551,266
Multi-advisor funds and other investments	630,117	1,774,271
Alternative investments	3,916,738	3,732,152
Other stock investment	104,430	104,430
Cash equivalents	209,124	156,226
Total investments	<u>\$ 17,704,448</u>	<u>\$ 18,080,564</u>
Investments held in endowment	\$ 14,992,584	\$ 15,218,446
Investments held for other purposes and operations	<u>2,711,864</u>	<u>2,862,118</u>
Total investments	<u>\$ 17,704,448</u>	<u>\$ 18,080,564</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 approximated \$133,600 and \$157,000 at June 30, 2020 and 2019, respectively.

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% (1.43% at June 30, 2020 and 3.65% at June 30, 2019). The total amount that may be borrowed at June 30, 2020 is \$4,549,705 (\$3,257,542 at June 30, 2019). Balances due on the loan at June 30, 2020 and 2019 totaled \$1,000,000.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

7. PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$10,642,973	\$10,834,680
Furniture and equipment	1,041,308	1,041,308
Vehicles	<u>195,897</u>	<u>208,047</u>
	11,880,178	12,084,035
Less accumulated depreciation	<u>5,561,310</u>	<u>5,453,929</u>
Property and equipment, net	<u>\$ 6,318,868</u>	<u>\$ 6,630,106</u>

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

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

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

8. LINES OF CREDIT AND NOTES PAYABLE

Lines 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 (4.25% and 6.5% at June 30, 2020 and 2019, respectively). The line is unsecured and matured October 2020 and was not renewed. The line contains certain financial covenants including a requirement, among others, to rest the line for 30 days. There were no outstanding advances at June 30, 2020. Outstanding advances, including interest, totaled \$387,702 at June 30, 2019.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

8. LINES OF CREDIT AND NOTES PAYABLE, Continued

Lines of Credit, Continued

During the year ending June 30, 2020, the Organization established a \$1,750,000 revolving line of credit at a financial institution with interest payable monthly on outstanding balances with interest at 4.00%. The line is collateralized with a money market account and matured October 2020. The Organizations are in the process of renewing the line of credit. There were no outstanding advances at June 30, 2020.

Notes Payable

Self Enhancement has various equipment lines of credit and loans with financial institutions for lighting improvements and equipment. Monthly payments of principal and interest are \$3,929 and expire April 2021 through April 2025. Balances outstanding at June 30, 2020 and 2019 totaled \$112,505 and \$194,423, respectively.

During 2017, Self Enhancement established a note payable of \$495,000 with a financial institution secured by real property. The agreement is being held for another organization for which Self Enhancement was the fiscal sponsor. No payments are due until maturity, November 2019; however, the agreement has unlimited extension options as long as certain conditions are being met. Repayment is not anticipated in the near term. The balance outstanding at June 30, 2020 and 2019 was \$495,000. See Note 18 for additional information about the fiscal sponsor.

Future maturities of the notes payable are as follows:

Year ended June 30, 2021	\$ 540,022
2022	24,652
2023	14,828
2024	15,545
2025	12,459
	<u>\$ 607,506</u>

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

9. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

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

	<u>2020</u>	<u>2019</u>
Net assets with expiring donor restrictions:		
Current and future operations	\$ 82,723	\$ 48,335
Program services	928,237	741,410
Scholarships	3,702,300	3,778,386
Endowment deficit (Note 15)	<u>(1,830,060)</u>	<u>(1,604,198)</u>
Total net assets with expiring donor restrictions	2,883,200	2,963,933
Net assets with perpetual donor restrictions:		
Donor-restricted endowment (Note 15)	<u>16,822,644</u>	<u>16,822,644</u>
Total net assets with donor restrictions	<u>\$19,705,844</u>	<u>\$ 19,786,577</u>

10. COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

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.

The Organizations have been impacted by the effects of the world-wide coronavirus pandemic. The Organizations are closely monitoring their operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organizations' financial position is not known.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

II. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2020 and 2019, the Organizations incurred expenses totaling \$803,827 and \$1,487,389, 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 15.

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

12. RETIREMENT PLANS

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

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

Self Enhancement's contributions to the Plans totaled approximately \$196,300 and \$174,400 for the years ended June 30, 2020 and 2019, respectively.

