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**BRF, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2022**

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**BRF, LLC**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Biomedical Research Foundation of Northwest Louisiana  
Managing Member of BRF, LLC  
Shreveport, Louisiana

### **Report on the Audit of the Consolidated Financial Statements**

#### Opinion

We have audited the accompanying consolidated financial statements of BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class, and cash flows for the years ended September 30, 2022 and 2021, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BRF, LLC and its subsidiaries as of September 30, 2022 and 2021, and the results of their operations, changes in net assets, and their cash flows for the years ended September 30, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of BRF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 BRF'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BRF'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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of BRF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 BRF's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
February 28, 2023

**BRE, LLC**  
**SHREVEPORT, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022 AND 2021**

**ASSETS**

|   | <u>2022</u>          | <u>2021</u>           |
|---|----------------------|-----------------------|
| Cash and cash equivalents   | \$ 2,017,545         | \$ 10,192,604         |
| Restricted cash and cash equivalents  | 3,940,289            | 6,532,417             |
| Accounts receivable, net of allowances for doubtful accounts of<br>\$76,387 and \$201,000 at September 30, 2022 and 2021, respectively                    | 4,160,768            | 4,331,305             |
| Unconditional promises to give, net of discounts of \$13,014 and<br>\$5,641 at September 30, 2022 and 2021, respectively                                  | 140,418              | 469,442               |
| Prepaid expenses  | 115,853              | 94,148                |
| Inventory   | 32,985               | 37,667                |
| Investments   | 20,788,317           | 20,029,484            |
| Notes receivable and accrued interest, net of allowances for doubtful<br>accounts of \$566,877 and \$512,877 at September 30, 2022 and 2021, respectively | 8,442,743            | 6,839,795             |
| Property and equipment, net   | 59,566,033           | 55,319,749            |
| Due from related party (Note 13)  | 110,084              | 93,210                |
| Total assets  | <u>\$ 99,315,035</u> | <u>\$ 103,939,821</u> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| Accounts payable and accrued expenses | \$ 1,648,131      | \$ 3,718,408      |
| Note payable                          | 8,454,582         | 9,254,070         |
| Deferred revenue                      | 515,809           | 407,663           |
| Asset retirement liability            | 879,500           | 654,500           |
| Due to related party (Note 13)        | 27,287,224        | 26,747,224        |
| Total liabilities                     | <u>38,785,246</u> | <u>40,781,865</u> |

**NET ASSETS**

|                                  |                      |                       |
|----------------------------------|----------------------|-----------------------|
| Without donor restrictions       | 57,467,434           | 59,507,436            |
| With donor restrictions          | 3,062,355            | 3,650,520             |
| Total net assets                 | <u>60,529,789</u>    | <u>63,157,956</u>     |
| Total liabilities and net assets | <u>\$ 99,315,035</u> | <u>\$ 103,939,821</u> |

The accompanying notes are an integral part of these consolidated statements.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

