

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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019



ASSURANCE, TAX & ADVISORY SERVICES

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

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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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, during 2019 the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 May 21, 2020 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PBMares, LLP

Norfolk, Virginia
May 21, 2020

CONSOLIDATED FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019 with Comparative Totals for December 31, 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 965,659	\$ 1,581,243
Trade accounts receivable, net of allowance	593,601	780,655
Contributions and bequests receivable, net	245,359	387,892
Inventory, net of allowance	321,935	337,288
Prepaid expenses	213,109	210,415
	<u>2,339,663</u>	<u>3,297,493</u>
Total current assets	2,339,663	3,297,493
Net Property and Equipment	<u>6,787,684</u>	<u>6,921,633</u>
Investments		
Split interest agreements	1,836,287	1,690,624
Cash and securities	4,038,654	3,456,269
	<u>5,874,941</u>	<u>5,146,893</u>
Total investments	5,874,941	5,146,893
Other Assets		
Donated assets		
Real estate	1,246,709	890,709
Other	101,426	148,375
Intangibles	80,405	80,405
	<u>1,428,540</u>	<u>1,119,489</u>
Total other assets	1,428,540	1,119,489
Total assets	<u><u>\$ 16,430,828</u></u>	<u><u>\$ 16,485,508</u></u>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2019 with Comparative Totals for December 31, 2018**

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of note payable	\$ 132,252	\$ 126,492
Current portion of split interest agreements payable	147,950	196,205
Current portion of capital lease obligation	18,094	18,094
Line of credit	500,000	500,000
Accounts payable, trade	229,642	162,258
Accrued salaries, wages and employee benefits	162,945	147,858
Deferred income	699,209	1,143,131
Other current liabilities	51,445	76,062
	<u>1,941,537</u>	<u>2,370,100</u>
Long-Term Liabilities, net of current portions		
Deferred income	662,045	679,674
Note payable	1,812,374	1,944,804
Capital lease obligation	11,353	26,421
Split interest agreements payable	899,525	1,019,788
	<u>3,385,297</u>	<u>3,670,687</u>
	<u>5,326,834</u>	<u>6,040,787</u>
Net Assets		
Without donor restrictions	5,663,618	6,028,237
With donor restrictions	5,440,376	4,416,484
	<u>11,103,994</u>	<u>10,444,721</u>
	<u>\$ 16,430,828</u>	<u>\$ 16,485,508</u>

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

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, Gains and Other Support				
Sales	\$ 891,483	\$ -	\$ 891,483	\$ 930,700
Cost of sales	390,220	-	390,220	372,883
Gross profit from sales	501,263	-	501,263	557,817
Contributions				
Donors	1,264,905	744,943	2,009,848	1,809,419
Bequests	714,675	-	714,675	874,653
Noncash	119,916	364,284	484,200	80,099
Change in value of split-interest agreements	-	17,635	17,635	(6,933)
Dues				
Life membership	157,380	-	157,380	163,456
Other categories	804,066	-	804,066	708,205
Fees for services				
Conference fees	730,483	-	730,483	758,621
Health services fees	837,991	-	837,991	838,665
Tour fees	964,258	-	964,258	378,695
All other fees for services	246,266	-	246,266	218,753
Gain (loss) on sale of other assets	(1,119)	-	(1,119)	32
Investment income				
Dividends and interest	56,277	57,942	114,219	172,076
Gains (losses) on investments				
Realized	28,988	28,792	57,780	229,802
Unrealized	260,385	471,663	732,048	(731,999)
Rental income	38,507	-	38,507	41,700
Other income	48,842	-	48,842	88,447
Postage and handling	8,042	-	8,042	8,955
Royalty income	27,035	-	27,035	31,378
Tuition	684,274	-	684,274	910,028
Net assets released from restriction	661,367	(661,367)	-	-
Total revenues, gains and other support	8,153,801	1,023,892	9,177,693	7,131,869
Program services	7,479,707	-	7,479,707	6,883,476
Support services	490,807	-	490,807	556,925
Fund raising	547,906	-	547,906	421,663
Total expenses	8,518,420	-	8,518,420	7,862,064
Changes in net assets	(364,619)	1,023,892	659,273	(730,195)
Net Assets, beginning of year	6,028,237	4,416,484	10,444,721	11,174,916
Net Assets, end of year	\$ 5,663,618	\$ 5,440,376	\$ 11,103,994	\$ 10,444,721

