

**ASSOCIATION FOR RESEARCH AND
ENLIGHTENMENT, INC. AND AFFILIATES**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2020



ASSURANCE, TAX & ADVISORY SERVICES

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3 – 4
Consolidated Statement of Activities	5
Consolidated Statement of Cash Flows	6 – 7
Consolidated Statement of Functional Expenses	8
Notes to Consolidated Financial Statements	9 – 25
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27
Consolidating Statement of Cash Flows	28 – 29
Consolidating Statement of Functional Expenses	30
Financial Responsibility Ratio Supplemental Schedule	31 – 32
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33 – 34



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Association for Research and Enlightenment, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Association for Research and Enlightenment, Inc., and Affiliates (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PBMares, LLP

Norfolk, Virginia
June 11, 2021

CONSOLIDATED FINANCIAL STATEMENTS

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020 with Comparative Totals for December 31, 2019**

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,926,432	\$ 965,659
Trade accounts receivable, net of allowance	451,790	593,601
Contributions and bequests receivable, net	25,000	245,359
Inventory, net of allowance	252,525	321,935
Prepaid expenses	243,606	213,109
Total current assets	2,899,353	2,339,663
Net Property and Equipment	6,486,214	6,787,684
Investments		
Split interest agreements	2,010,090	1,836,287
Cash and securities	4,669,034	4,038,654
Total investments	6,679,124	5,874,941
Other Assets		
Donated assets		
Real estate	890,709	1,246,709
Other	101,426	101,426
Intangibles	80,405	80,405
Total other assets	1,072,540	1,428,540
Total assets	\$ 17,137,231	\$ 16,430,828

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2020 with Comparative Totals for December 31, 2019**

	2020	2019
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 645,571	\$ 132,252
Current portion of split interest agreements payable	127,450	147,950
Current portion of capital lease obligation	13,544	18,094
Line of credit	-	500,000
Accounts payable, trade	174,973	229,642
Accrued salaries, wages and employee benefits	194,764	162,945
Deferred income	503,092	699,209
Other current liabilities	46,274	51,445
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Total current liabilities	1,705,668	1,941,537
Long-Term Liabilities, net of current portions		
Deferred income	657,506	662,045
Notes payable	1,876,134	1,812,374
Capital lease obligation	-	11,353
Split interest agreements payable	741,060	899,525
	<hr/>	<hr/>
Total long-term liabilities	3,274,700	3,385,297
	<hr/>	<hr/>
Total liabilities	4,980,368	5,326,834
Net Assets		
Without donor restrictions	5,456,643	5,663,618
With donor restrictions	6,700,220	5,440,376
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Total net assets	12,156,863	11,103,994
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Total liabilities and net assets	\$ 17,137,231	\$ 16,430,828
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**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, Gains and Other Support				
Sales	\$ 588,942	\$ -	\$ 588,942	\$ 891,483
Cost of sales	259,003	-	259,003	390,220
Gross profit from sales	329,939	-	329,939	501,263
Contributions				
Donors	2,158,193	427,864	2,586,057	2,009,848
Bequests	614,508	554,482	1,168,990	714,675
Noncash	24,662	478,239	502,901	484,200
Change in value of split-interest agreements	-	4,539	4,539	17,635
Dues				
Life membership	190,185	-	190,185	157,380
Other categories	1,015,603	-	1,015,603	804,066
Fees for services				
Conference fees	524,099	-	524,099	730,483
Health services fees	398,992	-	398,992	837,991
Tour fees	4,499	-	4,499	964,258
All other fees for services	53,918	-	53,918	246,266
Gain (loss) on sale of other assets	117,528	119,792	237,320	(1,119)
Investment income (loss)				
Dividends and interest	20,109	45,943	66,052	114,219
Gains (losses) on investments	(296,025)	92,283	(203,742)	789,828
Rental income	30,085	-	30,085	38,507
Other income	59,461	-	59,461	48,842
Postage and handling	3,296	-	3,296	8,042
Royalty income	30,364	-	30,364	27,035
Tuition	764,680	-	764,680	684,274
Net assets released from restriction	463,298	(463,298)	-	-
Total revenues, gains and other support	6,507,394	1,259,844	7,767,238	9,177,693
Program services	5,655,559	-	5,655,559	7,479,707
Support services	505,100	-	505,100	490,807
Fund raising	553,710	-	553,710	547,906
Total expenses	6,714,369	-	6,714,369	8,518,420
Changes in net assets	(206,975)	1,259,844	1,052,869	659,273
Net Assets, beginning of year	5,663,618	5,440,376	11,103,994	10,444,721
Net Assets, end of year	\$ 5,456,643	\$ 6,700,220	\$ 12,156,863	\$ 11,103,994

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 1,052,869	\$ 659,273
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gains) losses on investments	203,742	(789,828)
Dividends and interest reinvested	(66,052)	(114,219)
Depreciation and amortization	435,350	440,781
Contributions restricted for property and equipment and other long-term purposes	(1,043,004)	(121,805)
Non-cash contributions		
Fair market value when received	(422,090)	(481,107)
Cash proceeds from sales	1,012,553	170,937
Uncollectible accounts (recoveries)	(2,531)	(394)
(Gain) loss on sale of other assets	(234,463)	1,119
Provision for inventory obsolescence	-	(4,402)
(Increase) decrease in operating assets		
Trade accounts receivable	141,692	187,448
Contributions and bequests receivable	223,009	142,533
Inventory	69,410	19,755
Prepaid expenses	(30,497)	(2,694)
Increase (decrease) in operating liabilities		
Accounts payable	(54,669)	67,384
Accrued salaries, wages and employee benefits	31,819	15,087
Deferred income	(200,656)	(461,551)
Split interest agreements payable	(178,965)	(168,518)
Other current liabilities	(5,171)	(24,617)
Net cash provided by (used in) operating activities	932,346	(464,818)
Cash Flows from Investing Activities		
Net proceeds (purchases) of investments	(941,873)	175,999
Purchases of property and equipment	(133,880)	(306,832)
Net cash used in investing activities	(1,075,753)	(130,833)