|  | Year ended September 30, 2022 |                            |               |
|--|-------------------------------|----------------------------|---------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| <b>REVENUES AND SUPPORT:</b>                       |                               |                            |               |
| Patient service revenue                            | \$ 2,585,894                  | \$ -                       | \$ 2,585,894  |
| Support - philanthropic                            | 6,490                         | 102,179                    | 108,669       |
| Rental revenues                                    | 10,312,515                    | -                          | 10,312,515    |
| Local government operating revenue                 | 2,863,251                     | -                          | 2,863,251     |
| Government grants and contracts                    | 352,222                       | 243,304                    | 595,526       |
| Investment revenues (losses)                       | (2,628,515)                   | (355,227)                  | (2,983,742)   |
| Interest revenues                                  | 583,889                       | -                          | 583,889       |
| Radiopharmaceutical sales                          | 927,964                       | -                          | 927,964       |
| Tuition revenues                                   | 520,256                       | -                          | 520,256       |
| Other revenues                                     | 411,791                       | 85,227                     | 497,018       |
|  | 15,935,757                    | 75,483                     | 16,011,240    |
| Net assets released from restrictions:             |                               |                            |               |
| Restrictions satisfied by payments                 | 663,648                       | (663,648)                  | -             |
| Total revenues and support                         | 16,599,405                    | (588,165)                  | 16,011,240    |
| <b>EXPENSES:</b>                                   |                               |                            |               |
| Program services:                                  |                               |                            |               |
| Center for Molecular Imaging and Therapy           | 4,791,182                     | -                          | 4,791,182     |
| Office of Research, Development and Administration | 11,586                        | -                          | 11,586        |
| Entrepreneurial Accelerator Program                | 1,309,406                     | -                          | 1,309,406     |
| Digital Media Institute                            | 1,588,265                     | -                          | 1,588,265     |
| Real Estate Management and Development             | 6,085,339                     | -                          | 6,085,339     |
| Shreveport Next                                    | 400,005                       | -                          | 400,005       |
| Other sponsored projects                           | 89,015                        | -                          | 89,015        |
| Total program services                             | 14,274,798                    | -                          | 14,274,798    |
| Support services:                                  |                               |                            |               |
| Management and general                             | 4,145,394                     | -                          | 4,145,394     |
| Fund-raising                                       | 280,696                       | -                          | 280,696       |
| Total support services                             | 4,426,090                     | -                          | 4,426,090     |
| Total expenses                                     | 18,700,888                    | -                          | 18,700,888    |
| <b>NONOPERATING REVENUES:</b>                      |                               |                            |               |
| Change in value of derivative                      | -                             | -                          | -             |
| Gain (loss) on disposal of property and equipment  | 61,481                        | -                          | 61,481        |
| Total nonoperating revenues                        | 61,481                        | -                          | 61,481        |
| <b>CHANGE IN NET ASSETS</b>                        | (2,040,002)                   | (588,165)                  | (2,628,167)   |
| Net assets - beginning of year                     | 59,507,436                    | 3,650,520                  | 63,157,956    |
| <b>Net assets - end of year</b>                    | \$ 57,467,434                 | \$ 3,062,355               | \$ 60,529,789 |

The accompanying notes are an integral part of these consolidated statements.

Year ended September 30, 2021

| Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|-------------------------------|----------------------------|----------------------|
| \$ 2,354,882                  | \$ -                       | \$ 2,354,882         |
| 356,140                       | 1,588,381                  | 1,944,521            |
| 10,284,847                    | -                          | 10,284,847           |
| 2,817,838                     | -                          | 2,817,838            |
| 261,047                       | 404,915                    | 665,962              |
| 509,019                       | -                          | 509,019              |
| 334,900                       | -                          | 334,900              |
| 968,680                       | -                          | 968,680              |
| 498,132                       | -                          | 498,132              |
| 192,079                       | -                          | 192,079              |
| <u>18,577,564</u>             | <u>1,993,296</u>           | <u>20,570,860</u>    |
| 2,028,118                     | (2,028,118)                | -                    |
| <u>20,605,682</u>             | <u>(34,822)</u>            | <u>20,570,860</u>    |
| 3,398,782                     | -                          | 3,398,782            |
| 378,883                       | -                          | 378,883              |
| 1,287,658                     | -                          | 1,287,658            |
| 1,671,638                     | -                          | 1,671,638            |
| 5,983,725                     | -                          | 5,983,725            |
| 515,653                       | -                          | 515,653              |
| 126,924                       | -                          | 126,924              |
| <u>13,363,263</u>             | <u>-</u>                   | <u>13,363,263</u>    |
| 4,077,947                     | -                          | 4,077,947            |
| 214,423                       | -                          | 214,423              |
| <u>4,292,370</u>              | <u>-</u>                   | <u>4,292,370</u>     |
| <u>17,655,633</u>             | <u>-</u>                   | <u>17,655,633</u>    |
| 23,629                        | -                          | 23,629               |
| (1,424)                       | -                          | (1,424)              |
| <u>22,205</u>                 | <u>-</u>                   | <u>22,205</u>        |
| 2,972,254                     | (34,822)                   | 2,937,432            |
| <u>56,535,182</u>             | <u>3,685,342</u>           | <u>60,220,524</u>    |
| <u>\$ 59,507,436</u>          | <u>\$ 3,650,520</u>        | <u>\$ 63,157,956</u> |