13. RELATED PARTY DISCLOSURES

At times, a Board member provides 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.

SELF ENHANCEMENT, INC. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

14. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

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

Cash equivalents: From time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) (up to \$250,000 per institution). To limit credit risk, the Organizations place cash equivalents and other short-term investments with high credit quality financial institutions. At June 30, 2020 and 2019, balances in excess of federally insured limits were approximately \$2,650,000 and \$1,386,000, respectively.

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

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

15. ENDOWMENT

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

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

15. 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

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
Balance, June 30, 2018	\$ (1,463,744)	\$ 20,822,644	\$ 19,358,900
Investment income	264,681	-	264,681
Change in investment value	531,823	-	531,823
Appropriated for expenditure	(936,958)	-	(936,958)
Donor release of restriction	-	(4,000,000)	(4,000,000)
Balance, June 30, 2019	<u>\$ (1,604,198)</u>	<u>\$ 16,822,644</u>	<u>\$ 15,218,446</u>

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

15. ENDOWMENT, Continued

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Expiring Donor Restrictions	With Perpetual Donor Restrictions	Total
Balance, June 30, 2019	\$ (1,604,198)	\$ 16,822,644	\$ 15,218,446
Investment income	290,775	-	290,775
Change in investment value	358,164	-	358,164
Appropriated for expenditure	(874,801)	-	(874,801)
Balance, June 30, 2020	<u>\$ (1,830,060)</u>	<u>\$ 16,822,644</u>	<u>\$ 14,992,584</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. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in net assets with expiring donor restrictions and are \$1,830,060 and \$1,604,198 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of net assets with perpetual donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

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.

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. AND
SELF ENHANCEMENT FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2020

15. 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.

16. 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.

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.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
2020			
Investments:			
Equity mutual funds	\$ 7,728,216	\$ 7,728,216	\$ -
Fixed income mutual funds	2,954,755	2,954,755	-
Equities - common stock	2,161,068	2,161,068	-
Multi-advisor funds and other investments	630,117	-	630,117
Other stock investment	104,430	-	104,430
	<u>13,578,586</u>	<u>\$12,844,039</u>	<u>\$ 734,547</u>
Investments measured at NAV	3,916,738		
Cash equivalents	<u>209,124</u>		
Total investments	<u>\$ 17,704,448</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
2019			
Investments:			
Equity mutual funds	\$ 3,452,880	\$ 3,452,880	\$ -
Fixed income mutual funds	3,309,339	3,309,339	-
Equities - common stock	5,551,266	5,551,266	-
Multi-advisor funds and other investments	1,774,271	-	1,774,271
Other stock investment	104,430	-	104,430
	<u>14,192,186</u>	<u>\$ 12,313,485</u>	<u>\$ 1,878,701</u>
Investments measured at NAV	3,732,152		
Cash equivalents	<u>156,226</u>		
Total investments	<u>\$ 18,080,564</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, 2020 and 2019.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
 June 30, 2020

17. LEASE COMMITMENTS

The Organizations lease offices and equipment under several operating lease agreements expiring between June 2022 and August 2029. Lease expense for the years ended June 30, 2020 and 2019 totaled approximately \$274,100 and \$326,100, respectively.

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

June 30, 2021	\$ 152,800
2022	117,600
2023	110,400
2024	98,100
2025	101,100
Thereafter	454,700
	<u>\$ 1,034,700</u>

18. FISCAL SPONSORSHIP

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

CONSOLIDATING INFORMATION

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 SCHEDULE I
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 June 30, 2020