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018**

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 659,273	\$ (730,195)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized (gains) losses on investments	(789,828)	502,197
Dividends and interest reinvested	(114,219)	(172,076)
Depreciation and amortization	440,781	437,177
Contributions restricted for property and equipment and other long-term purposes	(121,805)	(131,805)
Non-cash contributions		
Fair market value when received	(481,107)	(81,169)
Cash proceeds from sales	170,937	34,251
Uncollectible accounts (recoveries)	(394)	(1,224)
(Gain) loss on sale of other assets	1,119	(31)
Provision for inventory obsolescence	(4,402)	2,530
(Increase) decrease in operating assets		
Trade accounts receivable	187,448	(513,498)
Contributions and bequests receivable	142,533	(359,251)
Inventory	19,755	(2,140)
Prepaid expenses	(2,694)	36,093
Increase (decrease) in operating liabilities		
Accounts payable	67,384	(47,555)
Accrued salaries, wages and employee benefits	15,087	20,732
Deferred income	(461,551)	806,475
Split interest agreements payable	(168,518)	(252,774)
Other current liabilities	(24,617)	4,446
Net cash used in operating activities	(464,818)	(447,817)
Cash Flows from Investing Activities		
Net proceeds (purchases) of investments	175,999	378,819
Proceeds from sale of assets	-	32
Purchases of property and equipment	(306,832)	(177,461)
Net cash provided by (used in) investing activities	(130,833)	201,390

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018**

	2019	2018
Cash Flows from Financing Activities		
Repayments on note payable	\$ (126,670)	\$ (120,921)
Collection of contributions restricted for property and equipment and other long-term purposes	121,805	131,805
Principal payments on capital lease obligations	(15,068)	(13,467)
Net proceeds of line of credit	-	250,000
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	(19,933)	247,417
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(615,584)	990
Cash and Cash Equivalents, beginning of year	1,581,243	1,580,253
	<hr/>	<hr/>
Cash and Cash Equivalents, end of year	\$ 965,659	\$ 1,581,243
	<hr/>	<hr/>
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 349,955	\$ 358,800

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018**

	Program Services	Support Services	Fund Raising	2019 Total	2018 Total
Advertising and prom	\$ 138,096	\$ 551	\$ 4,978	\$ 143,625	\$ 146,906
Bank fees	119,645	-	8,040	127,685	127,328
Board expenses	-	11,177	-	11,177	10,553
Books and tapes	52,204	43	105	52,352	66,504
Contracted services	1,029,080	12,054	14,189	1,055,323	1,083,086
Copyright expense	55	-	-	55	275
Cost of obsolescence	(2,771)	-	-	(2,771)	5,898
Curriculum development	2,550	-	-	2,550	3,900
Damaged goods expense	3,336	-	-	3,336	3,899
Depreciation and amortization	366,662	61,039	13,080	440,781	437,177
Dues and subscriptions	31,800	3,536	1,110	36,446	28,763
Employee recreation and welfare	6,676	832	178	7,686	25,095
Employee training	24,361	713	1,119	26,193	8,379
Equipment rental	87,472	-	-	87,472	72,363
External storage	17,417	209	-	17,626	17,811
General insurance	200,565	30,307	6,494	237,366	247,128
Graduation expense	977	-	-	977	1,504
Health insurance	248,844	41,974	8,994	299,812	240,642
Interest expense	305,387	45,633	-	351,020	359,865
Licenses and fees	69,128	6,319	113	75,560	47,553
Mail service	75,423	-	22,899	98,322	82,836
Materials	9,814	-	-	9,814	8,598
Miscellaneous expense	3,730	79	-	3,809	1,587
Office supplies	161,753	3,416	4,191	169,360	183,271
Organizational giving	250	-	-	250	1,335
Payroll services	29,038	3,892	-	32,930	32,978
Payroll taxes	196,013	16,849	22,084	234,946	234,711
Postage	218,209	-	24,909	243,118	227,235
Preservation expense	19,689	-	-	19,689	8,746
Printing	100,735	-	1,826	102,561	94,789
Professional services	47,108	5,650	2,880	55,638	60,471
Program expense	970,161	3	107,396	1,077,560	586,608
Repairs and maintenance	168,000	24,368	-	192,368	186,238
Salaries	2,561,491	199,040	287,076	3,047,607	2,966,302
Telephone expense	38,769	2,616	-	41,385	46,048
Travel and entertainment	87,096	840	16,120	104,056	99,213
Uncollectible accounts (recoveries)	(519)	-	125	(394)	(1,224)
Utilities and fuel	91,463	19,667	-	111,130	107,693
Total expense	\$ 7,479,707	\$ 490,807	\$ 547,906	\$ 8,518,420	\$ 7,862,064