**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

Year ended September 30, 2022

|  | Center for Molecular<br>Imaging and Therapy | Office of Research,<br>Development and<br>Administration / Envision | Entrepreneurial<br>Accelerator Program | Digital Media<br>Institute | Real Estate<br>Management and<br>Development |
|--|---|---|--|----------------------------|--|
| Accounting / auditing fees               | \$ 2,000                                    | \$ -  | \$ 2,475                               | \$ -                       | \$ -   |
| Accretion                                | 595,445                                     | -   | -                                      | -                          | -  |
| Advertising                              | 5,255                                       | -   | 200,376                                | 224,192                    | -  |
| Animal resources                         | -   | -   | -                                      | -                          | 56,575                                       |
| Attorney fees                            | -   | -   | -                                      | -                          | 77,008                                       |
| Bad debt expense                         | 6,487                                       | -   | -                                      | 85,615                     | (168,317)                                    |
| Bank fees                                | 13,187                                      | -   | 57                                     | 5,541                      | 95   |
| Communication and computer services      | 65,923                                      | -   | 992                                    | 36,555                     | 16,263                                       |
| Consultant fees                          | 34,417                                      | -   | 13,010                                 | 2,521                      | 84,463                                       |
| Contract labor                           | 264,820                                     | 2,189   | 12,257                                 | 51,270                     | -  |
| Depreciation                             | 251,872                                     | -   | 26,667                                 | 52,623                     | 1,661,298                                    |
| Dues and subscriptions                   | 15,512                                      | (96)  | 5,162                                  | 33,336                     | 3,723  |
| Employee benefits                        | 177,268                                     | 2,848   | 82,968                                 | 104,984                    | 142,943                                      |
| Equipment - leased                       | 7,558                                       | -   | -                                      | 3,607                      | 6,889  |
| Equipment purchased                      | 22,759                                      | -   | -                                      | 4,179                      | 10,610                                       |
| FDG distribution services                | 103,973                                     | -   | -                                      | 9                          | -  |
| Grants - other                           | -   | -   | 14,852                                 | 12,019                     | -  |
| Insurance                                | 67,721                                      | 6,340   | 3,548                                  | 3,728                      | 305,536                                      |
| Interest expense                         | 85,530                                      | -   | -                                      | -                          | 135,770                                      |
| License / certification fees             | -   | -   | 17,333                                 | 50,775                     | -  |
| Meals and entertainment                  | 921   | -   | 13,885                                 | 1,976                      | 174  |
| Miscellaneous                            | 145,765                                     | -   | 1,321                                  | 41,346                     | (25)   |
| Office Expenses                          | 88,748                                      | 122   | 5,198                                  | 20,134                     | 741,256                                      |
| Payroll taxes                            | 88,946                                      | 7   | 52,622                                 | 54,522                     | 54,996                                       |
| Project development costs                | -   | -   | 28,130                                 | -                          | -  |
| Radiopharmaceutical and medical supplies | 1,025,812                                   | -   | -                                      | -                          | -  |
| Registration and conference fees         | 2,999                                       | -   | 5,647                                  | 539                        | 895  |
| Rent                                     | 1,214                                       | -   | -                                      | -                          | -  |
| Repairs and maintenance                  | 193,119                                     | -   | -                                      | -                          | 748,451                                      |
| Salaries                                 | 1,392,194                                   | 91  | 811,573                                | 742,891                    | 752,909                                      |
| Taxes and licenses                       | 5,131                                       | 35  | 105                                    | 180                        | 8,659  |
| Travel, meals, and auto                  | 3,511                                       | 50  | 11,228                                 | 55,723                     | 7,174  |
| Utilities                                | 123,095                                     | -   | -                                      | -                          | 1,437,994                                    |
|  | <u>\$ 4,791,182</u>                         | <u>\$ 11,586</u>  | <u>\$ 1,309,406</u>                    | <u>\$ 1,588,265</u>        | <u>\$ 6,085,339</u>                          |

The accompanying notes are an integral part of these consolidated financial statements.

