

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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2022



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

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, 2022, 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, 2022, 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.

Emphasis of Matter – Change in Method of Accounting

As discussed in Note 1 to the financial statements, in 2022, the Organization adopted the new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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 December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 12, 2023 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 12, 2023

CONSOLIDATED FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2022 with Comparative Totals for December 31, 2021**

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,849,958	\$ 2,431,763
Trade accounts receivable, net of allowance	263,868	291,871
Contributions and bequests receivable	606,679	286,964
Inventory, net of allowance	251,547	212,936
Prepaid expenses	394,805	427,916
	<hr/>	<hr/>
Total current assets	3,366,857	3,651,450
	<hr/>	<hr/>
Net Property and Equipment	5,579,948	6,555,734
	<hr/>	<hr/>
Right-of-Use Asset for Operating Lease	301,141	-
	<hr/>	<hr/>
Investments		
Split interest agreements	1,679,539	2,127,937
Cash and securities	6,050,767	7,344,995
	<hr/>	<hr/>
Total investments	7,730,306	9,472,932
	<hr/>	<hr/>
Other Assets		
Donated assets		
Real estate	874,000	874,000
Other	102,622	139,832
Intangibles	80,405	80,405
	<hr/>	<hr/>
Total other assets	1,057,027	1,094,237
	<hr/>	<hr/>
Total assets	\$ 18,035,279	\$ 20,774,353
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**ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC.
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2022 with Comparative Totals for December 31, 2021**

	2022	2021
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 168,700	\$ 162,922
Current portion of split interest agreements payable	127,450	127,450
Current portion of capital lease obligation	-	7,919
Current portion of operating lease liability	107,475	-
Line of credit	500,000	500,000
Accounts payable, trade	228,516	254,476
Accrued salaries, wages and employee benefits	196,686	375,288
Deferred income	238,207	277,326
Other current liabilities	24,265	46,702
Total current liabilities	1,591,299	1,752,083
Long-Term Liabilities, net of current portions		
Deferred income	691,820	706,594
Notes payable	1,359,674	1,527,445
Capital lease obligation	-	1,320
Operating lease liability	191,263	-
Split interest agreements payable	439,552	526,309
Total long-term liabilities	2,682,309	2,761,668
Total liabilities	4,273,608	4,513,751
Net Assets		
Without donor restrictions	5,246,087	6,697,111
With donor restrictions	8,515,584	9,563,491
Total net assets	13,761,671	16,260,602
Total liabilities and net assets	\$ 18,035,279	\$ 20,774,353

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

CONSOLIDATED STATEMENT OF ACTIVITIES

**Year ended December 31, 2022 with Comparative Totals for the Year Ended
December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, Gains and Other Support				
Sales	\$ 674,183	\$ -	\$ 674,183	\$ 729,845
Cost of sales	279,352	-	279,352	262,976
Gross profit from sales	394,831	-	394,831	466,869
Contributions				
Donors	985,094	597,672	1,582,766	1,817,186
Bequests	2,251,648	-	2,251,648	1,478,837
Noncash	36,537	13,978	50,515	3,300,756
Change in value of split-interest agreements	-	14,774	14,774	(49,088)
Dues				
Life membership	63,550	-	63,550	130,162
Other categories	476,288	-	476,288	701,633
Fees for services				
Conference fees	313,558	-	313,558	301,890
Health services fees	768,536	-	768,536	602,105
Tour fees (refunds)	384,522	-	384,522	(3,332)
All other fees for services	120,039	-	120,039	80,196
Gain (loss) on sale of property and equipment and other assets	(641,381)	-	(641,381)	60,181
Investment income (loss)				
Dividends and interest	24,874	100,221	125,095	123,714
Gains (losses) on investments	(239,031)	(1,382,300)	(1,621,331)	443,063
Rental income	34,570	-	34,570	33,060
Other income	229,740	-	229,740	1,589,855
Postage and handling	-	-	-	270
Royalty income	21,915	-	21,915	29,739
Tuition	638,876	-	638,876	842,317
Net assets released from restriction	392,252	(392,252)	-	-
Total revenues, gains and other support	6,256,418	(1,047,907)	5,208,511	11,949,413
Program services				
Program services	6,603,681	-	6,603,681	6,560,142
Support services				
Support services	612,897	-	612,897	617,667
Fundraising				
Fundraising	490,864	-	490,864	667,865
Total expenses	7,707,442	-	7,707,442	7,845,674
Changes in net assets	(1,451,024)	(1,047,907)	(2,498,931)	4,103,739
Net Assets, beginning of year	6,697,111	9,563,491	16,260,602	12,156,863
Net Assets, end of year	\$ 5,246,087	\$ 8,515,584	\$ 13,761,671	\$ 16,260,602

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022 with Comparative Totals for the Year Ended
December 31, 2021**

