

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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2021



ASSURANCE, TAX & ADVISORY SERVICES

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4 – 5
Consolidated Statement of Activities	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8 – 9
Notes to Consolidated Financial Statements	10 – 25
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27
Consolidating Statement of Functional Expenses	28
Consolidating Statement of Cash Flows	29 – 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 Audit of the Financial Statements

Opinion

We have audited 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, 2021, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 July 25, 2022 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
July 25, 2022

CONSOLIDATED FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2021 with Comparative Totals for December 31, 2020**

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,431,763	\$ 1,926,432
Trade accounts receivable, net of allowance	291,871	451,790
Contributions and bequests receivable	286,964	25,000
Inventory, net of allowance	212,936	252,525
Prepaid expenses	427,916	243,606
	<hr/>	<hr/>
Total current assets	3,651,450	2,899,353
	<hr/>	<hr/>
Net Property and Equipment	6,555,734	6,486,214
	<hr/>	<hr/>
Investments		
Split interest agreements	2,127,937	2,010,090
Cash and securities	7,344,995	4,669,034
	<hr/>	<hr/>
Total investments	9,472,932	6,679,124
	<hr/>	<hr/>
Other Assets		
Donated assets		
Real estate	874,000	890,709
Other	139,832	101,426
Intangibles	80,405	80,405
	<hr/>	<hr/>
Total other assets	1,094,237	1,072,540
	<hr/>	<hr/>
Total assets	\$ 20,774,353	\$ 17,137,231
	<hr/> <hr/>	<hr/> <hr/>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2021 with Comparative Totals for December 31, 2020**

	2021	2020
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 162,922	\$ 645,571
Current portion of split interest agreements payable	127,450	127,450
Current portion of capital lease obligation	7,919	13,544
Line of credit	500,000	-
Accounts payable, trade	254,476	174,973
Accrued salaries, wages and employee benefits	375,288	194,764
Deferred income	277,326	503,092
Other current liabilities	46,702	46,274
	1,752,083	1,705,668
Long-Term Liabilities, net of current portions		
Deferred income	706,594	657,506
Notes payable	1,527,445	1,876,134
Capital lease obligation	1,320	-
Split interest agreements payable	526,309	741,060
	2,761,668	3,274,700
	4,513,751	4,980,368
Net Assets		
Without donor restrictions	6,697,111	5,456,643
With donor restrictions	9,563,491	6,700,220
	16,260,602	12,156,863
	\$ 20,774,353	\$ 17,137,231

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

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended December 31, 2021 with Comparative Totals for the Year Ended
December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, Gains and Other Support				
Sales	\$ 729,845	\$ -	\$ 729,845	\$ 588,942
Cost of sales	262,976	-	262,976	259,003
Gross profit from sales	466,869	-	466,869	329,939
Contributions				
Donors	1,322,308	494,878	1,817,186	2,586,057
Bequests	1,463,061	15,776	1,478,837	1,168,990
Noncash	919,699	2,381,057	3,300,756	502,901
Change in value of split-interest agreements	-	(49,088)	(49,088)	4,539
Dues				
Life membership	130,162	-	130,162	190,185
Other categories	701,633	-	701,633	1,015,603
Fees for services				
Conference fees	301,890	-	301,890	524,099
Health services fees	602,105	-	602,105	398,992
Tour fees (refunds)	(3,332)	-	(3,332)	4,499
All other fees for services	80,196	-	80,196	53,918
Gain (loss) on sale of other assets	59,990	191	60,181	237,320
Investment income (loss)				
Dividends and interest	29,445	94,269	123,714	66,052
Gains (losses) on investments	25,887	417,176	443,063	(203,742)
Rental income	33,060	-	33,060	30,085
Other income	1,589,855	-	1,589,855	59,461
Postage and handling	270	-	270	3,296
Royalty income	29,739	-	29,739	30,364
Tuition	842,317	-	842,317	764,680
Net assets released from restriction	490,988	(490,988)	-	-
Total revenues, gains and other support	9,086,142	2,863,271	11,949,413	7,767,238
Program services	6,560,142	-	6,560,142	5,655,559
Support services	617,667	-	617,667	505,100
Fund raising	667,865	-	667,865	553,710
Total expenses	7,845,674	-	7,845,674	6,714,369
Changes in net assets	1,240,468	2,863,271	4,103,739	1,052,869
Net Assets, beginning of year	5,456,643	6,700,220	12,156,863	11,103,994
Net Assets, end of year	\$ 6,697,111	\$ 9,563,491	\$ 16,260,602	\$ 12,156,863