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	2020	2019
Cash Flows from Financing Activities		
Proceeds from note payable	\$ 675,700	\$ -
Repayments on note payable	(98,621)	(126,670)
Collection of contributions restricted for property and equipment and other long-term purposes	1,043,004	121,805
Principal payments on capital lease obligations	(15,903)	(15,068)
Net payments on line of credit	(500,000)	-
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	1,104,180	(19,933)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	960,773	(615,584)
Cash and Cash Equivalents, beginning of year	965,659	1,581,243
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Cash and Cash Equivalents, end of year	\$ 1,926,432	\$ 965,659
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Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 303,330	\$ 349,955

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	Program Services	Support Services	Fund Raising	2020 Total	2019 Total
Advertising and prom	\$ 97,529	\$ 76	\$ 6,113	\$ 103,718	\$ 143,625
Bank fees	92,779	461	16,762	110,002	127,685
Board expenses	5,248	-	-	5,248	11,177
Books and tapes	5,873	-	383	6,256	52,352
Contracted services	860,102	25,852	12,355	898,309	1,055,323
Copyright expense	-	-	-	-	55
Cost of obsolescence	42,626	-	-	42,626	(2,771)
Curriculum development	-	-	-	-	2,550
Damaged goods expense	1,337	-	-	1,337	3,336
Depreciation and amortization	362,475	60,015	12,860	435,350	440,781
Dues and subscriptions	58,714	6,057	1,967	66,738	36,446
Employee recreation and welfare	6,083	3,850	3,727	13,660	7,686
Employee training	237	-	5	242	26,193
Equipment rental	78,349	-	-	78,349	87,472
External storage	16,775	292	-	17,067	17,626
General insurance	192,270	28,856	6,183	227,309	237,366
Graduation expense	337	-	-	337	977
Health insurance	248,380	41,895	8,978	299,253	299,812
Interest expense	264,830	39,572	-	304,402	351,020
Licenses and fees	48,536	6,810	4,755	60,101	75,560
Mail service	24,353	-	24,179	48,532	98,322
Materials	4,294	-	-	4,294	9,814
Miscellaneous expense	6,103	548	-	6,651	3,809
Office supplies	102,439	4,439	2,104	108,982	169,360
Organizational giving	150	-	-	150	250
Payroll services	26,162	3,464	-	29,626	32,930
Payroll taxes	167,673	16,620	22,317	206,610	234,946
Postage	85,211	-	24,945	110,156	243,118
Preservation expense	7,431	-	-	7,431	19,689
Printing	38,829	-	1,793	40,622	102,561
Professional services	100,511	5,703	7,335	113,549	55,638
Program expense	102,108	1,710	95,080	198,898	1,077,560
Repairs and maintenance	193,654	28,172	-	221,826	192,368
Salaries	2,263,665	211,737	296,407	2,771,809	3,047,607
Telephone expense	36,775	2,057	-	38,832	41,385
Travel and entertainment	20,770	65	5,462	26,297	104,056
Uncollectible accounts (recoveries)	12,477	-	-	12,477	(394)
Utilities and fuel	80,474	16,849	-	97,323	111,130
Total expense	\$ 5,655,559	\$ 505,100	\$ 553,710	\$ 6,714,369	\$ 8,518,420

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Association for Research and Enlightenment, Inc. (A.R.E.), Edgar Cayce Foundation (E.C.F.) and Atlantic University (A.U.) (collectively "the Organization") are nonstock, not-for-profit organizations headquartered in Virginia Beach, Virginia. Founded in 1931, A.R.E. offers conferences; educational activities, including publishing; and fellowship through programs and publications which focus on such topics as holistic health, dreams, reincarnation, ESP, the power of the mind, meditation, and personal spirituality. E.C.F. was established to preserve and disseminate the readings of Edgar Cayce. A.U. is an accredited, non-profit, multi-degree-granting, non-credit and graduate-level institution of higher education. Its purpose is to create a learning environment that will help individuals transform their lives as they learn to better understand themselves and their relationship to all life. The Organization receives the majority of its support from sales, contributions, fees for services, membership dues and tuition. A.R.E. is affiliated with E.C.F. and A.U., which require that all members of their respective Boards of Trustees be members of the Board of Trustees of A.R.E.

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of A.R.E., E.C.F. and A.U. All significant intercompany accounts and transactions have been eliminated. The financial statements of A.R.E., E.C.F. and A.U. have been consolidated pursuant to accounting standards which require organizations to present consolidated statements when an economic interest and control exists. Economic interest and control exists when one organization controls the related nonprofit entity through a majority voting interest in the board of the related entity, and has an economic interest in the related entity.

Basis of presentation: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Support that is restricted by the donor is, however, reported as an increase in net assets without donor restrictions if the restriction expires or is otherwise satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Details related to net assets with donor restrictions are included in Note 4 and Note 14.

The consolidated financial statements include certain prior-year summarized comparative information as totals only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents in the consolidated statements of financial position and cash flows are defined as demand deposits, overnight investments at banks, and all highly liquid debt instruments purchased with an original maturity of three months or less. However, money market accounts that are part of managed investment accounts are reported as investments.

Trade accounts receivable: The Organization routinely extends its members and customers trade credit, most of which is not collateralized or otherwise secured. At December 31, 2020, management has reviewed all accounts receivable for collectability and written off all accounts deemed uncollectible. There was an allowance for uncollectible accounts receivable of \$2,947 as of December 31, 2020.

A trade accounts receivable is deemed past due if payments are not received by the due date stated on the billing statement, which may vary for each customer. Past due accounts are not charged a finance charge on the past due balance. Past due receivables may only be charged off upon approval by management.

Contributions and bequests receivable: Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional contributions receivable are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. Bequests are recognized when a legally enforceable document is received or will have been validated after a donor's passing.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' collection experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions and bequests receivable as of December 31, 2020.

Inventory: Inventory, principally publications held for sale, is stated at the lower of cost or net realizable value, using the average cost method. The Organization has established an allowance for obsolete inventory of \$4,128 as of December 31, 2020.

Property and equipment: Property and equipment are reported at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation and amortization is computed by the straight-line method, based on the following useful lives:

Automobiles	2-5 years
Buildings and improvements	3-50 years
Computer equipment and software	3-10 years
General equipment	3-15 years
Land improvements	5-21 years

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Impairment of long-lived assets: In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10-05, *Accounting for the Impairment or Disposal of Long-Lived Assets*, management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Investments: The Organization reports investments in equity securities and debt securities at their fair values in the consolidated statement of financial position in accordance with FASB ASC Topic 958, Accounting for Certain Investments Held by Not-for-Profit Organizations and FASB ASC Topic 820, Fair Value Measurements and Disclosures. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Investment related expenses netted against investment revenues in 2020 were \$6,387.