Year ended September 30, 2022

| Shreveport<br>Next | Other sponsored<br>projects | Total<br>Program Expenses | Management<br>and General | Fund-raising      | Total                |
|--------------------|-----------------------------|---------------------------|---------------------------|-------------------|----------------------|
| \$ -               | \$ -                        | \$ 4,475                  | \$ 90,252                 | \$ -              | \$ 94,727            |
| -                  | -                           | 595,445                   | -                         | -                 | 595,445              |
| 233                | 4,588                       | 434,644                   | 123,913                   | 99                | 558,656              |
| -                  | -                           | 56,575                    | -                         | -                 | 56,575               |
| -                  | -                           | 77,008                    | 16,448                    | -                 | 93,456               |
| -                  | -                           | (76,215)                  | 50,291                    | -                 | (25,924)             |
| 19                 | -                           | 18,899                    | 17,147                    | 204               | 36,250               |
| -                  | -                           | 119,733                   | 344,901                   | -                 | 464,634              |
| 174,935            | 16,967                      | 326,313                   | 545,058                   | 375               | 871,746              |
| -                  | 19,019                      | 349,555                   | 169                       | -                 | 349,724              |
| -                  | -                           | 1,992,460                 | 3,249                     | -                 | 1,995,709            |
| 2,623              | -                           | 60,260                    | 41,511                    | 1,369             | 103,140              |
| 23,710             | -                           | 534,721                   | 253,891                   | 47,465            | 836,077              |
| -                  | -                           | 18,054                    | 9,673                     | -                 | 27,727               |
| -                  | -                           | 37,548                    | 218                       | -                 | 37,766               |
| -                  | -                           | 103,982                   | -                         | -                 | 103,982              |
| -                  | 48,266                      | 75,137                    | 15,400                    | 600               | 91,137               |
| -                  | -                           | 386,873                   | 151,106                   | -                 | 537,979              |
| -                  | -                           | 221,300                   | -                         | -                 | 221,300              |
| 16,500             | -                           | 84,608                    | 19,056                    | 19,964            | 123,628              |
| 3,141              | 81                          | 20,178                    | 30,963                    | 304               | 51,445               |
| -                  | -                           | 188,407                   | 57,552                    | -                 | 245,959              |
| 122                | 94                          | 855,674                   | 56,036                    | 368               | 912,078              |
| 9,432              | -                           | 260,525                   | 101,674                   | 14,201            | 376,400              |
| -                  | -                           | 28,130                    | 23,517                    | -                 | 51,647               |
| -                  | -                           | 1,025,812                 | -                         | -                 | 1,025,812            |
| 2,218              | -                           | 12,298                    | 24,703                    | 1,370             | 38,371               |
| -                  | -                           | 1,214                     | -                         | -                 | 1,214                |
| -                  | -                           | 941,570                   | -                         | -                 | 941,570              |
| 129,046            | -                           | 3,828,704                 | 2,135,545                 | 194,343           | 6,158,592            |
| -                  | -                           | 14,110                    | 2,652                     | -                 | 16,762               |
| 38,026             | -                           | 115,712                   | 30,469                    | 34                | 146,215              |
| -                  | -                           | 1,561,089                 | -                         | -                 | 1,561,089            |
| <u>\$ 400,005</u>  | <u>\$ 89,015</u>            | <u>\$ 14,274,798</u>      | <u>\$ 4,145,394</u>       | <u>\$ 280,696</u> | <u>\$ 18,700,888</u> |

(Continued)