	Program Services	Support Services	Fundraising	2022 Total	2021 Total
Advertising and promotion	\$ 145,512	\$ 79	\$ 6,834	\$ 152,425	\$ 156,926
Bank fees	94,706	1,925	11,927	108,558	92,721
Board expenses	2,285	1,999	1,428	5,712	13,880
Books and tapes	9,756	160	161	10,077	4,053
Contracted services	1,092,480	81,845	30,632	1,204,957	1,148,194
Curriculum development	5,775	-	-	5,775	4,825
Damaged goods expense	1,502	-	-	1,502	681
Depreciation and amortization	411,554	68,640	14,709	494,903	476,185
Dues and subscriptions	99,097	11,543	3,494	114,134	106,334
Employee recreation and welfare	34,897	5,652	1,043	41,592	42,054
Employee training	2,920	80	2,374	5,374	10,042
Equipment rental	117,927	-	-	117,927	120,346
External storage	19,178	441	-	19,619	18,434
General insurance	225,094	35,206	7,544	267,844	252,760
Graduation expense	383	-	-	383	1,495
Health insurance	265,147	44,724	9,584	319,455	358,691
Interest expense	164,070	24,516	-	188,586	182,310
Licenses and fees	50,410	2,469	3,586	56,465	59,025
Mail service	13,142	-	9,740	22,882	39,256
Materials	13,362	-	-	13,362	7,548
Miscellaneous expense	2,748	246	673	3,667	1,755
Office supplies	125,633	5,802	1,958	133,393	114,512
Payroll services	33,131	4,304	-	37,435	32,471
Payroll taxes	180,665	13,896	15,407	209,968	247,314
Postage	69,595	35	13,162	82,792	90,994
Preservation expense	5,446	-	-	5,446	6,405
Printing	9,822	-	20,462	30,284	40,825
Professional services	50,291	14,072	12,096	76,459	331,792
Program expense	362,108	513	63,055	425,676	210,051
Repairs and maintenance	256,126	34,337	-	290,463	217,579
Salaries	2,547,699	236,668	251,169	3,035,536	3,285,241
Scholarship expense	2,000	-	-	2,000	2,750
Telephone expense	59,116	7,039	500	66,655	45,070
Travel and entertainment	32,706	2,961	9,249	44,916	19,125
Uncollectible accounts	613	-	77	690	623
Utilities and fuel	96,785	13,745	-	110,530	103,407
Total expenses	\$ 6,603,681	\$ 612,897	\$ 490,864	\$ 7,707,442	\$ 7,845,674

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2022 with Comparative Totals for the Year Ended
December 31, 2021**

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (2,498,931)	\$ 4,103,739
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gains) losses on investments	1,621,331	(443,063)
Dividends and interest reinvested	(125,095)	(123,714)
Depreciation and amortization	494,903	476,185
Amortization of right-of-use asset for operating lease	103,769	-
Contributions restricted for property and equipment and other long-term purposes	(290,288)	(2,562,780)
Non-cash contributions		
Fair market value when received	(50,515)	(1,384,664)
Cash proceeds from sales	91,818	1,393,303
Uncollectible accounts (recoveries)	-	(2,656)
Paycheck Protection Program loan forgiveness	-	(675,700)
Loss on sale of property and equipment	645,474	6,580
Gain on sale of other assets	(4,093)	(30,336)
(Increase) decrease in operating assets		
Trade accounts receivable	28,003	159,925
Contributions and bequests receivable	(319,715)	(259,314)
Inventory	(38,611)	39,589
Prepaid expenses	33,111	(184,310)
Increase (decrease) in operating liabilities		
Accounts payable	(25,960)	79,503
Accrued salaries, wages and employee benefits	(178,602)	180,524
Deferred income	(53,893)	(176,678)
Split interest agreements payable	(86,757)	(214,751)
Operating lease liability	(106,172)	-
Other current liabilities	(22,437)	428
Net cash provided by (used in) operating activities	(782,660)	381,810
Cash Flows from Investing Activities		
Net proceeds (purchases) of investments	246,390	(2,227,031)
Net purchases of property and equipment	(164,591)	(552,285)
Net cash provided by (used in) investing activities	81,799	(2,779,316)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2022 with Comparative Totals for the Year Ended
December 31, 2021**

	2022	2021
Cash Flows from Financing Activities		
Repayments on note payable	\$ (161,993)	\$ (155,638)
Collection of contributions restricted for property and equipment and other long-term purposes	290,288	2,562,780
Principal payments on capital lease obligations	(9,239)	(4,305)
Net proceeds from line of credit	-	500,000
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	119,056	2,902,837
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(581,805)	505,331
Cash and Cash Equivalents, beginning of year	2,431,763	1,926,432
	<hr/>	<hr/>
Cash and Cash Equivalents, end of year	\$ 1,849,958	\$ 2,431,763
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Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 188,586	\$ 182,310

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 accounting principles generally accepted in the United States of America 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 13.

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, 2021, 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, 2022, 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, 2022.

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, 2022.

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, 2022.