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021 with Comparative Totals for the Year Ended
December 31, 2020**

	Program Services	Support Services	Fund Raising	2021 Total	2020 Total
Advertising and promotion	\$ 142,363	\$ -	\$ 14,563	\$ 156,926	\$ 103,718
Bank fees	81,266	134	11,321	92,721	110,002
Board expenses	13,880	-	-	13,880	5,248
Books and tapes	3,926	-	127	4,053	6,256
Contracted services	1,091,244	46,442	10,508	1,148,194	898,309
Cost of obsolescence	-	-	-	-	42,626
Curriculum development	4,825	-	-	4,825	-
Damaged goods expense	681	-	-	681	1,337
Depreciation and amortization	396,367	65,732	14,086	476,185	435,350
Dues and subscriptions	93,718	11,527	1,089	106,334	66,738
Employee recreation and welfare	35,150	5,723	1,181	42,054	13,660
Employee training	7,523	2,145	374	10,042	242
Equipment rental	120,346	-	-	120,346	78,349
External storage	18,070	364	-	18,434	17,067
General insurance	213,401	32,413	6,946	252,760	227,309
Graduation expense	1,495	-	-	1,495	337
Health insurance	297,714	50,217	10,760	358,691	299,253
Interest expense	158,610	23,700	-	182,310	304,402
Licenses and fees	47,698	10,157	1,170	59,025	60,101
Mail service	16,489	-	22,767	39,256	48,532
Materials	7,548	-	-	7,548	4,294
Miscellaneous expense	1,695	60	-	1,755	6,651
Office supplies	108,460	4,308	1,744	114,512	108,982
Organizational giving	-	-	-	-	150
Payroll services	28,674	3,797	-	32,471	29,626
Payroll taxes	196,610	21,633	29,071	247,314	206,610
Postage	63,527	-	27,467	90,994	110,156
Preservation expense	6,405	-	-	6,405	7,431
Printing	39,997	-	828	40,825	40,622
Professional services	288,307	5,108	38,377	331,792	113,549
Program expense	126,355	-	83,696	210,051	198,898
Repairs and maintenance	190,232	27,347	-	217,579	221,826
Salaries	2,613,382	285,746	386,113	3,285,241	2,771,809
Scholarship expense	2,750	-	-	2,750	-
Telephone expense	41,691	3,379	-	45,070	38,832
Travel and entertainment	13,332	116	5,677	19,125	26,297
Uncollectible accounts (recoveries)	623	-	-	623	12,477
Utilities and fuel	85,788	17,619	-	103,407	97,323
Total expenses	\$ 6,560,142	\$ 617,667	\$ 667,865	\$ 7,845,674	\$ 6,714,369

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2021 with Comparative Totals for the Year Ended
December 31, 2020**

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 4,103,739	\$ 1,052,869
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gains) losses on investments	(443,063)	203,742
Dividends and interest reinvested	(123,714)	(66,052)
Depreciation and amortization	476,185	435,350
Contributions restricted for property and equipment and other long-term purposes	(2,562,780)	(1,043,004)
Non-cash contributions		
Fair market value when received	(1,384,664)	(422,090)
Cash proceeds from sales	1,393,303	1,012,553
Uncollectible accounts (recoveries)	(2,656)	(2,531)
Paycheck Protection Program loan forgiveness	(675,700)	-
Loss on sale of property and equipment	6,580	-
(Gain) loss on sale of other assets	(30,336)	(234,463)
(Increase) decrease in operating assets		
Trade accounts receivable	159,925	141,692
Contributions and bequests receivable	(259,314)	223,009
Inventory	39,589	69,410
Prepaid expenses	(184,310)	(30,497)
Increase (decrease) in operating liabilities		
Accounts payable	79,503	(54,669)
Accrued salaries, wages and employee benefits	180,524	31,819
Deferred income	(176,678)	(200,656)
Split interest agreements payable	(214,751)	(178,965)
Other current liabilities	428	(5,171)
Net cash provided by operating activities	381,810	932,346
Cash Flows from Investing Activities		
Net purchases of investments	(2,227,031)	(941,873)
Net purchases of property and equipment	(552,285)	(133,880)
Net cash used in investing activities	(2,779,316)	(1,075,753)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2021 with Comparative Totals for the Year Ended
December 31, 2020**