Year ended September 30, 2021

|  | Center for Molecular<br>Imaging and Therapy | Office of Research,<br>Development and<br>Administration | Entrepreneurial<br>Accelerator Program | Digital Media<br>Institute | Real Estate<br>Management and<br>Development |
|--|---|--|--|----------------------------|--|
| Accounting / auditing fees               | \$ -  | \$ -   | \$ 2,675                               | \$ -                       | \$ -   |
| Accretion                                | 1,722                                       | -  | -                                      | -                          | -  |
| Advertising                              | 3,289                                       | 8,242  | 241,624                                | 112,764                    | -  |
| Animal resources                         | -   | -  | -                                      | -                          | 56,400                                       |
| Attorney fees                            | 2,901                                       | 4,808  | -                                      | 25                         | 22,585                                       |
| Bad debt expense                         | -   | -  | -                                      | 100,336                    | 13,274                                       |
| Bank fees                                | 9,381                                       | -  | 19                                     | 4,343                      | 57   |
| Communication and computer services      | 71,206                                      | 5,900  | 5,505                                  | 95,728                     | 29,924                                       |
| Consultant fees                          | 26,174                                      | 1,125  | 15,018                                 | 58,692                     | 55,516                                       |
| Contract labor                           | 261,347                                     | 6,991  | 11,800                                 | 13,855                     | 4,536  |
| Depreciation                             | 137,244                                     | -  | 26,667                                 | 44,780                     | 1,654,100                                    |
| Dues and subscriptions                   | 8,577                                       | 600  | 3,844                                  | 38,068                     | 2,595  |
| Employee benefits                        | 203,523                                     | 29,864   | 75,106                                 | 101,645                    | 119,817                                      |
| Equipment - leased                       | 6,388                                       | 1,125  | -                                      | 3,336                      | 4,343  |
| Equipment purchased                      | 13,138                                      | 942  | -                                      | 130                        | 19,015                                       |
| FDG distribution services                | 96,852                                      | -  | -                                      | -                          | -  |
| Grants - other                           | -   | -  | 10,148                                 | 289,693                    | -  |
| Insurance                                | 32,505                                      | 7,185  | 2,418                                  | 2,405                      | 229,290                                      |
| Interest expense                         | 19,097                                      | -  | -                                      | -                          | 152,931                                      |
| License / certification fees             | -   | -  | 16,000                                 | 24,069                     | -  |
| Meals and entertainment                  | 129   | 250  | 4,302                                  | 1,789                      | 81   |
| Miscellaneous                            | 1,164                                       | 6,085  | 2,898                                  | 1,503                      | -  |
| Office Expenses                          | 58,783                                      | 3,292  | 4,311                                  | 12,312                     | 736,689                                      |
| Payroll taxes                            | 92,727                                      | 19,253   | 49,257                                 | 50,517                     | 51,358                                       |
| Project development costs                | -   | -  | 44,120                                 | 1,500                      | -  |
| Radiopharmaceutical and medical supplies | 620,450                                     | 1,260  | -                                      | -                          | -  |
| Registration and conference fees         | 893   | 4,137  | 7,364                                  | 75                         | 100  |
| Rent                                     | 1   | 23,868   | -                                      | -                          | (1)  |
| Repairs and maintenance                  | 151,638                                     | 940  | -                                      | 35                         | 790,770                                      |
| Salaries                                 | 1,569,056                                   | 252,201  | 759,369                                | 707,762                    | 720,090                                      |
| Taxes and licenses                       | 6,079                                       | 360  | 70                                     | (70)                       | 9,565  |
| Travel, meals, and auto                  | 4,518                                       | 455  | 5,143                                  | 6,346                      | 5,407  |
| Utilities                                | -   | -  | -                                      | -                          | 1,305,283                                    |
|  | <u>\$ 3,398,782</u>                         | <u>\$ 378,883</u>  | <u>\$ 1,287,658</u>                    | <u>\$ 1,671,638</u>        | <u>\$ 5,983,725</u>                          |