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, 2018, 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, 2019 management has reviewed all accounts receivable for collectability and written off all accounts deemed uncollectible. There was an allowance for uncollectible accounts receivable of \$2,953 as of December 31, 2019.

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 an allowance for uncollectible contributions and bequests receivable of \$2,650 as of December 31, 2019.

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, 2019.

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
Building 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 2019 were \$33,363.

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. 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.
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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.

Adopted accounting pronouncements: During the year ended December 31, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires the Organization to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP when it became effective. The Organization's management has determined that the adoption of this guidance did not result in any transition adjustment nor change the amount of any revenue previously recognized.

During the year ended December 31, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions received and Contributions Made*, which clarifies and improves guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction would be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The Organization's management determined that the adoption of this guidance did not result in any changes to existing revenue recognition policies.

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, 2020, including interim periods within those fiscal years. 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.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO 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	\$ 965,659
Trade accounts receivable	593,601
Contributions and bequests receivable	245,359
Total financial assets available within one year	<u>1,804,619</u>

Liquidity resources:

Bank line of credit	-
Total financial assets and liquidity resources available within one year	<u><u>\$ 1,804,619</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, 2019, the amount outstanding on the line of credit was \$500,000.

In addition, the Organization had an additional \$3,198,044 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 noted 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.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Contributions and Bequests Receivable (Continued)

The table below presents information about the Organization's changes in contributions and bequests receivable for the year ended December 31, 2019:

Beginning balance	\$ 390,542
New promises received	686,175
Collections	<u>(828,708)</u>
Ending balance	<u>\$ 248,009</u>

The Organization's estimated future contributions receivable and bequest collections for the years subsequent to December 31, 2019 are as follows:

Due in less than one year	\$ 248,009
Due in one to five years	<u>-</u>
Gross unconditional contribution and bequest receivable	248,009
Less allowance for uncollectible receivables	(2,650)
Less discounts to net present value	<u>-</u>
Net unconditional contribution and bequest receivable	<u>\$ 245,359</u>

Bequests totaling \$245,000 included in the above contributions and bequests receivable at December 31, 2019 were collected in January 2020.