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)

Leases: Effective January 1, 2022, the Organization changed its method of accounting for leases due to the adoption of FASB Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), as amended. The Organization adopted the standard using a modified retrospective transition approach at the beginning of the period of adoption through a cumulative-effect adjustment, which included an evaluation of the Organization leasing contracts and activities. The adoption of this guidance resulted in the inclusion of right-of-use (ROU) assets, and current and non-current operating lease liabilities on the consolidated statement of financial position, and adoption of the guidance resulted in the inclusion of a cumulative-effect adjustment to net assets in the consolidated statement of financial position for the year ended December 31, 2022.

As part of this adoption, the Organization has elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (1) whether existing contracts contain a lease, (2) the lease classification or (3) unamortized initial direct costs for existing leases; and have elected to apply hindsight to the existing leases.

Additionally, the Organization made accounting policy elections such as exclusion of inter-organization leases and short-term leases (leases with a term of 12 months or less and which do not include a purchase option that the Organization is reasonably certain to exercise) from the consolidated statement of financial position presentation, use of portfolio approach in determination of discount rate and accounting for nonlease components in a contract as part of a single lease component for all asset classes.

At contract inception, the Organization determines if a contract is or contains a lease and whether it is an operating lease or a finance lease. The Organization does not separate lease components for real estate leases. For operating leases that have a lease term greater than one year, the Organization initially recognizes operating lease liabilities and ROU assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Organization. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the present value of the Organization's obligation to make lease payments, primarily escalating fixed payments, over the lease term. The discount rate used to determine the present value of the lease payments is generally the rate implicit in the lease agreement. If the discount rate implicit in the lease agreement is not readily determinable, the Organization uses the risk-free rate of return.

The Organization's lease terms for each of its leases represents the noncancelable period for which the Organization has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Organization is reasonably certain to exercise that option; (ii) periods covered by an option to terminate the lease if the Organization is reasonably certain not to exercise that option; and (iii) periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor. The Organization recognizes lease expense on a straight-line basis over the lease term.

See Note 8 for further detail on leases.

**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 2022 were \$20,642.

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

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.

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.

Noncash contributions and donated assets: Noncash contributions include donated real estate, donated stock, and donated other assets. Noncash contributions and are recorded at fair value on the date of donation and analyzed for potential impairment thereafter. Noncash contributions for the year ended December 31, 2022 includes \$50,515 of donated stock, which was immediately liquidated.

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.

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.

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 fundraising. 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.
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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 States 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 842. 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.
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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 consolidated statement of financial position date, comprise the following:

Financial assets:

Cash and cash equivalents	\$ 140,842
Trade accounts receivable	263,868
Contributions and bequests receivable	206,679
Total financial assets available within one year	<u>611,389</u>

Liquidity resources:

Bank line of credit	-
Total financial assets and liquidity resources available within one year	<u><u>\$ 611,389</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, 2022, the outstanding balance on the line of credit was \$500,000.

In addition, the Organization had \$2,418,925 of investments and property 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

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 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, 2022:

Beginning balance	\$	286,964
New promises received		800,000
Collections		<u>(480,285)</u>
Ending balance	\$	<u>606,679</u>

The Organization's estimated future contributions receivable and bequest collections for the years subsequent to December 31, 2022 are as follows:

Due in less than one year	\$	206,679
Due in one to five years		<u>400,000</u>
Contribution and bequests receivable	\$	<u>606,679</u>

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, 2022 are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:

Outreach	\$ 225,190
Library	105,123
Renovations	236,135
Scholarships	49,687
Search for God study group	54,798
Tarsia Center	363,898
Other programs	48,077
Atlantic University programs	121,915
Edgar Cayce Foundation programs	158,119

1,362,942

Subject to the passage of time:

Retained life estate gifts	874,000
Pooled income	978,578

1,852,578

Endowments:

Unappropriated endowment investment losses	(683,910)
Original donor restricted gift amounts to be maintained in perpetuity	5,983,974

Total endowments 5,300,064

Total net assets with donor restrictions \$ 8,515,584

**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, 2022 is summarized below. Depreciation and amortization expense for 2022 was \$494,903. As of December 31, 2022, \$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 13 for more information on the endowment:

Automobiles	\$ 20,000
Buildings and improvements	7,241,070
Computer equipment and software	1,628,420
General equipment	1,618,655
Land and improvements	756,053
Construction in progress	14,130
	<u>11,278,328</u>
Less accumulated depreciation	<u>5,698,380</u>
Net property and equipment	<u><u>\$ 5,579,948</u></u>

Note 6. Investments

Investments are presented in the consolidated financial statements at their fair value and are summarized below at December 31, 2022:

	<u>Cost</u>	<u>Market</u>
Split interest agreements:		
Corporate bond funds	\$ 1,064,985	\$ 966,384
Stocks and mutual funds	571,110	681,970
Money market funds	31,185	31,185
	<u>1,667,280</u>	<u>1,679,539</u>
Total split interest agreements		
Cash and securities:		
Stocks and mutual funds	<u>6,888,497</u>	<u>6,050,767</u>
	<u>6,888,497</u>	<u>6,050,767</u>
Total cash and securities		
	<u>\$ 8,555,777</u>	<u>\$ 7,730,306</u>
Total investments		

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.