Year ended September 30, 2021

| Shreveport<br>Next | Other sponsored<br>projects | Total<br>Program Expenses | Management<br>and General | Fund-raising      | Total                |
|--------------------|-----------------------------|---------------------------|---------------------------|-------------------|----------------------|
| \$ 6,352           | \$ -                        | \$ 9,027                  | \$ 79,484                 | \$ -              | \$ 88,511            |
| -                  | -                           | 1,722                     | -                         | -                 | 1,722                |
| 401                | -                           | 366,320                   | 56,156                    | -                 | 422,476              |
| -                  | -                           | 56,400                    | -                         | -                 | 56,400               |
| -                  | -                           | 30,319                    | 31,882                    | -                 | 62,201               |
| -                  | 250                         | 113,860                   | 518,519                   | -                 | 632,379              |
| 19                 | -                           | 13,819                    | 7,418                     | -                 | 21,237               |
| 253                | 308                         | 208,824                   | 250,006                   | -                 | 458,830              |
| 302,725            | 21,898                      | 481,148                   | 228,835                   | 3,875             | 713,858              |
| -                  | 6,595                       | 305,124                   | 3,881                     | 2,500             | 311,505              |
| -                  | -                           | 1,862,791                 | -                         | -                 | 1,862,791            |
| 3,850              | 16                          | 57,550                    | 39,565                    | 1,512             | 98,627               |
| 11,953             | -                           | 541,908                   | 212,274                   | 37,785            | 791,967              |
| -                  | -                           | 15,192                    | 9,574                     | -                 | 24,766               |
| -                  | -                           | 33,225                    | -                         | -                 | 33,225               |
| -                  | -                           | 96,852                    | -                         | -                 | 96,852               |
| -                  | 96,075                      | 395,916                   | 1,245                     | -                 | 397,161              |
| -                  | -                           | 273,803                   | 111,671                   | -                 | 385,474              |
| -                  | -                           | 172,028                   | -                         | -                 | 172,028              |
| 12,000             | -                           | 52,069                    | 5,671                     | 21,652            | 79,392               |
| 1,885              | 1,646                       | 10,082                    | 3,308                     | 22                | 13,412               |
| 672                | (11)                        | 12,311                    | 269,548                   | -                 | 281,859              |
| 133                | 147                         | 815,667                   | 27,881                    | 122               | 843,670              |
| 7,152              | -                           | 270,264                   | 98,557                    | 10,243            | 379,064              |
| 2,500              | -                           | 48,120                    | 56,716                    | -                 | 104,836              |
| -                  | -                           | 621,710                   | -                         | -                 | 621,710              |
| (267)              | -                           | 12,302                    | 6,423                     | 35                | 18,760               |
| -                  | -                           | 23,868                    | -                         | -                 | 23,868               |
| -                  | -                           | 943,383                   | -                         | -                 | 943,383              |
| 112,604            | -                           | 4,121,082                 | 2,033,702                 | 136,677           | 6,291,461            |
| 177                | -                           | 16,181                    | 1,054                     | -                 | 17,235               |
| 53,244             | -                           | 75,113                    | 24,577                    | -                 | 99,690               |
| -                  | -                           | 1,305,283                 | -                         | -                 | 1,305,283            |
| <u>\$ 515,653</u>  | <u>\$ 126,924</u>           | <u>\$ 13,363,263</u>      | <u>\$ 4,077,947</u>       | <u>\$ 214,423</u> | <u>\$ 17,655,633</u> |

(Concluded)

**BRE, LLC**  
**SHREVEPORT, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

|   | <u>2022</u>         | <u>2021</u>          |
|---|---------------------|----------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |                     |                      |
| Change in net assets  | \$ (2,628,167)      | \$ 2,937,432         |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: |                     |                      |
| Depreciation and accretion  | 2,591,154           | 1,864,513            |
| Bad debt  | (32,411)            | 632,378              |
| Change in value of derivative liability   | -                   | (23,629)             |
| Loss (gain) on disposal of property and equipment   | (61,481)            | 1,424                |
| Deferred financing costs amortized  | 11,604              | -                    |
| Noncash carried interest  | (138,432)           | -                    |
| Noncash contribution of land  | -                   | (140,000)            |
| Gain or conversion of notes receivable to investments   | (106,817)           | (601,602)            |
| Noncash investment gains reinvested   | (108,551)           | -                    |
| Unrealized (gain) loss on investments   | 3,865,264           | (540,214)            |
| (Increase) decrease in accounts receivable  | 202,948             | (542,659)            |
| (Increase) decrease in prepaid expenses and other assets  | (115,692)           | 925,397              |
| Increase (decrease) in deferred revenue   | 108,146             | 119,152              |
| Increase (decrease) in accounts payable and other liabilities   | (2,440,722)         | 1,204,952            |
| (Increase) decrease in unconditional promises to give   | 321,651             | 54,784               |
| Increase (decrease) in discount on unconditional promises to give                                     | 7,373               | (7,373)              |
| Net cash provided by operating activities   | <u>1,475,867</u>    | <u>5,884,555</u>     |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |                     |                      |
| Purchases of property and equipment   | (6,934,680)         | (10,354,544)         |
| Purchase of investments   | (8,540,705)         | (17,783,241)         |
| Proceeds from sales of property and equipment   | 754,168             | -                    |
| Issuance of notes receivable  | (2,509,903)         | (4,632,500)          |
| Proceeds from sales of investments  | 5,276,032           | -                    |
| (Increase) decrease in due to / from related party  | 523,126             | (828,110)            |
| Net cash used in investing activities   | <u>(11,431,962)</u> | <u>(33,598,395)</u>  |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>  |                     |                      |
| Proceeds from borrowings on notes payable   | -                   | 5,000,000            |
| Payments on notes payable   | (811,092)           | (768,161)            |
| Deferred financing costs paid   | -                   | (345,231)            |
| Net cash provided by (used in) financing activities   | <u>(811,092)</u>    | <u>3,886,608</u>     |
| Net decrease in cash, cash equivalents, and restricted cash   | (10,767,187)        | (23,827,232)         |
| <b>Cash, cash equivalents, and restricted cash - beginning of year</b>                                | <u>16,725,021</u>   | <u>40,552,253</u>    |
| <b>Cash, cash equivalents, and restricted cash - end of year</b>                                      | <u>\$ 5,957,834</u> | <u>\$ 16,725,021</u> |
| <b><u>Supplemental disclosure of cash flow information:</u></b>                                       |                     |                      |
| Cash paid during the year for interest  | <u>\$ 247,200</u>   | <u>\$ 206,186</u>    |