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.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions at December 31, 2019 are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:

Outreach	\$	167,719
Renovations		383,334
Scholarships		13,843
Search for God study group		33,334
Tarsia Center		332,200
Other programs		1,325
Atlantic University programs		103,870
Edgar Cayce Foundation programs		154,080
		<hr/>
		1,189,705

Subject to the passage of time:

Retained life estate gifts		874,000
Pooled income		1,152,608
		<hr/>
		2,026,608

Endowments:

Unappropriated endowment investment earnings		291,103
Original donor restricted gift amounts to be maintained in perpetuity		1,932,960
		<hr/>
Total endowments		2,224,063

Total net assets with donor restrictions	\$	5,440,376
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**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Property and Equipment

Property and equipment at December 31, 2019 is summarized below. Depreciation and amortization expense for 2019 was \$440,781. As of December 31, 2019, \$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
Building and improvements	7,818,670
Computer equipment and software	1,033,899
General equipment	1,707,854
Land and improvements	800,061
	<u>11,382,984</u>
Less accumulated depreciation	<u>4,595,300</u>
Net property and equipment	<u><u>\$ 6,787,684</u></u>

Note 6. Investments

Investments are presented in the consolidated financial statements at their fair value and are summarized below at December 31, 2019:

	Cost	Market
Split interest agreements:		
Corporate bond funds	\$ 974,137	\$ 1,022,087
Stocks and mutual funds	523,161	712,788
Money market funds	101,414	101,414
Total split interest agreements	<u>1,598,712</u>	<u>1,836,289</u>
Cash and securities:		
Corporate bond funds	1,257,699	1,311,683
Stocks and mutual funds	2,147,220	2,726,969
Total cash and securities	<u>3,404,919</u>	<u>4,038,652</u>
Total investments	<u><u>\$ 5,003,631</u></u>	<u><u>\$ 5,874,941</u></u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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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, 2019, assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 2	Total
Corporate bond funds	\$ 2,333,770	\$ -	\$ 2,333,770
Stocks and mutual funds	3,439,757	-	3,439,757
Money market funds	101,414	-	101,414
Total	\$ 5,874,941	\$ -	\$ 5,874,941

Note 7. Intangibles

Intangible assets for the Organization at December 31, 2019 are summarized below. Management reviews intangible assets for potential impairment annually. No impairments were identified by management for 2019.

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.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Operating Leases

The Organization leases office equipment under several operating leases expiring at various dates through October 2020. Equipment rental expense attributable to these operating leases in 2019 was \$87,472.

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

Year	Amount
2020	52,270
	\$ 52,270

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:

Year	Amount
2020	18,094
2021	13,127
Less amount representing interest	(1,774)
Present value of minimum lease payments	\$ 29,447

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, 2019.

Note 11. Concentration of Credit Risk

At December 31, 2019, 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.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Line of Credit

The Organization has a \$500,000 line of credit with Branch Banking and Trust Company (BB&T 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 (4.75% at December 31, 2019). At December 31, 2019 there was an outstanding balance of \$500,000. The line of credit matures on November 5, 2020.

Note 13. Note 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 is 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 matures May 5, 2021. The loan is collateralized by real property, improvements and equipment owned by the Organization. The loan contains certain financial covenants.

Note payable and related current maturities consist of the following as of December 31, 2019:

Note payable	\$ 1,944,626
Less current maturities	<u>132,252</u>
	<u><u>\$ 1,812,374</u></u>

Future aggregate maturities required on principal are as follows:

Year	Amount
2020	\$ 132,252
2021	<u>1,812,374</u>
	<u><u>\$ 1,944,626</u></u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2019, the Board of Trustees had designated \$3,198,044 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.

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

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.

As of December 31, 2019 the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,198,044	\$ -	\$ 3,198,044
Donor-restricted endowment funds			
Original donor restricted gift amounts to be maintained in perpetuity	-	1,932,960	1,932,960
Unappropriated earnings	-	291,103	291,103
	<u>\$ 3,198,044</u>	<u>\$ 2,224,063</u>	<u>\$ 5,422,107</u>

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,021,633	\$ 1,722,913	\$ 4,744,546
Investment income	77,439	57,783	135,222
Contributions	-	239,958	239,958
Unrealized net appreciation	256,033	289,926	545,959
Amounts appropriated for expenditure	(157,061)	(86,517)	(243,578)
Endowment net assets, end of year	<u>\$ 3,198,044</u>	<u>\$ 2,224,063</u>	<u>\$ 5,422,107</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.