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

Note 6. Investments (Continued)

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, 2022, assets measured at fair value on a recurring basis are as follows:

	Level 1	Total
Corporate bond funds	\$ 966,384	\$ 966,384
Stocks and mutual funds	6,732,737	6,732,737
Money market funds	31,185	31,185
Total	\$ 7,730,306	\$ 7,730,306

Note 7. Intangibles

Intangible assets for the Organization at December 31, 2022 are summarized below. Management reviews intangible assets for potential impairment annually. No impairments were identified by management for 2022.

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

Note 8. Leases

In 2020, the Organization entered into a five-year copier lease agreement with Konica Minolta through October 24, 2025. The lease provides for monthly payments of \$9,210.

The following amounts were recorded in the Organization's consolidated statements of operations relating to its leases:

Lease Expense	
Operating lease expense	\$ 108,117
Short-term lease expense	9,810
Total lease expense	\$ 117,927

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

Note 8. Leases (Continued)

The following is other supplemental information relating to the Organization's operating lease:

Other Supplemental Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 110,520
ROU assets obtained in exchange for new operating lease liabilities	404,910
Weighted-average remaining lease term in years for operating leases	3
Weighted-average discount rate for operating leases	1.22%

Future maturities of the Organization's operating lease are as follows:

Years Ending December 31,	Amount
2023	\$ 110,520
2024	110,520
2025	82,890
Total undiscounted cash flows	303,930
Less: Present value discount	(5,192)
Total lease liabilities	\$ 298,738

Note 9. 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, 2022.

Note 10. Concentration of Credit Risk

At December 31, 2022, 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.

Note 11. 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% (7.50% at December 31, 2022). There was an outstanding balance of \$500,000 at December 31, 2022. The line of credit matures on August 3, 2023.

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

Note 12. Notes Payable

The Organization has a loan with an original loan principal balance of \$1,846,005 with the same lender. The loan is 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, 2022 was \$1,528,374.

Notes payable and related current maturities consist of the following as of December 31, 2022:

Notes payable	\$ 1,528,374
Less current maturities	<u>168,700</u>
	<u><u>\$ 1,359,674</u></u>

Future aggregate maturities required on principal are as follows:

Year	Amount
2023	\$ 168,700
2024	174,863
2025	180,878
2026	187,292
2027	193,935
Thereafter	<u>622,706</u>
	<u><u>\$ 1,528,374</u></u>

Note 13. 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.

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

Note 13. Endowment (Continued)

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, 2022, the Board of Trustees had designated \$2,418,925 of net assets without donor restrictions as a general endowment fund to specifically support general operations, expenses, outreach, and staffing, essentially those infrastructure costs that are not directly supported by sales, fundraising, fees and general contributions. Since that amount resulted from an internal designation and is not donor-restricted, it is classified as net assets without donor restrictions.

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

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

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

Note 13. Endowment (Continued)

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, 2022, funds with original gift values of \$5,983,974, fair values of \$5,300,064, and deficiencies of \$683,910 were reported in net assets with donor restrictions. Management expects these amounts to be fully recovered in future years due to favorable market conditions and will not appropriate amounts from underwater endowments for expenditure until funds have fully recovered.

As of December 31, 2022, the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,418,925	\$ -	\$ 2,418,925
Donor-restricted endowment funds			
Original donor restricted gift amounts to be maintained in perpetuity	-	5,983,974	5,983,974
Unappropriated losses	-	(683,910)	(683,910)
	<u>\$ 2,418,925</u>	<u>\$ 5,300,064</u>	<u>\$ 7,718,989</u>

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,754,367	\$ 6,027,620	\$ 8,781,987
Investment loss	(212,431)	(925,822)	(1,138,253)
Contributions	-	406,524	406,524
Amounts appropriated for expenditure	(123,011)	(208,258)	(331,269)
Endowment net assets, end of year	<u>\$ 2,418,925</u>	<u>\$ 5,300,064</u>	<u>\$ 7,718,989</u>

Note 14. Related Party Transactions

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

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

Note 15. 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, 2022.

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	\$ 1,203,431
Less: accumulated depreciation related to post-implementation property, plant and equipment as of December 31, 2022	<u>302,772</u>
	<u><u>\$ 900,659</u></u>

Note 16. 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.