This guidance requires expanded disclosures surrounding the Organization's investments and has been included in Note 6.

Donated assets: Noncash contributions are recorded at fair value on the date of donation and analyzed for potential impairment thereafter. Included in donated real estate is \$874,000 of retained life estate gifts that cannot be sold until the death of certain specified beneficiaries in accordance with the agreements and is therefore included in net assets with donor restrictions. Included among other assets are interests in other real estate, collections, and trust interests.

Edgar Cayce readings: The Organization owns the transcribed collection of Edgar Cayce's readings. The value of these readings is not reported in these consolidated financial statements since it is not susceptible to objective measurement or valuation.

Split-interest agreements: Split-interest agreements are contributions to be shared by the Organization and other beneficiaries. The contributions of this type received by the Organization are unconditional, irrevocable split-interest agreements and consist of two basic types: charitable gift annuities received and administered by the Organization and gifts to a pooled (life) income fund administered by a third-party trustee.

Charitable gift annuities are contributions of assets directly to the Organization in exchange for distributions of a fixed amount for a specified period of time to the donor or other beneficiary. The contributed assets are considered general unrestricted assets of the Organization, and the related annuity liability is recorded as an unrestricted general obligation.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Donations made to the Organization's pooled life income fund are received by a third-party trustee and used to purchase investment units in the fund. The fair value of any donation to this fund is compared to the fair value of the investment pool at the date of the donation to determine the number of units acquired. During the term of these life income gifts, the donors, or beneficiaries specified by the donor, if any, receive the actual income earned on the donor's units in the pooled fund. Upon the death of the donor, the donor's units revert to the Organization. Until that time, the assets in the pooled income fund are included in net assets with donor restrictions.

When the assets are received, they are recognized at fair value. Contribution revenue is recorded at the present value of the assets expected to be received upon the death of the donor using life expectancies specified in publications of the Internal Revenue Service. The difference between the fair value of the assets received and the contribution recognized represents the amount of discount associated with the gift, and is presented in the accompanying consolidated statement of financial position as deferred income. During the term of the agreement, amortization of this discount as well as re-valuations based on changes in life expectancy and other actuarial assumptions are recognized as a change in the value of split-interest agreements in the consolidated statement of activities.

All assets recognized from either charitable gift annuities or pooled life income fund donations are recorded at their fair value at the date of donation. Thereafter, investments are adjusted to their fair market value in accordance with U.S. generally accepted accounting principles.

Donations structured as gift annuities and pooled life income agreements are discounted at various rates and are also calculated using life expectancies specified in publications of the Internal Revenue Service.

Deferred income: In addition to the deferred income from pooled life income agreements explained above, deferred income results from tuition, payments for future tours and events, and similar payments received in advance. This income is recognized in subsequent years as services are rendered.

Advertising: Advertising costs are expensed to operations when incurred.

Contributed services: A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not reported in these consolidated financial statements since it is not susceptible to objective measurement or valuation nor does it meet the criteria for recognition in accordance with generally accepted accounting principles.

Functional expense allocations: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Directly identifiable expenses are allocated to program services, support services and fund raising. Expenses related to more than one function are charged to program services, support services, and fund raising based on estimates made by management. Allocations are based on departmental staffing levels and other methodologies. Support services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Revenue recognition: The Organization derives its revenue from sales, contributions, membership dues, fees for services, tuition, rental income, and other miscellaneous income sources.

Sales consist of amounts earned from the sale of metaphysical media, Cayce healthcare products, jewelry, gemstones, and other miscellaneous retail products. Retail and wholesale items can be purchased online or at the Organization's physical bookstore located in Virginia Beach, Virginia. Payment is collected at the point of sale for retail products sold through direct mail and at the bookstore. Wholesale orders are sold on credit with various payment terms, typically due within 90 to 120 days. Discounts are offered to A.R.E. members and wholesale orders based on payment terms. Sales revenues are recognized at a point in time as the Organization has no further performance obligations.

Fees for services consist of conferences, program tours, and other miscellaneous fees. The Organization holds several conferences each year, located at the Organization's headquarters in Virginia Beach, as well as various other locations and online. Conferences are typically a few days long and allow attendees to experience the wisdom of the Edgar Cayce readings in meaningful and practical ways. The Organization holds four to six program tours annually, which are typically to locations outside of the United State of America. Annual tours allow attendees to explore concepts in the Edgar Cayce material while visiting a variety of travel destinations. The tour content provides an education enrichment element that is not found on many tours, focusing on insights from the Cayce readings, dreams, past lives, and meditation. Fee-related revenue is recognized at a point in time as the Organization has no further performance obligation, generally when the services, conference or tour occurs. Tour deposits are held by the Organization to reserve an attendee's place for upcoming tours. Deposits are potentially refundable should the tour be cancelled.

Tuition revenue is generated from A.U. courses and A.R.E.'s Cayce-Reilly School of Massage. Tuition revenue is recognized over time as the semester occurs. Semester dates end for the Fall semester before the year closes, and the Winter semester starts after the new year begins. As a result, if classes are cancelled or students withdraw from courses, revenue is reversed before year-end for any amounts refunded.

Contributions and membership dues are recognized as revenue in accordance with FASB Topic 958 when a donor makes a contribution or promise to give that is unconditional. Membership dues are treated as contributions as there are no portion of the dues considered to be exchange transactions.

Rental income is recognized pursuant to FASB ASC 840. All leases are one year or less in duration and rental income is recognized on a straight-line basis over the lease term.

Income taxes: A.R.E. and its affiliates, E.C.F. and A.U., are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income, if any, resulting from unrelated business taxable income.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of the standard to its consolidated financial statements. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed. The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the lease guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years beginning after December 15, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

Note 2. Liquidity and Availability

Financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:

Cash and cash equivalents	\$ 717,460
Trade accounts receivable	451,790
Contributions and bequests receivable	25,000
Total financial assets available within one year	<u>1,194,250</u>

Liquidity resources:

Bank line of credit	<u>500,000</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 1,694,250</u></u>

The Organization's cash flows have seasonal variations during the year attributable mainly to tuition billing, timing of conferences and tours, and a concentration of contributions received at year end. A significant portion of the Organization's operations and programs are funded by fees, membership dues and tuition that are charged and collected on an annual basis. Any significant reduction in these revenues could necessitate the Organization to have a corresponding reduction in programs and services offered. To manage liquidity, the Organization maintains a line of credit to draw upon as needed during the year to manage cash flows. As of December 31, 2020, there was no outstanding balance on the line of credit.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Liquidity and Availability (Continued)

In addition, the Organization had an additional \$2,830,262 of investments functioning as a board-designated endowment, which is available for general expenditure with approval by the Board of Trustees.