	2021	2020
Cash Flows from Financing Activities		
Proceeds from note payable	\$ -	\$ 675,700
Repayments on note payable	(155,638)	(98,621)
Collection of contributions restricted for property and equipment and other long-term purposes	2,562,780	1,043,004
Principal payments on capital lease obligations	(4,305)	(15,903)
Net proceeds (payments) on line of credit	500,000	(500,000)
	<hr/>	<hr/>
Net cash provided by financing activities	2,902,837	1,104,180
	<hr/>	<hr/>
Net increase in cash and cash equivalents	505,331	960,773
Cash and Cash Equivalents, beginning of year	<hr/> 1,926,432	965,659
Cash and Cash Equivalents, end of year	<hr/> \$ 2,431,763	<hr/> \$ 1,926,432
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 182,310	\$ 303,330

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, 2020, from which the summarized information was derived.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, 2021, 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, 2021.

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, 2021.

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, 2021.

Property and equipment: Property and equipment are reported at cost or, if donated, at the approximate fair 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

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 2021 were \$5,013.

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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

In July 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The guidance in this ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact the adoption of this guidance will have on its 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	\$ 1,306,425
Trade accounts receivable	291,871
Spending rate appropriations on donor restricted endowment funds	208,257
Contributions and bequests receivable	286,964
Total financial assets available within one year	2,093,517

Liquidity resources:

Bank line of credit	-
Total financial assets and liquidity resources available within one year	\$ 2,093,517

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, 2021, the outstanding balance on the line of credit was \$500,000.

**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 \$2,754,367 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, 2021:

Beginning balance	\$ 25,000
New promises received	286,964
Collections	<u>(25,000)</u>
Ending balance	<u><u>\$ 286,964</u></u>

The Organization's estimated future contributions receivable and bequest collections for the years subsequent to December 31, 2021 are as follows:

Due in less than one year	\$ 286,964
Due in one to five years	<u>-</u>
Gross unconditional contribution and bequests receivable	286,964
Less allowance for uncollectible receivables	-
Less discounts to net present value	<u>-</u>
Net unconditional contribution and bequests receivable	<u><u>\$ 286,964</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, 2021 are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:

Outreach	\$ 218,229
Library	40,000
Renovations	242,089
Scholarships	46,947
Search for God study group	27,634
Tarsia Center	337,200
Other programs	99,312
Atlantic University programs	106,915
Edgar Cayce Foundation programs	133,404
	<hr/>
	1,251,730

Subject to the passage of time:

Retained life estate gifts	874,000
Pooled income	1,410,141
	<hr/>
	2,284,141

Endowments:

Unappropriated endowment investment earnings	434,735
Original donor restricted gift amounts to be maintained in perpetuity	5,592,885
	<hr/>

Total endowments

 6,027,620

Total net assets with donor restrictions

 \$ 9,563,491

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Property and Equipment

Property and equipment at December 31, 2021 is summarized below. Depreciation and amortization expense for 2021 was \$476,185. As of December 31, 2021, \$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		7,948,568
Computer equipment and software		1,164,286
General equipment		1,754,238
Land and improvements		1,127,899
		<u>12,017,491</u>
Less accumulated depreciation		<u>5,461,757</u>
Net property and equipment	\$	<u>6,555,734</u>

Note 6. Investments

Investments are presented in the consolidated financial statements at their fair value and are summarized below at December 31, 2021:

	<u>Cost</u>	<u>Market</u>
Split interest agreements:		
Corporate bond funds	\$ 1,061,908	\$ 1,107,190
Stocks and mutual funds	612,803	954,364
Money market funds	66,383	66,383
Total split interest agreements	<u>1,741,094</u>	<u>2,127,937</u>
Cash and securities:		
Stocks and mutual funds	6,888,770	7,344,995
Total cash and securities	<u>6,888,770</u>	<u>7,344,995</u>
Total investments	<u>\$ 8,629,864</u>	<u>\$ 9,472,932</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, 2021, assets measured at fair value on a recurring basis are as follows:

	Level 1	Total
Corporate bond funds	\$ 1,107,190	\$ 1,107,190
Stocks and mutual funds	8,299,359	8,299,359
Money market funds	66,383	66,383
Total	\$ 9,472,932	\$ 9,472,932

Note 7. Intangibles

Intangible assets for the Organization at December 31, 2021 are summarized below. Management reviews intangible assets for potential impairment annually. No impairments were identified by management for 2021.