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 Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide 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. Subsequent to year end, the Organization did receive a Payroll Protection Program loan totaling approximately \$675,000.

Note 17. Subsequent Events

The Organization has evaluated all events subsequent to December 31, 2019 through May 21, 2020, which is the date these consolidated financial statements were available to be issued. Management has determined, except as disclosed above in Note 16, 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.
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2019 with Comparative Totals for December 31, 2018**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 712,626	\$ 154,856	\$ 98,177	\$ -	\$ 965,659	\$ 1,581,243
Trade accounts receivable, net of allowance	554,975	-	38,626	-	593,601	780,655
Contributions and bequests receivable, net	245,359	-	-	-	245,359	387,892
Inventory, net of allowance	321,935	-	-	-	321,935	337,288
Prepaid expenses	212,195	914	-	-	213,109	210,415
Due from affiliates	235,031	-	-	(235,031)	-	-
Total current assets	2,282,121	155,770	136,803	(235,031)	2,339,663	3,297,493
Net Property and Equipment	6,698,497	89,187	-	-	6,787,684	6,921,633
Investments						
Split interest agreements	1,836,287	-	-	-	1,836,287	1,690,624
Cash and securities	3,564,441	28,084	446,129	-	4,038,654	3,456,269
Total investments	5,400,728	28,084	446,129	-	5,874,941	5,146,893
Other Assets						
Donated assets						
Real estate	1,246,709	-	-	-	1,246,709	890,709
Other	101,426	-	-	-	101,426	148,375
Intangibles	80,405	-	-	-	80,405	80,405
Total other assets	1,428,540	-	-	-	1,428,540	1,119,489
Total assets	\$ 15,809,886	\$ 273,041	\$ 582,932	\$ (235,031)	\$ 16,430,828	\$ 16,485,508
LIABILITIES AND NET ASSETS						
Current Liabilities						
Current portion of note payable	\$ 132,252	\$ -	\$ -	\$ -	\$ 132,252	\$ 126,492
Current portion of split interest agreements payable	147,950	-	-	-	147,950	196,205
Current portion of capital lease obligation	18,094	-	-	-	18,094	18,094
Line of credit	500,000	-	-	-	500,000	500,000
Accounts payable, trade	229,642	-	-	-	229,642	162,258
Accrued salaries, wages and employee benefits	152,256	-	10,689	-	162,945	147,858
Deferred income	640,517	-	58,692	-	699,209	1,143,131
Due to affiliate	-	-	235,031	(235,031)	-	-
Other current liabilities	51,445	-	-	-	51,445	76,062
Total current liabilities	1,872,156	-	304,412	(235,031)	1,941,537	2,370,100
Long-Term Liabilities, net of current portions						
Deferred income	662,045	-	-	-	662,045	679,674
Note payable	1,812,374	-	-	-	1,812,374	1,944,804
Capital lease obligation	11,353	-	-	-	11,353	26,421
Split interest agreements payable	899,525	-	-	-	899,525	1,019,788
Total long-term liabilities	3,385,297	-	-	-	3,385,297	3,670,687
Total liabilities	5,257,453	-	304,412	(235,031)	5,326,834	6,040,787
Net Assets						
Without donor restrictions	5,550,880	93,111	19,627	-	5,663,618	6,028,237
With donor restrictions	5,001,553	179,930	258,893	-	5,440,376	4,416,484
Total net assets	10,552,433	273,041	278,520	-	11,103,994	10,444,721
Total liabilities and net assets	\$ 15,809,886	\$ 273,041	\$ 582,932	\$ (235,031)	\$ 16,430,828	\$ 16,485,508