Note 3. Contributions and Bequests Receivable

As disclosed in Note 6, FASB ASC 820, *Fair Value Measurements*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Long-term contributions and bequests receivables are initially recorded by the Organization at fair value using level 3 inputs and at net realizable thereafter. The present value technique is the primary input for this valuation and other inputs include an analysis of the donor's payment history, relationship with the donor, the donor's creditworthiness and other factors. In addition, a provision for uncollectible receivables is recorded as appropriate.

The table below presents information about the Organization's changes in contributions and bequests receivable for the year ended December 31, 2020:

Beginning balance	\$ 245,359
New promises received	25,000
Collections	<u>(245,359)</u>
Ending balance	<u><u>\$ 25,000</u></u>

The Organization's estimated future contributions receivable and bequest collections for the years subsequent to December 31, 2020 are as follows:

Due in less than one year	\$ 25,000
Due in one to five years	<u>-</u>
Gross unconditional contribution and bequest receivable	25,000
Less allowance for uncollectible receivables	-
Less discounts to net present value	<u>-</u>
Net unconditional contribution and bequest receivable	<u><u>\$ 25,000</u></u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Net Assets with Donor Restrictions

Net assets included in the net assets with donor restrictions classification have been received from donors that have restricted the use of the funds for a specific purpose and/or future period. The restrictions expire when obligations are incurred to fulfill the specified purpose or when time restrictions are satisfied.

Net assets with donor restrictions at December 31, 2020 are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:

Outreach	\$ 292,470
Fetzer	145,000
Library	34,961
Renovations	234,130
Scholarships	28,943
Search for God study group	27,634
Tarsia Center	337,200
Other programs	1,427
Atlantic University programs	101,811
Edgar Cayce Foundation programs	178,634
	<u>1,382,210</u>

Subject to the passage of time:

Retained life estate gifts	874,000
Pooled income	1,341,016
	<u>2,215,016</u>

Endowments:

Unappropriated endowment investment earnings	125,324
Original donor restricted gift amounts to be maintained in perpetuity	2,977,670
	<u>3,102,994</u>

Total endowments 3,102,994

Total net assets with donor restrictions \$ 6,700,220

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Property and Equipment

Property and equipment at December 31, 2020 is summarized below. Depreciation and amortization expense for 2020 was \$435,350. As of December 31, 2020, \$1,239,000 of the Organization's land and improvements was board designated for the endowment and included in net assets without donor restrictions. See Note 14 for more information on the endowment:

Automobiles	\$ 22,500
Buildings and improvements	7,818,670
Computer equipment and software	1,036,901
General equipment	1,735,799
Land and improvements	867,300
	<u>11,481,170</u>
Less accumulated depreciation	<u>4,994,956</u>
Net property and equipment	<u><u>\$ 6,486,214</u></u>

Note 6. Investments

Investments are presented in the consolidated financial statements at their fair value and are summarized below at December 31, 2020:

	<u>Cost</u>	<u>Market</u>
Split interest agreements:		
Corporate bond funds	\$ 867,082	\$ 945,158
Stocks and mutual funds	620,709	957,745
Money market funds	107,187	107,187
Total split interest agreements	<u>1,594,978</u>	<u>2,010,090</u>
Cash and securities:		
Stocks and mutual funds	3,755,915	4,068,751
Money market funds	600,283	600,283
Total cash and securities	<u>4,356,198</u>	<u>4,669,034</u>
Total investments	<u><u>\$ 5,951,176</u></u>	<u><u>\$ 6,679,124</u></u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Investments (Continued)

Fair value is determined using different valuation inputs. Pursuant to FASB ASC Topic 820, the levels of valuation hierarchy are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Unobservable inputs where fair value is based on estimates using the best information available.

As of December 31, 2020, assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 2	Total
Corporate bond funds	\$ 945,158	\$ -	\$ 945,158
Stocks and mutual funds	5,026,496	-	5,026,496
Money market funds	707,470	-	707,470
Total	\$ 6,679,124	\$ -	\$ 6,679,124

Note 7. Intangibles

Intangible assets for the Organization at December 31, 2020 are summarized below. Management reviews intangible assets for potential impairment annually. No impairments were identified by management for 2020.

Description	Term	Expiration	Cost	Impairment to Date	Net Book Value
Domain name	indefinite	N/A	\$ 80,405	\$ -	\$ 80,405
			\$ 80,405	\$ -	\$ 80,405

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Operating Leases

The Organization leases office equipment under several operating leases expiring at various dates through May 2025. Equipment rental expense attributable to these operating leases in 2020 was \$78,349.

Minimum future annual rent commitments under these agreements for the next 5 years are:

<u>Year</u>	<u>Amount</u>
2021	\$ 110,520
2022	110,520
2023	110,520
2024	110,520
2025	46,050
	<u>\$ 488,130</u>

Note 9. Capital Lease

The Organization acquired a phone system under a capital lease expiring in September 2021. The equipment had an original cost of \$74,315, which has been recorded in property and equipment. The amortization of the cost of this equipment is included in depreciation and amortization expense.

Total future lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 13,987
Less amount representing interest	<u>(443)</u>
Present value of minimum lease payments	<u><u>\$ 13,544</u></u>

Note 10. Employee Benefit Plan

The Organization offers a defined contribution benefit plan available to all qualifying employees. Employees are not required to complete any number of hours of service to receive credit for eligibility to the plan. Discretionary employer based contributions are permitted in accordance with the plan document. The Organization did not contribute to the plan in the year ended December 31, 2020.