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 2021 was \$108,638.

Minimum future annual rent commitments under these agreements for the next 4 years are:

<u>Year</u>	<u>Amount</u>
2022	\$ 110,520
2023	110,520
2024	110,520
2025	46,050
	<u>\$ 377,610</u>

Note 9. Capital Lease

The Organization acquired a phone system under a capital lease expiring in February 2023. The equipment had an original cost of \$15,838, 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>
2022	\$ 9,384
2023	1,564
Less amount representing interest	<u>(1,709)</u>
Present value of minimum lease payments	<u>\$ 9,239</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, 2021.

Note 11. Concentration of Credit Risk

At December 31, 2021, 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 and provides for a minimum interest rate of 3.25% (3.25% at December 31, 2021). There was an outstanding balance of \$500,000 at December 31, 2021. The line of credit matures on November 5, 2022.

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 outstanding loan principal of \$1,846,005 with the same lender. 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. The principal balance as of December 31, 2021 was \$1,690,367.

Notes payable and related current maturities consist of the following as of December 31, 2021:

Notes payable	\$ 1,690,367
Less current maturities	<u>162,922</u>
	<u>\$ 1,527,445</u>

Future aggregate maturities required on principal are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 162,992
2023	168,700
2024	174,863
2025	180,878
2026	187,292
Thereafter	<u>815,642</u>
	<u>\$ 1,690,367</u>

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

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.

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, 2021, the Board of Trustees had designated \$2,754,367 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

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.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, a deficiency of this nature is reported in net assets with donor restrictions. As of December 31, 2021, no such deficiency existed.

As of December 31, 2021, the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,754,367	\$ -	\$ 2,754,367
Donor-restricted endowment funds			
Original donor restricted gift amounts to be maintained in perpetuity	-	5,592,885	5,592,885
Unappropriated earnings	-	434,735	434,735
	<u>\$ 2,754,367</u>	<u>\$ 6,027,620</u>	<u>\$ 8,781,987</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,830,262	\$ 3,102,994	\$ 5,933,256
Investment income	56,544	394,722	451,266
Contributions	-	2,615,115	2,615,115
Amounts appropriated for expenditure	(132,439)	(85,211)	(217,650)
Endowment net assets, end of year	<u>\$ 2,754,367</u>	<u>\$ 6,027,620</u>	<u>\$ 8,781,987</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Note 16. 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, 2021.

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	\$ 1,058,560
Less: accumulated depreciation related to post-implementation property, plant and equipment as of December 31, 2021	<u>132,962</u>
	<u><u>\$ 925,598</u></u>

Note 17. Contingencies

Various lawsuits have been filed against the Organization. Legal counsel has advised there is at least a 50% chance of an unfavorable outcome but that there is very little chance an unfavorable outcome will exceed the Organization’s insurance coverage limits. As a result, management has not accrued any loss contingency related to these matters.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Paycheck Protection Program

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 Organization 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 April 2021, the loan was forgiven in full and included in other income on the statement of activities for the year ended December 31, 2021. In March 2021, the Organization received a second PPP loan totaling \$526,271 with similar terms as the first PPP loan. In August 2021, the loan was forgiven in full and included in other income on the statement of activities for the year ended December 31, 2021.