Note 17. Subsequent Events

The Organization has evaluated all events subsequent to December 31, 2022 through July 12, 2023, which is the date these consolidated financial statements were available to be issued. Management has determined 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, 2022 with Comparative Totals for December 31, 2021**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 1,468,104	\$ 144,139	\$ 237,715	\$ -	\$ 1,849,958	\$ 2,431,763
Trade accounts receivable, net of allowance	193,428	-	70,440	-	263,868	291,871
Contributions and bequests receivable	606,679	-	-	-	606,679	286,964
Inventory, net of allowance	251,547	-	-	-	251,547	212,936
Prepaid expenses	393,311	914	580	-	394,805	427,916
Due from affiliates	227,925	67,118	-	(295,043)	-	-
Total current assets	3,140,994	212,171	308,735	(295,043)	3,366,857	3,651,450
Net Property and Equipment	5,507,398	72,550	-	-	5,579,948	6,555,734
Right-of-Use Asset for Operating Lease	301,141	-	-	-	301,141	-
Investments						
Split interest agreements	1,679,539	-	-	-	1,679,539	2,127,937
Cash and securities	5,683,498	32,013	335,256	-	6,050,767	7,344,995
Total investments	7,363,037	32,013	335,256	-	7,730,306	9,472,932
Other Assets						
Donated assets						
Real estate	874,000	-	-	-	874,000	874,000
Other	102,622	-	-	-	102,622	139,832
Intangibles	80,405	-	-	-	80,405	80,405
Total other assets	1,057,027	-	-	-	1,057,027	1,094,237
Total assets	\$ 17,369,597	\$ 316,734	\$ 643,991	\$ (295,043)	\$ 18,035,279	\$ 20,774,353
LIABILITIES AND NET ASSETS						
Current Liabilities						
Current portion of note payable	\$ 168,700	\$ -	\$ -	\$ -	\$ 168,700	\$ 162,922
Current portion of split interest agreements payable	127,450	-	-	-	127,450	127,450
Current portion of capital lease obligation	-	-	-	-	-	7,919
Current portion of operating lease liability	107,475	-	-	-	107,475	-
Line of credit	500,000	-	-	-	500,000	500,000
Accounts payable, trade	228,516	-	-	-	228,516	254,476
Accrued salaries, wages and employee benefits	182,019	-	14,667	-	196,686	375,288
Deferred income	177,178	-	61,029	-	238,207	277,326
Due to affiliate	-	-	295,043	(295,043)	-	-
Other current liabilities	24,265	-	-	-	24,265	46,702
Total current liabilities	1,515,603	-	370,739	(295,043)	1,591,299	1,752,083
Long-Term Liabilities, net of current portions						
Deferred income	691,820	-	-	-	691,820	706,594
Note payable	1,359,674	-	-	-	1,359,674	1,527,445
Capital lease obligation	-	-	-	-	-	1,320
Operating lease liability	191,263	-	-	-	191,263	-
Split interest agreements payable	439,552	-	-	-	439,552	526,309
Total long-term liabilities	2,682,309	-	-	-	2,682,309	2,761,668
Total liabilities	4,197,912	-	370,739	(295,043)	4,273,608	4,513,751
Net Assets						
Without donor restrictions	5,247,798	118,703	(120,414)	-	5,246,087	6,697,111
With donor restrictions	7,923,887	198,031	393,666	-	8,515,584	9,563,491
Total net assets	13,171,685	316,734	273,252	-	13,761,671	16,260,602
Total liabilities and net assets	\$ 17,369,597	\$ 316,734	\$ 643,991	\$ (295,043)	\$ 18,035,279	\$ 20,774,353

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2022 with Comparative Totals for the Year Ended December 31, 2021