Note 11. Concentration of Credit Risk

At December 31, 2020, and at various times during the year, the Organization had on deposit with a single financial institution more than \$250,000, which is the limit currently insured by the Federal Deposit Insurance Corporation.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Line of Credit

The Organization has a \$500,000 line of credit with Truist Bank, formerly Branch Banking and Trust Company (Truist or the Bank). The line is secured by specified real property and improvements of the Organization and bears interest at the Bank's prime rate (3.25% at December 31, 2020). There was no outstanding balance at December 31, 2020. The line of credit matures on November 5, 2021.

Note 13. Notes Payable

In May 2016, the Organization took out a loan of \$2,375,831, consolidating previous loans from the renovations, at a fixed rate. The loan was payable in 60 consecutive monthly installments of \$18,365 based on a 15 year amortization of principal and bears a fixed interest at 4.59%. The loan was to mature May 5, 2021. In December 2020, the Organization refinanced the loan with the same lender and the principal balance as of December 31, 2020 was \$1,846,005. The loan is now payable in 120 consecutive monthly installments of \$18,266 and bears a fixed interest rate at 3.49%. The loan is collateralized by real property, improvements and equipment owned by the Organization. The loan contains certain financial covenants.

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). Organizations who meet the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll, rent and utility expenses (qualified expenses). If the loan proceeds are fully utilized to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the Organization during the covered period as compared to a baseline time period. In April 2020, the Company received PPP loan proceeds of \$675,700. The loan bears interest at 1% and has an 18-month repayment window that would begin if forgiveness under the program is not approved in September 2021. In April 2021, the loan was forgiven in full. Subsequent to year end, the Organization received a second PPP loan totaling approximately \$526,000 in March 2021 with similar terms as the first PPP loan.

Notes payable and related current maturities consist of the following as of December 31, 2020:

Notes payable	\$ 2,521,705
Less current maturities	<u>645,571</u>
	<u><u>\$ 1,876,134</u></u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Note Payable (Continued)

Future aggregate maturities required on principal are as follows:

Year	Amount
2021	\$ 645,571
2022	352,579
2023	168,700
2024	174,863
2025	180,878
Thereafter	999,114
	\$ 2,521,705

Note 14. Endowment

FASB ASC 958-205-55 which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The Commonwealth of Virginia adopted UPMIFA on July 1, 2008. The following disclosures are made as required by FASB ASC 958-205-55.

The Organization's endowment consists of various individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees of the Organization has interpreted the UPMIFA as requiring the preservation of the historic 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 Organization classifies as perpetual net assets with donor restrictions (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 is included in accumulated investment gains and classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (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 Organization
- (7) The investment policies of the Organization

As of December 31, 2020, the Board of Trustees had designated \$2,830,262 of net assets without donor restrictions as a general endowment fund to specifically support general operations, expenses, outreach, and staffing, essentially those infrastructure costs that are not directly supported by sales, fundraising, fees and general contributions. Since that amount resulted from an internal designation and is not donor-restricted, it is classified as net assets without donor restrictions.

The Organization has a spending policy of appropriating for distribution each year 5% of its endowment fund's market value as of June 30 of the previous year. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to be less than the annual return, allowing its general endowment fund to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate greater than its 5% spending policy. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

As of December 31, 2020, the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,830,262	\$ -	\$ 2,830,262
Donor-restricted endowment funds			
Original donor restricted gift amounts to be maintained in perpetuity	-	2,977,670	2,977,670
Unappropriated earnings	-	125,324	125,324
	<u>\$ 2,830,262</u>	<u>\$ 3,102,994</u>	<u>\$ 5,933,256</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,198,044	\$ 2,224,063	\$ 5,422,107
Investment income (loss)	(285,125)	(61,783)	(346,908)
Contributions	-	1,044,710	1,044,710
Amounts appropriated for expenditure	(82,657)	(103,996)	(186,653)
Endowment net assets, end of year	<u>\$ 2,830,262</u>	<u>\$ 3,102,994</u>	<u>\$ 5,933,256</u>

Note 15. Related Party Transactions

The Organization is affiliated with other independently controlled nonprofit organizations that promote its missions in various locations throughout the United States. These organizations, referred to as “Regions,” are similarly exempt from income taxes as a group under Section 501(c)(3) of the Internal Revenue Code. The financial information for these Regions are not included in these consolidated financial statements, thus the activity has not been eliminated.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the CARES Act was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. In December 2020, additional legislation was enacted to provide further emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.

Note 17. Financial Responsibility Standards

The Organization participates in the federal Title IV student financial assistance programs, which require the Organization to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve Ratio, Equity Ratio and Net Income Ratio. These ratios utilize the following financial data of the Organization, which are not presented elsewhere within the notes to these consolidated financial statements, as of and for the year ended December 31, 2020.

The basis for the property and equipment, net - pre-implementation is based on the amounts reported in the Organization's most recently accepted financial statement submission to the ED prior to the effective date and implementation of 34 CFR 668.171, which for the Organization was December 31, 2018. These pre-implementation amounts have been adjusted by depreciation and amortization and other reductions for property, plant and equipment, net – pre-implementation. Post implementation property, plant and equipment, net are amounts of property, plant and equipment that the Organization has obtained since December 31, 2018, adjusted for depreciation and amortization and other reductions.

Property, plant and equipment: post-implementation – without outstanding debt for acquisition is calculated as follows:

Property, plant and equipment acquired after December 31, 2018	\$ 440,712
Less: accumulated depreciation related to post-implementation property, plant and equipment as of December 31, 2020	44,791
	<u>\$ 395,921</u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Contingencies

In April 2021, management became aware of lawsuits against the Organization but which have not yet been served. Management is currently reviewing these matters with legal counsel and as of this date, no determination as to the validity of the claims or potential for loss can be reasonably determined.

Note 19. Subsequent Events

The Organization has evaluated all events subsequent to December 31, 2020 through June 11, 2021, which is the date these consolidated financial statements were available to be issued. Management has determined, except as disclosed in Notes 13 and 18, that there are no subsequent events that are required to be disclosed pursuant to the FASB ASC.