Note 19. Subsequent Events

The Organization has evaluated all events subsequent to December 31, 2021 through July 25, 2022, which is the date these consolidated financial statements were available to be issued. Management has determined, except as disclosed in Note 17, 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, 2021 with Comparative Totals for December 31, 2020**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 2,154,382	\$ 170,466	\$ 106,915	\$ -	\$ 2,431,763	\$ 1,926,432
Trade accounts receivable, net of allowance	221,505	-	70,366	-	291,871	451,790
Contributions and bequests receivable	286,964	-	-	-	286,964	25,000
Inventory, net of allowance	212,936	-	-	-	212,936	252,525
Prepaid expenses	427,002	914	-	-	427,916	243,606
Due from affiliates	199,290	-	-	(199,290)	-	-
Total current assets	3,502,079	171,380	177,281	(199,290)	3,651,450	2,899,353
Net Property and Equipment	6,479,885	75,849	-	-	6,555,734	6,486,214
Investments						
Split interest agreements	2,127,937	-	-	-	2,127,937	2,010,090
Cash and securities	6,880,348	42,454	422,193	-	7,344,995	4,669,034
Total investments	9,008,285	42,454	422,193	-	9,472,932	6,679,124
Other Assets						
Donated assets						
Real estate	874,000	-	-	-	874,000	890,709
Other	139,832	-	-	-	139,832	101,426
Intangibles	80,405	-	-	-	80,405	80,405
Total other assets	1,094,237	-	-	-	1,094,237	1,072,540
Total assets	\$ 20,084,486	\$ 289,683	\$ 599,474	\$ (199,290)	\$ 20,774,353	\$ 17,137,231
LIABILITIES AND NET ASSETS						
Current Liabilities						
Current portion of note payable	\$ 162,922	\$ -	\$ -	\$ -	\$ 162,922	\$ 645,571
Current portion of split interest agreements payable	127,450	-	-	-	127,450	127,450
Current portion of capital lease obligation	7,919	-	-	-	7,919	13,544
Line of credit	500,000	-	-	-	500,000	-
Accounts payable, trade	254,476	-	-	-	254,476	174,973
Accrued salaries, wages and employee benefits	361,361	-	13,927	-	375,288	194,764
Deferred income	224,430	-	52,896	-	277,326	503,092
Due to affiliate	-	-	199,290	(199,290)	-	-
Other current liabilities	46,702	-	-	-	46,702	46,274
Total current liabilities	1,685,260	-	266,113	(199,290)	1,752,083	1,705,668
Long-Term Liabilities, net of current portions						
Deferred income	706,594	-	-	-	706,594	657,506
Note payable	1,527,445	-	-	-	1,527,445	1,876,134
Capital lease obligation	1,320	-	-	-	1,320	-
Split interest agreements payable	526,309	-	-	-	526,309	741,060
Total long-term liabilities	2,761,668	-	-	-	2,761,668	3,274,700
Total liabilities	4,446,928	-	266,113	(199,290)	4,513,751	4,980,368
Net Assets						
Without donor restrictions	6,556,867	114,926	25,318	-	6,697,111	5,456,643
With donor restrictions	9,080,691	174,757	308,043	-	9,563,491	6,700,220
Total net assets	15,637,558	289,683	333,361	-	16,260,602	12,156,863
Total liabilities and net assets	\$ 20,084,486	\$ 289,683	\$ 599,474	\$ (199,290)	\$ 20,774,353	\$ 17,137,231