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2022	2021
Revenues, Gains and Other Support						
Sales	\$ 674,183	\$ -	\$ -	\$ -	\$ 674,183	\$ 729,845
Cost of sales	279,352	-	-	-	279,352	262,976
Gross profit from sales	394,831	-	-	-	394,831	466,869
Contributions						
Contributions, without donor restrictions	969,957	12,677	2,460	-	985,094	1,322,308
Contributions, with donor restrictions	381,511	87,161	129,000	-	597,672	494,878
Bequests, without donor restrictions	2,251,648	-	-	-	2,251,648	1,463,061
Bequests, with donor restrictions	-	-	-	-	-	15,776
Noncash, contributions without donor restrictions	36,537	-	-	-	36,537	919,699
Noncash, contributions with donor restrictions	13,978	-	-	-	13,978	2,381,057
Change in value of split-interest agreements						
With donor restrictions	14,774	-	-	-	14,774	(49,088)
Dues						
Life membership	63,550	-	-	-	63,550	130,162
Other categories	476,288	-	-	-	476,288	701,633
Fees for services						
Conference fees	313,558	-	-	-	313,558	301,890
Health services fees	768,536	-	-	-	768,536	602,105
Tour fees (refunds)	384,522	-	-	-	384,522	(3,332)
All other fees for services	120,039	-	-	-	120,039	80,196
Gain (loss) on sale of property and equipment and other assets						
Without donor restrictions	(641,381)	-	-	-	(641,381)	59,990
With donor restrictions	-	-	-	-	-	191
Investment income (loss)						
Dividends and interest						
Without donor restrictions	19,918	-	4,956	-	24,874	29,445
With donor restrictions	96,393	661	3,167	-	100,221	94,269
Gains (losses) on investments						
Without donor restrictions	(201,522)	-	(37,509)	-	(239,031)	25,887
With donor restrictions	(1,335,601)	(9,185)	(37,514)	-	(1,382,300)	417,176
Rental income	34,570	-	-	-	34,570	33,060
Other income	218,907	1,003	9,830	-	229,740	1,589,855
Postage and handling	-	-	-	-	-	270
Royalty income	20,507	1,408	-	-	21,915	29,739
Tuition	428,450	-	210,426	-	638,876	842,317
Total revenues, gains and other support	4,829,970	93,725	284,816	-	5,208,511	11,949,413
Program services	6,220,367	66,674	316,640	-	6,603,681	6,560,142
Support services	591,683	-	21,214	-	612,897	617,667
Fundraising	483,793	-	7,071	-	490,864	667,865
Total expenses	7,295,843	66,674	344,925	-	7,707,442	7,845,674
Changes in Net Assets	(2,465,873)	27,051	(60,109)	-	(2,498,931)	4,103,739
Net Assets, beginning of year	15,637,558	289,683	333,361	-	16,260,602	12,156,863
Net Assets, end of year	\$ 13,171,685	\$ 316,734	\$ 273,252	\$ -	\$ 13,761,671	\$ 16,260,602
Change in Net Assets Accounted for as Follows:						
Without donor restrictions	\$ (1,309,069)	\$ 3,777	\$ (145,732)	\$ -	\$ (1,451,024)	\$ 1,240,468
With donor restrictions	(1,156,804)	23,274	85,623	-	(1,047,907)	2,863,271
Change in net assets	\$ (2,465,873)	\$ 27,051	\$ (60,109)	\$ -	\$ (2,498,931)	\$ 4,103,739

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

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022 with Comparative Totals for the Year Ended December 31, 2021**

	A.R.E.				E.C.F.	A.U.				Eliminations	Consolidated	
	Program	Support	Fundraising	A.R.E.		Program	Support	Fundraising	A.U.		2022	2021
	Services	Services		Total		Services	Services		Total			
Advertising and promotion	\$ 114,402	\$ 79	\$ 6,834	\$ 121,315	\$ 455	\$ 30,655	\$ -	\$ -	\$ 30,655	\$ -	\$ 152,425	\$ 156,926
Bank fees	94,656	1,925	11,927	108,508	50	-	-	-	-	-	108,558	92,721
Board expenses	2,285	1,999	1,428	5,712	-	-	-	-	-	-	5,712	13,880
Books and tapes	9,756	160	161	10,077	-	-	-	-	-	-	10,077	4,053
Contracted services	1,005,067	81,845	30,632	1,117,544	-	87,413	-	-	87,413	-	1,204,957	1,148,194
Curriculum development	-	-	-	-	-	5,775	-	-	5,775	-	5,775	4,825
Damaged goods expense	1,502	-	-	1,502	-	-	-	-	-	-	1,502	681
Depreciation and amortization	406,939	68,640	14,709	490,288	4,615	-	-	-	-	-	494,903	476,185
Dues and subscriptions	97,921	11,543	3,494	112,958	-	1,176	-	-	1,176	-	114,134	106,334
Employee recreation and welfare	34,897	5,652	1,043	41,592	-	-	-	-	-	-	41,592	42,054
Employee training	2,920	80	2,374	5,374	-	-	-	-	-	-	5,374	10,042
Equipment rental	117,002	-	-	117,002	-	925	-	-	925	-	117,927	120,346
External storage	19,178	441	-	19,619	-	-	-	-	-	-	19,619	18,434
General insurance	225,094	35,206	7,544	267,844	-	-	-	-	-	-	267,844	252,760
Graduation expense	282	-	-	282	-	101	-	-	101	-	383	1,495
Health insurance	265,147	44,724	9,584	319,455	-	-	-	-	-	-	319,455	358,691
Interest expense	164,070	24,516	-	188,586	-	-	-	-	-	-	188,586	182,310
Licenses and fees	33,059	2,469	3,586	39,114	-	17,351	-	-	17,351	-	56,465	59,025
Mail service	13,142	-	9,740	22,882	-	-	-	-	-	-	22,882	39,256
Materials	13,362	-	-	13,362	-	-	-	-	-	-	13,362	7,548
Miscellaneous expense	1,432	246	673	2,351	1,316	-	-	-	-	-	3,667	1,755
Office supplies	124,973	5,802	1,958	132,733	-	660	-	-	660	-	133,393	114,512
Payroll services	28,805	4,304	-	33,109	-	4,326	-	-	4,326	-	37,435	32,471
Payroll taxes	166,520	12,492	14,939	193,951	3,792	10,353	1,404	468	12,225	-	209,968	247,314
Postage	69,234	35	13,162	82,431	-	361	-	-	361	-	82,792	90,994
Preservation expense	-	-	-	-	5,446	-	-	-	-	-	5,446	6,405
Printing	9,822	-	20,462	30,284	-	-	-	-	-	-	30,284	40,825
Professional services	46,191	14,072	12,096	72,359	2,000	2,100	-	-	2,100	-	76,459	331,792
Program expense	357,662	513	63,055	421,230	-	4,446	-	-	4,446	-	425,676	210,051
Repairs and maintenance	256,126	34,337	-	290,463	-	-	-	-	-	-	290,463	217,579
Salaries	2,348,458	216,858	244,566	2,809,882	48,800	150,441	19,810	6,603	176,854	-	3,035,536	3,285,241
Scholarship expense	2,000	-	-	2,000	-	-	-	-	-	-	2,000	2,750
Telephone expense	59,116	7,039	500	66,655	-	-	-	-	-	-	66,655	45,070
Travel and entertainment	32,199	2,961	9,249	44,409	200	307	-	-	307	-	44,916	19,125
Uncollectible accounts	363	-	77	440	-	250	-	-	250	-	690	623
Utilities and fuel	96,785	13,745	-	110,530	-	-	-	-	-	-	110,530	103,407
Total expenses	\$ 6,220,367	\$ 591,683	\$ 483,793	\$ 7,295,843	\$ 66,674	\$ 316,640	\$ 21,214	\$ 7,071	\$ 344,925	\$ -	\$ 7,707,442	\$ 7,845,674