**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
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**CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2019	2018
Revenues, Gains and Other Support						
Sales	\$ 891,483	\$ -	\$ -	\$ -	\$ 891,483	\$ 930,700
Cost of sales	390,220	-	-	-	390,220	372,883
Gross profit from sales	501,263	-	-	-	501,263	557,817
Contributions						
Contributions, without donor restrictions	1,247,718	8,724	8,463	-	1,264,905	1,406,160
Contributions, with donor restrictions	628,637	35,896	80,410	-	744,943	403,259
Bequests, without donor restrictions	714,675	-	-	-	714,675	874,653
Noncash, contributions without donor restrictions	119,916	-	-	-	119,916	35,999
Noncash, contributions with donor restrictions	275,328	88,956	-	-	364,284	44,100
Change in value of split-interest agreements						
With donor restrictions	17,635	-	-	-	17,635	(6,933)
Dues						
Life membership	157,380	-	-	-	157,380	163,456
Other categories	804,066	-	-	-	804,066	708,205
Fees for services						
Conference fees	730,483	-	-	-	730,483	758,621
Health services fees	837,991	-	-	-	837,991	838,665
Tour fees	964,258	-	-	-	964,258	378,695
All other fees for services	246,266	-	-	-	246,266	218,753
Gain (loss) on sale of other assets	(482)	(637)	-	-	(1,119)	32
Investment income (loss)						
Dividends and interest, without donor restrictions	48,087	-	8,190	-	56,277	79,361
Dividends and interest, with donor restrictions	53,681	392	3,869	-	57,942	92,715
Gains on investments						
Realized, without donor restrictions	26,543	-	2,445	-	28,988	152,606
Realized, with donor restrictions	28,801	-	(9)	-	28,792	77,196
Unrealized, without donor restrictions	221,427	-	38,958	-	260,385	(349,138)
Unrealized, with donor restrictions	450,500	2,390	18,773	-	471,663	(382,861)
Rental income	38,507	-	-	-	38,507	41,700
Other income	34,294	694	13,854	-	48,842	88,447
Postage and handling	8,042	-	-	-	8,042	8,955
Royalty income	26,457	578	-	-	27,035	31,378
Tuition	351,461	-	332,813	-	684,274	910,028
Total revenues, gains and other support	8,532,934	136,993	507,766	-	9,177,693	7,131,869
Program services	6,971,318	93,481	414,908	-	7,479,707	6,883,476
Support services	474,203	-	16,604	-	490,807	556,925
Fund raising	539,604	-	8,302	-	547,906	421,663
Total expenses	7,985,125	93,481	439,814	-	8,518,420	7,862,064
Changes in Net Assets	547,809	43,512	67,952	-	659,273	(730,195)
Net Assets, beginning of year	10,004,624	229,529	210,568	-	10,444,721	11,174,916
Net Assets, end of year	\$ 10,552,433	\$ 273,041	\$ 278,520	\$ -	\$ 11,103,994	\$ 10,444,721
Change in Net Assets Accounted for as Follows:						
Without donor restrictions	\$ (449,466)	\$ 61,832	\$ 23,015	\$ -	\$ (364,619)	\$ (515,610)
With donor restrictions	997,275	(18,320)	44,937	-	1,023,892	(214,585)
Change in net assets	\$ 547,809	\$ 43,512	\$ 67,952	\$ -	\$ 659,273	\$ (730,195)