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2021	2020
Revenues, Gains and Other Support						
Sales	\$ 729,845	\$ -	\$ -	\$ -	\$ 729,845	\$ 588,942
Cost of sales	262,976	-	-	-	262,976	259,003
Gross profit from sales	466,869	-	-	-	466,869	329,939
Contributions						
Contributions, without donor restrictions	1,297,691	12,612	12,005	-	1,322,308	2,158,193
Contributions, with donor restrictions	409,353	10,525	75,000	-	494,878	427,864
Bequests, without donor restrictions	1,448,061	15,000	-	-	1,463,061	614,508
Bequests, with donor restrictions	10,000	-	5,776	-	15,776	554,482
Noncash, contributions without donor restrictions	919,699	-	-	-	919,699	24,662
Noncash, contributions with donor restrictions	2,381,057	-	-	-	2,381,057	478,239
Change in value of split-interest agreements						
With donor restrictions	(49,088)	-	-	-	(49,088)	4,539
Dues						
Life membership	130,162	-	-	-	130,162	190,185
Other categories	701,633	-	-	-	701,633	1,015,603
Fees for services						
Conference fees	301,890	-	-	-	301,890	524,099
Health services fees	602,105	-	-	-	602,105	398,992
Tour fees (refunds)	(3,332)	-	-	-	(3,332)	4,499
All other fees for services	80,196	-	-	-	80,196	53,918
Gain (loss) on sale of other assets						
Without donor restrictions	59,990	-	-	-	59,990	117,528
With donor restrictions	90	101	-	-	191	119,792
Investment income (loss)						
Dividends and interest, without donor restrictions	25,014	-	4,431	-	29,445	20,109
Dividends and interest, with donor restrictions	89,112	1,125	4,032	-	94,269	45,943
Gains (losses) on investments						
Without donor restrictions	21,842	-	4,045	-	25,887	(296,025)
With donor restrictions	407,581	4,029	5,566	-	417,176	92,283
Rental income	33,060	-	-	-	33,060	30,085
Other income	1,573,154	721	15,980	-	1,589,855	59,461
Postage and handling	270	-	-	-	270	3,296
Royalty income	29,332	407	-	-	29,739	30,364
Tuition	511,753	-	330,564	-	842,317	764,680
Total revenues, gains and other support	11,447,494	44,520	457,399	-	11,949,413	7,767,238
Program services	6,139,874	67,978	352,290	-	6,560,142	5,655,559
Support services	598,774	-	18,893	-	617,667	505,100
Fund raising	661,567	-	6,298	-	667,865	553,710
Total expenses	7,400,215	67,978	377,481	-	7,845,674	6,714,369
Changes in Net Assets	4,047,279	(23,458)	79,918	-	4,103,739	1,052,869
Net Assets, beginning of year	11,590,279	313,141	253,443	-	12,156,863	11,103,994
Net Assets, end of year	\$ 15,637,558	\$ 289,683	\$ 333,361	\$ -	\$ 16,260,602	\$ 12,156,863
Change in Net Assets Accounted for as Follows:						
Without donor restrictions	\$ 1,201,472	\$ 16,517	\$ 22,479	\$ -	\$ 1,240,468	\$ 206,975
With donor restrictions	2,845,807	(39,975)	57,439	-	2,863,271	1,259,844
Change in net assets	\$ 4,047,279	\$ (23,458)	\$ 79,918	\$ -	\$ 4,103,739	\$ 1,466,819

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

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020**

	A.R.E.				E.C.F.	A.U.				Eliminations	Consolidated	
	Program Services	Support Services	Fund Raising	A.R.E. Total		Program Services	Support Services	Fund Raising	A.U. Total		2021	2020
Advertising and promotion	\$ 113,025	\$ -	\$ 14,563	\$ 127,588	\$ 224	\$ 29,114	\$ -	\$ -	\$ 29,114	\$ -	\$ 156,926	\$ 103,718
Bank fees	81,028	134	11,321	92,483	238	-	-	-	-	-	92,721	110,002
Board expenses	13,880	-	-	13,880	-	-	-	-	-	-	13,880	5,248
Books and tapes	3,873	-	127	4,000	-	53	-	-	53	-	4,053	6,256
Contracted services	958,150	46,442	10,508	1,015,100	-	133,094	-	-	133,094	-	1,148,194	898,309
Contributions to (from) affiliates	7,500	-	-	7,500	-	(7,500)	-	-	(7,500)	-	-	-
Cost of obsolescence	-	-	-	-	-	-	-	-	-	-	-	42,626
Curriculum development	-	-	-	-	-	4,825	-	-	4,825	-	4,825	-
Damaged goods expense	681	-	-	681	-	-	-	-	-	-	681	1,337
Depreciation and amortization	389,698	65,732	14,086	469,516	6,669	-	-	-	-	-	476,185	435,350
Dues and subscriptions	93,186	11,527	1,089	105,802	-	532	-	-	532	-	106,334	66,738
Employee recreation and welfare	35,150	5,723	1,181	42,054	-	-	-	-	-	-	42,054	13,660
Employee training	5,418	2,145	374	7,937	-	2,105	-	-	2,105	-	10,042	242
Equipment rental	119,612	-	-	119,612	-	734	-	-	734	-	120,346	78,349
External storage	18,070	364	-	18,434	-	-	-	-	-	-	18,434	17,067
General insurance	213,401	32,413	6,946	252,760	-	-	-	-	-	-	252,760	227,309
Graduation expense	166	-	-	166	-	1,329	-	-	1,329	-	1,495	337
Health insurance	297,714	50,217	10,760	358,691	-	-	-	-	-	-	358,691	299,253
Interest expense	158,610	23,700	-	182,310	-	-	-	-	-	-	182,310	304,402
Licenses and fees	31,968	10,157	1,170	43,295	-	15,730	-	-	15,730	-	59,025	60,101
Mail service	16,489	-	22,767	39,256	-	-	-	-	-	-	39,256	48,532
Materials	7,548	-	-	7,548	-	-	-	-	-	-	7,548	4,294
Miscellaneous expense	1,611	60	-	1,671	84	-	-	-	-	-	1,755	6,651
Office supplies	107,799	4,308	1,744	113,851	-	661	-	-	661	-	114,512	108,982
Organizational giving	-	-	-	-	-	-	-	-	-	-	-	150
Payroll services	25,412	3,797	-	29,209	-	3,262	-	-	3,262	-	32,471	29,626
Payroll taxes	182,338	20,290	28,623	231,251	3,643	10,629	1,343	448	12,420	-	247,314	206,610
Postage	62,773	-	27,467	90,240	-	754	-	-	754	-	90,994	110,156
Preservation expense	-	-	-	-	6,405	-	-	-	-	-	6,405	7,431
Printing	39,997	-	828	40,825	-	-	-	-	-	-	40,825	40,622
Professional services	284,562	5,108	38,377	328,047	1,745	2,000	-	-	2,000	-	331,792	113,549
Program expense	117,160	-	83,696	200,856	-	9,195	-	-	9,195	-	210,051	198,898
Repairs and maintenance	190,232	27,347	-	217,579	-	-	-	-	-	-	217,579	221,826
Salaries	2,418,938	268,196	380,263	3,067,397	48,871	145,573	17,550	5,850	168,973	-	3,285,241	2,771,809
Scholarship expense	2,750	-	-	2,750	-	-	-	-	-	-	2,750	-
Telephone expense	41,691	3,379	-	45,070	-	-	-	-	-	-	45,070	38,832
Travel and entertainment	13,033	116	5,677	18,826	99	200	-	-	200	-	19,125	26,297
Uncollectible accounts (recoveries)	623	-	-	623	-	-	-	-	-	-	623	12,477
Utilities and fuel	85,788	17,619	-	103,407	-	-	-	-	-	-	103,407	97,323
Total expenses	\$ 6,139,874	\$ 598,774	\$ 661,567	\$ 7,400,215	\$ 67,978	\$ 352,290	\$ 18,893	\$ 6,298	\$ 377,481	\$ -	\$ 7,845,674	\$ 6,714,369