CONSOLIDATING SUPPLEMENTARY INFORMATION

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2020 with Comparative Totals for December 31, 2019**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2020	2019
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 1,632,113	\$ 192,508	\$ 101,811	\$ -	\$ 1,926,432	\$ 965,659
Trade accounts receivable, net of allowance	343,719	-	108,071	-	451,790	593,601
Contributions and bequests receivable, net	25,000	-	-	-	25,000	245,359
Inventory, net of allowance	252,525	-	-	-	252,525	321,935
Prepaid expenses	242,691	915	-	-	243,606	213,109
Due from affiliates	232,358	-	-	(232,358)	-	-
Total current assets	2,728,406	193,423	209,882	(232,358)	2,899,353	2,339,663
Net Property and Equipment	6,403,696	82,518	-	-	6,486,214	6,787,684
Investments						
Split interest agreements	2,010,090	-	-	-	2,010,090	1,836,287
Cash and securities	4,259,076	37,200	372,758	-	4,669,034	4,038,654
Total investments	6,269,166	37,200	372,758	-	6,679,124	5,874,941
Other Assets						
Donated assets						
Real estate	890,709	-	-	-	890,709	1,246,709
Other	101,426	-	-	-	101,426	101,426
Intangibles	80,405	-	-	-	80,405	80,405
Total other assets	1,072,540	-	-	-	1,072,540	1,428,540
Total assets	\$ 16,473,808	\$ 313,141	\$ 582,640	\$ (232,358)	\$ 17,137,231	\$ 16,430,828
LIABILITIES AND NET ASSETS						
Current Liabilities						
Current portion of note payable	\$ 645,571	\$ -	\$ -	\$ -	\$ 645,571	\$ 132,252
Current portion of split interest agreements payable	127,450	-	-	-	127,450	147,950
Current portion of capital lease obligation	13,544	-	-	-	13,544	18,094
Line of credit	-	-	-	-	-	500,000
Accounts payable, trade	174,973	-	-	-	174,973	229,642
Accrued salaries, wages and employee benefits	181,523	-	13,241	-	194,764	162,945
Deferred income	419,494	-	83,598	-	503,092	699,209
Due to affiliate	-	-	232,358	(232,358)	-	-
Other current liabilities	46,274	-	-	-	46,274	51,445
Total current liabilities	1,608,829	-	329,197	(232,358)	1,705,668	1,941,537
Long-Term Liabilities, net of current portions						
Deferred income	657,506	-	-	-	657,506	662,045
Note payable	1,876,134	-	-	-	1,876,134	1,812,374
Capital lease obligation	-	-	-	-	-	11,353
Split interest agreements payable	741,060	-	-	-	741,060	899,525
Total long-term liabilities	3,274,700	-	-	-	3,274,700	3,385,297
Total liabilities	4,883,529	-	329,197	(232,358)	4,980,368	5,326,834
Net Assets						
Without donor restrictions	5,355,395	98,409	2,839	-	5,456,643	5,663,618
With donor restrictions	6,234,884	214,732	250,604	-	6,700,220	5,440,376
Total net assets	11,590,279	313,141	253,443	-	12,156,863	11,103,994
Total liabilities and net assets	\$ 16,473,808	\$ 313,141	\$ 582,640	\$ (232,358)	\$ 17,137,231	\$ 16,430,828

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2020	2019
Revenues, Gains and Other Support						
Sales	\$ 588,942	\$ -	\$ -	\$ -	\$ 588,942	\$ 891,483
Cost of sales	259,003	-	-	-	259,003	390,220
Gross profit from sales	329,939	-	-	-	329,939	501,263
Contributions						
Contributions, without donor restrictions	2,132,353	17,694	8,146	-	2,158,193	1,264,905
Contributions, with donor restrictions	382,201	16,843	28,820	-	427,864	744,943
Bequests, without donor restrictions	609,508	5,000	-	-	614,508	714,675
Bequests, with donor restrictions	554,482	-	-	-	554,482	-
Noncash, contributions without donor restrictions	24,662	-	-	-	24,662	119,916
Noncash, contributions with donor restrictions	397,326	80,913	-	-	478,239	364,284
Change in value of split-interest agreements						
With donor restrictions	4,539	-	-	-	4,539	17,635
Dues						
Life membership	190,185	-	-	-	190,185	157,380
Other categories	1,015,603	-	-	-	1,015,603	804,066
Fees for services						
Conference fees	524,099	-	-	-	524,099	730,483
Health services fees	398,992	-	-	-	398,992	837,991
Tour fees	4,499	-	-	-	4,499	964,258
All other fees for services	53,918	-	-	-	53,918	246,266
Gain (loss) on sale of other assets						
Without donor restrictions	116,621	907	-	-	117,528	(1,119)
With donor restrictions	119,792	-	-	-	119,792	-
Investment income (loss)						
Dividends and interest, without donor restrictions	18,087	-	2,022	-	20,109	56,277
Dividends and interest, with donor restrictions	42,737	56	3,150	-	45,943	57,942
Gains (losses) on investments						
Without donor restrictions	(249,169)	-	(46,856)	-	(296,025)	289,373
With donor restrictions	102,825	(1,161)	(9,381)	-	92,283	500,455
Rental income	30,085	-	-	-	30,085	38,507
Other income	42,528	477	16,456	-	59,461	48,842
Postage and handling	3,296	-	-	-	3,296	8,042
Royalty income	29,498	866	-	-	30,364	27,035
Tuition	416,356	-	348,324	-	764,680	684,274
Total revenues, gains and other support	7,294,962	121,595	350,681	-	7,767,238	9,177,693
Program services	5,232,574	81,495	341,490	-	5,655,559	7,479,707
Support services	479,399	-	25,701	-	505,100	490,807
Fund raising	545,143	-	8,567	-	553,710	547,906
Total expenses	6,257,116	81,495	375,758	-	6,714,369	8,518,420
Changes in Net Assets	1,037,846	40,100	(25,077)	-	1,052,869	659,273
Net Assets, beginning of year	10,552,433	273,041	278,520	-	11,103,994	10,444,721
Net Assets, end of year	\$ 11,590,279	\$ 313,141	\$ 253,443	\$ -	\$ 12,156,863	\$ 11,103,994
Change in Net Assets Accounted for as Follows:						
Without donor restrictions	\$ (195,485)	\$ 5,298	\$ (16,788)	\$ -	\$ (206,975)	\$ (364,619)
With donor restrictions	1,233,331	34,802	(8,289)	-	1,259,844	1,023,892
Change in net assets	\$ 1,037,846	\$ 40,100	\$ (25,077)	\$ -	\$ 1,052,869	\$ 659,273