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

**CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2019	2018
Cash Flows from Operating Activities						
Change in net assets	\$ 547,809	\$ 43,512	\$ 67,952	\$ -	\$ 659,273	\$ (730,195)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Realized and unrealized (gains) losses						
on investments	(727,271)	(2,390)	(60,167)	-	(789,828)	502,197
Dividends and interest reinvested	(101,768)	(392)	(12,059)	-	(114,219)	(172,076)
Depreciation and amortization	435,994	4,787	-	-	440,781	437,177
Contributions restricted for property and equipment and other long-term purposes	(121,805)	-	-	-	(121,805)	(131,805)
Non-cash contributions						
Fair market value when received	(392,151)	(88,956)	-	-	(481,107)	(81,169)
Cash proceeds from sales	38,520	132,417	-	-	170,937	34,251
Uncollectible accounts (recoveries)	(519)	-	125	-	(394)	(1,224)
(Gain) loss on sale of other assets	480	639	-	-	1,119	(31)
Provision for inventory obsolescence	(4,402)	-	-	-	(4,402)	2,530
(Increase) decrease in operating assets						
Trade accounts receivable	184,705	-	2,743	-	187,448	(513,498)
Contributions and bequests receivable	142,533	-	-	-	142,533	(359,251)
Inventory	19,755	-	-	-	19,755	(2,140)
Prepaid expenses	(8,249)	(445)	6,000	-	(2,694)	36,093
Due from affiliate	(8,101)	-	-	8,101	-	-
Increase (decrease) in operating liabilities						
Accounts payable	67,384	-	-	-	67,384	(47,555)
Accrued salaries, wages and employee benefits	13,800	-	1,287	-	15,087	20,732
Deferred income	(449,983)	-	(11,568)	-	(461,551)	806,475
Due to affiliate	-	(6,379)	14,480	(8,101)	-	-
Split interest agreements payable	(168,518)	-	-	-	(168,518)	(252,774)
Other current liabilities	(24,617)	-	-	-	(24,617)	4,446
Net cash provided by (used in) operating activities	(556,404)	82,793	8,793	-	(464,818)	(447,817)
Cash Flows from Investing Activities						
Net proceeds (purchases) of investments	212,286	(25,302)	(10,985)	-	175,999	378,819
Proceeds from sale of assets	-	-	-	-	-	32
Purchases of property and equipment	(236,300)	(70,532)	-	-	(306,832)	(177,461)
Net cash provided by (used in) investing activities	(24,014)	(95,834)	(10,985)	-	(130,833)	201,390

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

**CONSOLIDATING STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2019 with Comparative Totals for the Year Ended
December 31, 2018**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2019	2018
Cash Flows from Financing Activities						
Repayments on note payable	\$ (126,670)	\$ -	\$ -	\$ -	\$ (126,670)	\$ (120,921)
Collection of contributions restricted for property and equipment and other long-term purposes	121,805	-	-	-	121,805	131,805
Principal payments on capital lease obligations	(15,068)	-	-	-	(15,068)	(13,467)
Net proceeds of line of credit	-	-	-	-	-	250,000
Net cash provided by (used in) financing activities	(19,933)	-	-	-	(19,933)	247,417
Net increase (decrease) in cash and cash equivalents	(600,351)	(13,041)	(2,192)	-	(615,584)	990
Cash and Cash Equivalents, beginning of year	1,312,977	167,897	100,369	-	1,581,243	1,580,253
Cash and Cash Equivalents, end of year	\$ 712,626	\$ 154,856	\$ 98,177	\$ -	\$ 965,659	\$ 1,581,243
Supplemental Disclosure of Cash Flow Information						
Interest paid	\$ 349,955	\$ -	\$ -	\$ -	\$ 349,955	\$ 358,800