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

**CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2021 with Comparative Totals for the Year Ended
December 31, 2020**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2021	2020
Cash Flows from Operating Activities						
Change in net assets	\$ 4,047,279	\$ (23,458)	\$ 79,918	\$ -	\$ 4,103,739	\$ 1,052,869
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Realized and unrealized (gains) losses						
on investments	(429,423)	(4,029)	(9,611)	-	(443,063)	203,742
Dividends and interest reinvested	(114,126)	(1,125)	(8,463)	-	(123,714)	(66,052)
Depreciation and amortization	469,516	6,669	-	-	476,185	435,350
Contributions restricted for property and equipment and other long-term purposes	(2,562,780)	-	-	-	(2,562,780)	(1,043,004)
Non-cash contributions						
Fair market value when received	(1,384,664)	-	-	-	(1,384,664)	(422,090)
Cash proceeds from sales	1,393,303	-	-	-	1,393,303	1,012,553
Uncollectible accounts (recoveries)	(2,656)	-	-	-	(2,656)	(2,531)
Provision for pledge discount	-	-	-	-	-	-
Loss on sale of property and equipment	6,580	-	-	-	6,580	-
Paycheck Protection Program loan forgiveness	(675,700)	-	-	-	(675,700)	-
(Gain) loss on sale of other assets	(30,336)	-	-	-	(30,336)	(234,463)
Trade accounts receivable	122,220	-	37,705	-	159,925	141,692
Contributions and bequests receivable	(259,314)	-	-	-	(259,314)	223,009
Inventory	39,589	-	-	-	39,589	69,410
Prepaid expenses	(184,311)	1	-	-	(184,310)	(30,497)
Due from affiliate	33,068	-	-	(33,068)	-	-
Increase (decrease) in operating liabilities						
Accounts payable	79,503	-	-	-	79,503	(54,669)
Accrued salaries, wages and employee benefits	179,838	-	686	-	180,524	31,819
Deferred income	(145,976)	-	(30,702)	-	(176,678)	(200,656)
Due to affiliate	-	-	(33,068)	33,068	-	-
Split interest agreements payable	(214,751)	-	-	-	(214,751)	(178,965)
Other current liabilities	428	-	-	-	428	(5,171)
Net cash provided by (used in) operating activities	367,287	(21,942)	36,465	-	381,810	932,346
Cash Flows from Investing Activities						
Net proceeds (purchases) of investments	(2,195,570)	(100)	(31,361)	-	(2,227,031)	(941,873)
Purchases of property and equipment	(552,285)	-	-	-	(552,285)	(133,880)
Net cash used in investing activities	(2,747,855)	(100)	(31,361)	-	(2,779,316)	(1,075,753)