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2020	2019
Cash Flows from Operating Activities						
Change in net assets	\$ 1,037,846	\$ 40,100	\$ (25,077)	\$ -	\$ 1,052,869	\$ 659,273
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Realized and unrealized (gains) losses						
on investments	146,344	1,161	56,237	-	203,742	(789,828)
Dividends and interest reinvested	(60,824)	(56)	(5,172)	-	(66,052)	(114,219)
Depreciation and amortization	428,681	6,669	-	-	435,350	440,781
Contributions restricted for property and equipment and other long-term purposes	(1,043,004)	-	-	-	(1,043,004)	(121,805)
Non-cash contributions						
Fair market value when received	(422,090)	-	-	-	(422,090)	(481,107)
Cash proceeds from sales	1,012,553	-	-	-	1,012,553	170,937
Uncollectible accounts (recoveries)	(2,656)	-	125	-	(2,531)	(394)
(Gain) loss on sale of other assets	(234,463)	-	-	-	(234,463)	1,119
Provision for inventory obsolescence	-	-	-	-	-	(4,402)
(Increase) decrease in operating assets						
Trade accounts receivable	211,262	-	(69,570)	-	141,692	187,448
Contributions and bequests receivable	223,009	-	-	-	223,009	142,533
Inventory	69,410	-	-	-	69,410	19,755
Prepaid expenses	(30,496)	(1)	-	-	(30,497)	(2,694)
Due from affiliate	2,673	-	-	(2,673)	-	-
Increase (decrease) in operating liabilities						
Accounts payable	(54,669)	-	-	-	(54,669)	67,384
Accrued salaries, wages and employee benefits	29,267	-	2,552	-	31,819	15,087
Deferred income	(225,562)	-	24,906	-	(200,656)	(461,551)
Due to affiliate	-	-	(2,673)	2,673	-	-
Split interest agreements payable	(178,965)	-	-	-	(178,965)	(168,518)
Other current liabilities	(5,171)	-	-	-	(5,171)	(24,617)
Net cash provided by (used in) operating activities	903,145	47,873	(18,672)	-	932,346	(464,818)
Cash Flows from Investing Activities						
Net proceeds (purchases) of investments	(953,958)	(10,221)	22,306	-	(941,873)	175,999
Purchases of property and equipment	(133,880)	-	-	-	(133,880)	(306,832)
Net cash provided by (used in) investing activities	(1,087,838)	(10,221)	22,306	-	(1,075,753)	(130,833)

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2020 with Comparative Totals for the Year Ended
December 31, 2019**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2020	2019
Cash Flows from Financing Activities						
Proceeds from note payable	\$ 675,700	\$ -	\$ -	\$ -	\$ 675,700	\$ -
Repayments on note payable	(98,621)	-	-	-	(98,621)	(126,670)
Collection of contributions restricted for property and equipment and other long-term purposes	1,043,004	-	-	-	1,043,004	121,805
Principal payments on capital lease obligations	(15,903)	-	-	-	(15,903)	(15,068)
Net payments on line of credit	(500,000)	-	-	-	(500,000)	-
Net cash provided by (used in) financing activities	1,104,180	-	-	-	1,104,180	(19,933)
Net increase (decrease) in cash and cash equivalents	919,487	37,652	3,634	-	960,773	(615,584)
Cash and Cash Equivalents, beginning of year	712,626	154,856	98,177	-	965,659	1,581,243
Cash and Cash Equivalents, end of year	<u>\$ 1,632,113</u>	<u>\$ 192,508</u>	<u>\$ 101,811</u>	<u>\$ -</u>	<u>\$ 1,926,432</u>	<u>\$ 965,659</u>
Supplemental Disclosure of Cash Flow Information						
Interest paid	\$ 303,330	\$ -	\$ -	\$ -	\$ 303,330	\$ 349,955

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020 with Comparative Totals for the Year Ended December 31, 2019

	A.R.E.				E.C.F.	A.U.				Eliminations	Consolidated	
	Program Services	Support Services	Fund Raising	A.R.E. Total		Program Services	Program Services	Support Services	Fund Raising		A.U. Total	2020
Advertising and prom	\$ 80,902	\$ 76	\$ 6,113	\$ 87,091	\$ 38	\$ 16,589	\$ -	\$ -	\$ 16,589	\$ -	\$ 103,718	\$ 143,625
Bank fees	92,516	461	16,762	109,739	-	263	-	-	263	-	110,002	127,685
Board expenses	5,248	-	-	5,248	-	-	-	-	-	-	5,248	11,177
Books and tapes	5,822	-	383	6,205	-	51	-	-	51	-	6,256	52,352
Contracted services	745,094	25,852	12,355	783,301	-	115,008	-	-	115,008	-	898,309	1,055,323
Contributions to (from) affiliates	7,500	-	-	7,500	-	(7,500)	-	-	(7,500)	-	-	-
Copyright expense	-	-	-	-	-	-	-	-	-	-	-	55
Cost of obsolescence	42,626	-	-	42,626	-	-	-	-	-	-	42,626	(2,771)
Curriculum development	-	-	-	-	-	-	-	-	-	-	-	2,550
Damaged goods expense	1,337	-	-	1,337	-	-	-	-	-	-	1,337	3,336
Depreciation and amortization	355,806	60,015	12,860	428,681	6,669	-	-	-	-	-	435,350	440,781
Dues and subscriptions	58,714	6,057	1,967	66,738	-	-	-	-	-	-	66,738	36,446
Employee recreation and welfare	6,083	3,850	3,727	13,660	-	-	-	-	-	-	13,660	7,686
Employee training	237	-	5	242	-	-	-	-	-	-	242	26,193
Equipment rental	77,940	-	-	77,940	-	409	-	-	409	-	78,349	87,472
External storage	16,775	292	-	17,067	-	-	-	-	-	-	17,067	17,626
General insurance	192,270	28,856	6,183	227,309	-	-	-	-	-	-	227,309	237,366
Graduation expense	337	-	-	337	-	-	-	-	-	-	337	977
Health insurance	248,380	41,895	8,978	299,253	-	-	-	-	-	-	299,253	299,812
Interest expense	264,830	39,572	-	304,402	-	-	-	-	-	-	304,402	351,020
Licenses and fees	35,716	6,810	4,755	47,281	-	12,820	-	-	12,820	-	60,101	75,560
Mail service	24,353	-	24,179	48,532	-	-	-	-	-	-	48,532	98,322
Materials	4,294	-	-	4,294	-	-	-	-	-	-	4,294	9,814
Miscellaneous expense	6,103	548	-	6,651	-	-	-	-	-	-	6,651	3,809
Office supplies	98,112	4,439	2,104	104,655	2,267	2,060	-	-	2,060	-	108,982	169,360
Organizational giving	150	-	-	150	-	-	-	-	-	-	150	250
Payroll services	23,180	3,464	-	26,644	-	2,982	-	-	2,982	-	29,626	32,930
Payroll taxes	152,545	14,716	21,682	188,943	4,552	10,576	1,904	635	13,115	-	206,610	234,946
Postage	84,525	-	24,945	109,470	-	686	-	-	686	-	110,156	243,118
Preservation expense	-	-	-	-	7,431	-	-	-	-	-	7,431	19,689
Printing	38,829	-	1,793	40,622	-	-	-	-	-	-	40,622	102,561
Professional services	96,876	5,703	7,335	109,914	1,695	1,940	-	-	1,940	-	113,549	55,638
Program expense	71,769	1,710	95,080	168,559	-	30,339	-	-	30,339	-	198,898	1,077,560
Repairs and maintenance	193,654	28,172	-	221,826	-	-	-	-	-	-	221,826	192,368
Salaries	2,050,577	187,940	288,475	2,526,992	58,773	154,315	23,797	7,932	186,044	-	2,771,809	3,047,607
Telephone expense	36,775	2,057	-	38,832	-	-	-	-	-	-	38,832	41,385
Travel and entertainment	19,748	65	5,462	25,275	70	952	-	-	952	-	26,297	104,056
Uncollectible accounts (recoveries)	12,477	-	-	12,477	-	-	-	-	-	-	12,477	(394)
Utilities and fuel	80,474	16,849	-	97,323	-	-	-	-	-	-	97,323	111,130
Total expenses	\$ 5,232,574	\$ 479,399	\$ 545,143	\$ 6,257,116	\$ 81,495	\$ 341,490	\$ 25,701	\$ 8,567	\$ 375,758	\$ -	\$ 6,714,369	\$ 8,518,420

ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC. AND AFFILIATES

FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE

December 31, 2020

Financial Statement & Financial Statement Line Item or Footnote Disclosure		Financial Statement Line Item Amount	Amount Used for Ratio
Primary Reserve Ratio			
Expendable Net Assets			
Statement of Financial Position - Net Assets without Donor Restrictions	Net assets without donor restrictions		\$ 5,456,643
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Net assets with donor restrictions		6,700,220
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Net assets with donor restrictions; restricted in perpetuity		2,977,670
N/A	Annuities with donor restrictions		-
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Term endowments with donor restrictions		125,324
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Life income funds with donor restrictions		2,215,016
N/A	Secured and unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Subtotal of rows 18-21, Statement of Financial Position	Property, plant and equipment, net, including construction in progress	6,486,214	
Statement of Financial Position - Net Property and Equipment	Property, plant and equipment; pre-implementation, leases grandfathered		6,090,293
N/A	Property, plant and equipment; post-implementation - with outstanding debt for acquisition		-
Note 17 to the Financial Statements - Financial Responsibility Standards	Property, plant and equipment: post-implementation - without outstanding debt for acquisition		395,921
N/A	Construction in progress		-
N/A	Lease right of use assets, net	-	
N/A	Lease right of use assets; pre-implementation, leases are grandfathered		-
N/A	Lease right of use assets; post-implementation		-
Note 7 to the Financial Statements - Intangibles	Intangible assets		80,405
N/A	Post-employment and pension liabilities		-
None	Long-term debt; for long term purposes	1,859,549	
Note 13 to the Financial Statements - Note Payable and Note 9 to the Financial Statements - Capital lease	Long-term debt; for long term purposes pre-implementation, debt grandfathered		1,859,549
N/A	Long-term debt; for long term purposes post-implementation		-
N/A	Line of Credit for Construction in progress		-
N/A	Right of use asset lease obligation	-	
N/A	Right of use asset lease obligation; pre-implementation, leases grandfathered		-
N/A	Right of use asset lease obligation; post-implementation		-
Total Expendable Net Assets			2,131,783
Total Expenses and Losses			
Statement of Activities - total expenses	Total expenses without donor restrictions		6,714,369
Statement of Activities - Losses on investments	Investment loss, net investment return appropriated for spending	203,742	

N/A	Other components of net periodic pension costs	-	
N/A	Change in value of split interest agreements	-	
N/A	Other losses	-	
N/A	Pension-related changes other than net periodic pension costs	-	
Subtotal of rows 37-41	Non-operating and net investment loss		203,742
N/A	Investment loss, net investment return appropriated for spending		203,742
N/A	Pension-related changes other than net periodic costs		-
Total expenses and losses			6,714,369

Equity Ratio			
Modified Net Assets			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		5,456,643
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		6,700,220
Note 7 to the Financial Statements - Intangibles	Intangible assets		80,405
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified net assets			12,076,458
Modified Assets			
Statement of Financial Position - total assets	Total assets		17,137,231
N/A	Lease right-of-use asset; pre-implementation, leases grandfathered		-
N/A	Lease right-of-use liability; pre-implementation, leases grandfathered		-
Note 7 to the Financial Statements - Intangibles	Intangible assets		80,405
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified assets			17,056,826
Net Income Ratio			
Change in Net Assets Without Donor Restrictions			
Statement of Activities - change in net assets without donor restrictions	Change in Net Assets Without Donor Restrictions; increase (decrease)		(206,975)
Total Revenue and Gains			
Statement of Activities - total revenues, gains and other support without donor restrictions	Total revenue without donor restrictions, including net assets released from restrictions (Includes total net investment return, including investment return appropriated for spending)	6,507,394	
Note 14 to the Financial Statements - Endowment (without donor restrictions)	Net investment return appropriated for spending	82,657	
N/A	Total net investment return, including investment return appropriated for spending	-	
N/A	Change in value of split-interest agreements	-	
Statement of Activities - Gain on sale of assets	Other gains	117,528	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			6,542,265



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Association for Research and Enlightenment, Inc. and Affiliates

We have audited, in accordance with the 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, the consolidated financial statements of Association for Research and Enlightenment, Inc. and Affiliates (the “Organization”) which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Norfolk, Virginia
June 11, 2021