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

**CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2022 with Comparative Totals for the Year Ended
December 31, 2021**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2022	2021
Cash Flows from Operating Activities						
Change in net assets	\$ (2,465,873)	\$ 27,051	\$ (60,109)	\$ -	\$ (2,498,931)	\$ 4,103,739
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Realized and unrealized (gains) losses						
Dividends and interest reinvested	1,537,123	9,185	75,023	-	1,621,331	(443,063)
Depreciation and amortization	(116,311)	(661)	(8,123)	-	(125,095)	(123,714)
Amortization of right-of-use asset for operating lease	490,288	4,615	-	-	494,903	476,185
Contributions restricted for property and equipment and other long-term purposes	103,769	-	-	-	103,769	-
Non-cash contributions	(290,288)	-	-	-	(290,288)	(2,562,780)
Fair market value when received	(50,515)	-	-	-	(50,515)	(1,384,664)
Cash proceeds from sales	91,818	-	-	-	91,818	1,393,303
Uncollectible accounts (recoveries)	-	-	-	-	-	(2,656)
Paycheck Protection Program loan forgiveness	-	-	-	-	-	(675,700)
Loss on sale of property and equipment	645,474	-	-	-	645,474	6,580
Gain on sale of other assets	(4,093)	-	-	-	(4,093)	(30,336)
(Increase) decrease in operating assets						
Trade accounts receivable	28,077	-	(74)	-	28,003	159,925
Contributions and bequests receivable	(319,715)	-	-	-	(319,715)	(259,314)
Inventory	(38,611)	-	-	-	(38,611)	39,589
Prepaid expenses	33,691	-	(580)	-	33,111	(184,310)
Due from affiliate	(28,635)	(67,118)	-	95,753	-	-
Increase (decrease) in operating liabilities						
Accounts payable	(25,960)	-	-	-	(25,960)	79,503
Accrued salaries, wages and employee benefits	(179,342)	-	740	-	(178,602)	180,524
Deferred income	(62,026)	-	8,133	-	(53,893)	(176,678)
Due to affiliate	-	-	95,753	(95,753)	-	-
Split interest agreements payable	(86,757)	-	-	-	(86,757)	(214,751)
Operating lease liability	(106,172)	-	-	-	(106,172)	-
Other current liabilities	(22,437)	-	-	-	(22,437)	428
Net cash provided by (used in) operating activities	(866,495)	(26,928)	110,763	-	(782,660)	381,810
Cash Flows from Investing Activities						
Net proceeds (purchases) of investments	224,436	1,917	20,037	-	246,390	(2,227,031)
Purchases of property and equipment	(163,275)	(1,316)	-	-	(164,591)	(552,285)
Net cash provided by (used in) investing activities	61,161	601	20,037	-	81,799	(2,779,316)

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

**CONSOLIDATING STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2022 with Comparative Totals for the Year Ended
December 31, 2021**

	A.R.E.	E.C.F.	A.U.	Eliminations	Consolidated	
					2022	2021
Cash Flows from Financing Activities						
Repayments on note payable	\$ (161,993)	\$ -	\$ -	\$ -	\$ (161,993)	\$ (155,638)
Collection of contributions restricted for property and equipment and other long-term purposes	290,288	-	-	-	290,288	2,562,780
Principal payments on capital lease obligations	(9,239)	-	-	-	(9,239)	(4,305)
Net proceeds from line of credit	-	-	-	-	-	500,000
Net cash provided by (used in) financing activities	119,056	-	-	-	119,056	2,902,837
Net increase (decrease) in cash and cash equivalents	(686,278)	(26,327)	130,800	-	(581,805)	505,331
Cash and Cash Equivalents, beginning of year	2,154,382	170,466	106,915	-	2,431,763	1,926,432
Cash and Cash Equivalents, end of year	<u>\$ 1,468,104</u>	<u>\$ 144,139</u>	<u>\$ 237,715</u>	<u>\$ -</u>	<u>\$ 1,849,958</u>	<u>\$ 2,431,763</u>
Supplemental Disclosure of Cash Flow Information						
Interest paid	\$ 188,586	\$ -	\$ -	\$ -	\$ 188,586	\$ 182,310