	Self Enhancement Inc.	Self Enhancement Foundation, Inc.	Eliminating Entries	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 2,909,538	\$ 124,997	\$ -	\$ 3,034,535
Accounts receivable	2,356,406	-	-	2,356,406
Contributions and grants receivable, net	158,500	-	-	158,500
Intercompany receivable	28,030	1,000,000	(1,028,030)	-
Prepaid expenses, deposits and other assets	68,777	-	-	68,777
Investments	-	17,704,448	-	17,704,448
Property and equipment, net	<u>6,318,868</u>	<u>-</u>	<u>-</u>	<u>6,318,868</u>
TOTAL ASSETS	<u>\$ 11,840,119</u>	<u>\$ 18,829,445</u>	<u>\$ (1,028,030)</u>	<u>\$ 29,641,534</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 530,344	\$ -	\$ -	\$ 530,344
Accrued payroll and related expenses	926,134	-	-	926,134
Intercompany payable	1,000,000	28,030	(1,028,030)	-
Deferred revenue	101,895	-	-	101,895
Refundable advance	1,977,818	-	-	1,977,818
Notes payable	607,506	-	-	607,506
Margin note payable	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total liabilities	<u>5,143,697</u>	<u>1,028,030</u>	<u>(1,028,030)</u>	<u>5,143,697</u>
Net assets (deficit):				
Without donor restrictions:				
Available for general operations	(25,901)	(893,469)	-	(919,370)
Net investment in property and equipment	<u>5,711,363</u>	<u>-</u>	<u>-</u>	<u>5,711,363</u>
Total without donor restrictions	<u>5,685,462</u>	<u>(893,469)</u>	<u>-</u>	<u>4,791,993</u>
Net assets with donor restrictions:				
With expiring restrictions - program	1,010,960	1,872,240	-	2,883,200
With perpetual restrictions	<u>-</u>	<u>16,822,644</u>	<u>-</u>	<u>16,822,644</u>
Total net assets with donor restrictions	<u>1,010,960</u>	<u>18,694,884</u>	<u>-</u>	<u>19,705,844</u>
Total net assets	<u>6,696,422</u>	<u>17,801,415</u>	<u>-</u>	<u>24,497,837</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,840,119</u>	<u>\$ 18,829,445</u>	<u>\$ (1,028,030)</u>	<u>\$ 29,641,534</u>

See independent auditor's report.

SELF ENHANCEMENT, INC. AND
 SELF ENHANCEMENT FOUNDATION, INC.
 CONSOLIDATING STATEMENT OF ACTIVITIES
 For the year ended June 30, 2020

	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	\$ 15,615,954	\$ -	\$ -	\$ -	\$ -	\$ 15,615,954
Contributions	1,595,426	1,025,042	150	-	(874,801)	1,745,817
Special events, net of direct costs	750,720	-	-	-	-	750,720
Other revenue	107,152	-	16,108	-	-	123,260
Total revenue	18,069,252	1,025,042	16,258	-	(874,801)	18,235,751
Net assets released from restrictions:						
Satisfaction of purpose restrictions	803,827	(803,827)	-	-	-	-
Release from restriction - scholarships	-	-	193,606	(193,606)	-	-
Other transfers	-	-	874,801	(874,801)	-	-
Total support and revenue	18,873,079	221,215	1,084,665	(1,068,407)	(874,801)	18,235,751
Expenses:						
In-school programming	6,508,652	-	193,606	-	-	6,702,258
Extended day services	2,752,592	-	-	-	-	2,752,592
Community and family programming	6,117,319	-	-	-	-	6,117,319
Other programming	205,414	-	874,801	-	(874,801)	205,414
Total program services	15,583,977	-	1,068,407	-	(874,801)	15,777,583
Fundraising	1,191,627	-	-	-	281,573	1,473,200
Management and general	2,931,076	-	29,670	-	(29,491)	2,931,255
Total expenses	19,706,680	-	1,098,077	-	(622,719)	20,182,038
Change in net assets from operations	(833,601)	221,215	(13,412)	(1,068,407)	(252,082)	(1,946,287)
Non-operating and endowment activity:						
Interest and dividend income	19,994	-	(100,933)	367,205	(29,491)	256,775
Net change in value of investments	316	-	-	399,254	-	399,570
Endowment expenses	-	-	(5,222)	-	-	(5,222)
Change in net assets	(813,291)	221,215	(119,567)	(301,948)	(281,573)	(1,295,164)
Net assets:						
Beginning of year	6,498,753	789,745	(773,902)	18,996,832	-	25,511,428
End of year	\$ 5,685,462	\$ 1,010,960	\$ (893,469)	\$ 18,694,884	\$ (281,573)	\$ 24,216,264

See independent auditor's report.