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

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	A.R.E.				E.C.F.	A.U.				Consolidated		
	Program	Support	Fund	A.R.E.		Program	Support	Fund	A.U.	Eliminations	2019	2018
	Services	Services	Raising	Total		Services	Services	Raising	Total			
Advertising and prom	\$ 100,298	\$ 551	\$ 4,978	\$ 105,827	\$ -	\$ 37,798	\$ -	\$ -	\$ 37,798	\$ -	\$ 143,625	\$ 146,906
Bank fees	118,433	-	8,040	126,473	129	1,083	-	-	1,083	-	127,685	127,328
Board expenses	-	11,177	-	11,177	-	-	-	-	-	-	11,177	10,553
Books and tapes	51,127	43	105	51,275	-	1,077	-	-	1,077	-	52,352	66,504
Contracted services	916,682	12,054	14,189	942,925	-	112,398	-	-	112,398	-	1,055,323	1,083,086
Contributions to (from) affiliates	6,000	-	-	6,000	-	(6,000)	-	-	(6,000)	-	-	-
Copyright expense	-	-	-	-	55	-	-	-	-	-	55	275
Cost of obsolescence	(2,771)	-	-	(2,771)	-	-	-	-	-	-	(2,771)	5,898
Curriculum development	-	-	-	-	-	2,550	-	-	2,550	-	2,550	3,900
Damaged goods expense	3,336	-	-	3,336	-	-	-	-	-	-	3,336	3,899
Depreciation and amortization	361,875	61,039	13,080	435,994	4,787	-	-	-	-	-	440,781	437,177
Dues and subscriptions	31,800	3,536	1,110	36,446	-	-	-	-	-	-	36,446	28,763
Employee recreation and welfare	6,676	832	178	7,686	-	-	-	-	-	-	7,686	25,095
Employee training	8,622	713	1,119	10,454	-	15,739	-	-	15,739	-	26,193	8,379
Equipment rental	86,883	-	-	86,883	-	589	-	-	589	-	87,472	72,363
External storage	16,382	209	-	16,591	1,035	-	-	-	-	-	17,626	17,811
General insurance	200,565	30,307	6,494	237,366	-	-	-	-	-	-	237,366	247,128
Graduation expense	923	-	-	923	-	54	-	-	54	-	977	1,504
Health insurance	248,844	41,974	8,994	299,812	-	-	-	-	-	-	299,812	240,642
Interest expense	305,387	45,633	-	351,020	-	-	-	-	-	-	351,020	359,865
Licenses and fees	36,706	6,319	113	43,138	-	32,422	-	-	32,422	-	75,560	47,553
Mail service	75,423	-	22,899	98,322	-	-	-	-	-	-	98,322	82,836
Materials	9,814	-	-	9,814	-	-	-	-	-	-	9,814	8,598
Miscellaneous expense	3,437	79	-	3,516	-	293	-	-	293	-	3,809	1,587
Office supplies	160,109	3,416	4,191	167,716	154	1,490	-	-	1,490	-	169,360	183,271
Organizational giving	250	-	-	250	-	-	-	-	-	-	250	1,335
Payroll services	26,045	3,892	-	29,937	-	2,993	-	-	2,993	-	32,930	32,978
Payroll taxes	177,983	15,619	21,469	215,071	4,938	13,092	1,230	615	14,937	-	234,946	234,711
Postage	217,525	-	24,909	242,434	88	596	-	-	596	-	243,118	227,235
Preservation expense	-	-	-	-	19,689	-	-	-	-	-	19,689	8,746
Printing	100,735	-	1,826	102,561	-	-	-	-	-	-	102,561	94,789
Professional services	46,123	5,650	2,880	54,653	985	-	-	-	-	-	55,638	60,471
Program expense	938,617	3	107,396	1,046,016	28	31,516	-	-	31,516	-	1,077,560	586,608
Repairs and maintenance	168,000	24,368	-	192,368	-	-	-	-	-	-	192,368	186,238
Salaries	2,337,326	183,666	279,389	2,800,381	61,200	162,965	15,374	7,687	186,026	-	3,047,607	2,966,302
Telephone expense	38,769	2,616	-	41,385	-	-	-	-	-	-	41,385	46,048
Travel and entertainment	82,450	840	16,120	99,410	393	4,253	-	-	4,253	-	104,056	99,213
Uncollectible accounts (recoveries)	(519)	-	125	(394)	-	-	-	-	-	-	(394)	(1,224)
Utilities and fuel	91,463	19,667	-	111,130	-	-	-	-	-	-	111,130	107,693
Total expenses	\$ 6,971,318	\$ 474,203	\$ 539,604	\$ 7,985,125	\$ 93,481	\$ 414,908	\$ 16,604	\$ 8,302	\$ 439,814	\$ -	\$ 8,518,420	\$ 7,862,064



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, 2019, 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 May 21, 2020.

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 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
May 21, 2020