ASSOCIATION FOR RESEARCH AND ENLIGHTENMENT, INC. AND AFFILIATES

FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE

December 31, 2022

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		\$ 5,246,087
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Net assets with donor restrictions		8,515,584
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Net assets with donor restrictions; restricted in perpetuity		5,983,974
N/A	Annuities with donor restrictions		-
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Term endowments with donor restrictions		(683,910)
Note 4 to the Financial Statements - Net Assets with Donor Restrictions	Life income funds with donor restrictions		1,852,578
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	5,579,948	
Statement of Financial Position - Net Property and Equipment	Property, plant and equipment; pre-implementation, leases grandfathered		4,679,289
N/A	Property, plant and equipment; post-implementation - with outstanding debt for acquisition		-
Note 15 to the Financial Statements - Financial Responsibility Standards	Property, plant and equipment: post-implementation - without outstanding debt for acquisition		900,659
N/A	Construction in progress		-
Subtotal of rows 23-24, Statement of Financial Position	Lease right of use assets, net	301,141	
N/A	Lease right of use assets; pre-implementation, leases are grandfathered		-
Statement of Financial Position - Right-of-Use Asset for Operating Lease	Lease right of use assets; post-implementation		301,141
Note 7 to the Financial Statements - Intangibles	Intangible assets		80,405
N/A	Post-employment and pension liabilities		-
Subtotal of rows 28-29, Statement of Financial Position	Long-term debt; for long term purposes	1,528,374	
Note 12 to the Financial Statements - Note Payable	Long-term debt; for long term purposes pre-implementation, debt grandfathered		1,528,374
N/A	Long-term debt; for long term purposes post-implementation		-
N/A	Line of Credit for Construction in progress		-
Note 8 to the Financial Statements - Leases	Right of use asset lease obligation	298,738	
N/A	Right of use asset lease obligation; pre-implementation, leases grandfathered		-
Statement of Financial Position - Right-of-Use Asset for Operating Lease	Right of use asset lease obligation; post-implementation		298,738
Total Expendable Net Assets			2,474,647
<u>Total Expenses and Losses</u>			
Statement of Activities - total expenses	Total expenses without donor restrictions		7,707,442
Statement of Activities - Dividends and interest, Loss on investments	Investment loss, net investment return appropriated for spending	1,496,236	

N/A	Other components of net periodic pension costs	-	
N/A	Change in value of split interest agreements	-	
Statement of Activities - Loss on sale of property and equipment and other assets	Other losses	636,685	
N/A	Pension-related changes other than net periodic pension costs	-	
Subtotal of rows 37-41	Non-operating and net investment loss		2,132,921
Statement of Activities - Dividends and interest, Loss on investments	Investment loss, net investment return appropriated for spending		1,496,236
N/A	Pension-related changes other than net periodic costs		-
Total expenses and losses			8,344,127

Equity Ratio			
<u>Modified Net Assets</u>			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		5,246,087
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		8,515,584
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			13,681,266
<u>Modified Assets</u>			
Statement of Financial Position - total assets	Total assets		18,035,279
N/A	Lease right-of-use asset; pre-implementation, leases grandfathered		-
N/A	Lease right-of-use liability; pre-implementation, leases grandfathered		-
Note 7 to the Financial Statements - Intangibles	Intangible assets		80,405
N/A	Secured and Unsecured related party receivable	-	
N/A	Unsecured related party receivable		-
Total modified assets			17,954,874
Net Income Ratio			
<u>Change in Net Assets Without Donor Restrictions</u>			
Statement of Activities - change in net assets without donor restrictions	Change in Net Assets Without Donor Restrictions; increase (decrease)		(1,451,024)
<u>Total Revenue and Gains</u>			
Statement of Activities - total revenues, gains and other support without donor restrictions	Total revenue without donor restrictions, including net assets released from restrictions (Includes total net investment return, including investment return appropriated for spending)	6,651,249	
Note 13 to the Financial Statements - Endowment (without donor restrictions)	Net investment return appropriated for spending	123,011	
N/A	Total net investment return, including investment return appropriated for spending	-	
Statement of Activities - Change in value of split-interest agreements	Change in value of split-interest agreements	14,774	
N/A	Other gains	-	
N/A	Pension-related changes other than net periodic pension	-	
Total revenues and gains without donor restrictions			6,543,012



**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, 2022, 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 12, 2023.

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 or significant deficiencies may exist that were not 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 12, 2023