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

**CONSOLIDATING STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2021 with Comparative Totals for the Year Ended
December 31, 2020**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2021	2020
Cash Flows from Financing Activities						
Proceeds from note payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 675,700
Repayments on note payable	(155,638)	-	-	-	(155,638)	(98,621)
Collection of contributions restricted for property and equipment and other long-term purposes	2,562,780	-	-	-	2,562,780	1,043,004
Principal payments on capital lease obligations	(4,305)	-	-	-	(4,305)	(15,903)
Net proceeds (payments) on line of credit	500,000	-	-	-	500,000	(500,000)
Net cash provided by financing activities	2,902,837	-	-	-	2,902,837	1,104,180
Net increase (decrease) in cash and cash equivalents	522,269	(22,042)	5,104	-	505,331	960,773
Cash and Cash Equivalents, beginning of year	1,632,113	192,508	101,811	-	1,926,432	965,659
Cash and Cash Equivalents, end of year	<u>\$ 2,154,382</u>	<u>\$ 170,466</u>	<u>\$ 106,915</u>	<u>\$ -</u>	<u>\$ 2,431,763</u>	<u>\$ 1,926,432</u>
Supplemental Disclosure of Cash Flow Information						
Interest paid	\$ 182,310	\$ -	\$ -	\$ -	\$ 182,310	\$ 303,330

ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC. AND AFFILIATES

FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE

December 31, 2021

Financial Statement & Financial Statement Line Item or Footnote Disclosure		Financial Statement Line Item Amount	Amount Used for Ratio
Primary Reserve Ratio			
<u>Expendable Net Assets</u>			
Statement of Financial Position - Net Assets without Donor Restrictions	Net assets without donor restrictions		\$ 6,697,111
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Net assets with donor restrictions		9,563,491
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Net assets with donor restrictions; restricted in perpetuity		5,592,885
N/A	Annuities with donor restrictions		-
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Term endowments with donor restrictions		434,735
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Life income funds with donor restrictions		2,284,141
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	6,555,734	
Statement of Financial Position - Net Property and Equipment	Property, plant and equipment; pre-implementation, leases grandfathered		5,695,699
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		860,035
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	1,699,606	
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		1,690,367
N/A	Long-term debt; for long term purposes post-implementation		9,239
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			3,012,308
<u>Total Expenses and Losses</u>			
Statement of Activities - total expenses	Total expenses without donor restrictions		7,845,674
N/A	Investment loss, net investment return appropriated for spending	-	

N/A	Other components of net periodic pension costs	-	
Statement of Activities - Change in value of split-interest agreements	Change in value of split interest agreements	49,088	
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		49,088
N/A	Investment loss, net investment return appropriated for spending		-
N/A	Pension-related changes other than net periodic costs		-
Total expenses and losses			7,894,762

Equity Ratio			
Modified Net Assets			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		6,697,111
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		9,563,491
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			16,180,197
Modified Assets			
Statement of Financial Position - total assets	Total assets		20,774,353
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			20,693,948
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)		1,240,468
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)	9,086,142	
Note 14 to the Financial Statements - Endowment (without donor restrictions)	Net investment return appropriated for spending	132,439	
Statement of Activities - Dividends and interest, Gains on investments	Total net investment return, including investment return appropriated for spending	566,777	
N/A	Change in value of split-interest agreements	-	
Statement of Activities - Gain on sale of assets	Other gains	60,181	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			9,580,661



**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 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, 2021, 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, and have issued our report thereon dated July 25, 2022.

Report on 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) as a basis for determining audit procedures 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.

Report on 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
July 25, 2022