The accompanying notes are an integral part of these consolidated statements.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies

The accounting and reporting policies of BRF, LLC (BRF) conform to the accounting principles generally accepted in the United States of America and the prevailing practices within the non-profit and healthcare industries. A summary of significant accounting policies is as follows:

Organization and consolidation

BRF was organized during the fiscal year ended September 30, 2017, and effective October 1, 2016, as a limited liability company to consolidate certain functions of Biomedical Research Foundation of Northwest Louisiana (Parent or the Foundation), the sole member of BRF.

BRF is a publicly supported not-for-profit organization which was created to diversify and grow the regional economy. BRF operates as a catalyst to expand and develop research, entrepreneurship and high-growth business in the region. BRF achieves its mission to diversify the region's economy by promoting and developing (1) private and public support and collaboration for economic development initiatives, (2) InterTech Science Park as a brownfields, smart-growth development initiative for specialized medical and healthcare facilities and other knowledge-based enterprises, (3) research collaboration with academic and health institutions for commercialization and the advancement of medical care, (4) a knowledge-based workforce via K-12, higher education, and technical/professional training programs, and (5) support and resources for technology and business innovation with people, research, facilities and funding.

BRF owns 100% of InterTech Venture Fund, LLC (the Fund or the Partnership). The operations of the Fund are included in these consolidated financial statements. The Fund was formed to provide venture capital to new businesses desiring to locate in Northwest Louisiana.

During the fiscal year ended September 30, 2019, and effective October 1, 2018, BRF organized Envision, LLC (Envision) as a limited liability company. Envision is a research development and administration team formed to identify and manage opportunities for clinical trials and translational research, match them with qualified scientific investigators and healthcare providers, and oversee their implementation and successful completion. During the fiscal year ended September 30, 2021, BRF substantially suspended all the operations of Envision, LLC.

Effective January 25, 2018, BRF organized EdVentures, LLC (EdVentures) as a limited liability company to provide science and technology programs that serve students in Caddo, Bossier and DeSoto parishes. The goal of these programs is to promote an educated local workforce skilled in STEM (science, technology, engineering and mathematics) disciplines, which is necessary for maintaining and attracting new industry to Northwest Louisiana. EdVentures operates as a division of BRF.

BRF also owns 100% of Southern Isotopes, LLC, which had no operations during the years ended September 30, 2022 or 2021.

During the fiscal year ended September 30, 2021, and effective June 24, 2021, BRF organized CMIT Louisiana, LLC (CMITLA) to construct and hold the building and equipment related to the Center for Molecular Imaging and Technology. The new facility opened effective May 1, 2022, at which time the operations of the Center for Molecular Imaging and Technology were transferred to CMITLA.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Organization and consolidation (continued)

During the fiscal year ended September 30, 2021, BRF organized Collaboration Link, LLC (CL). CL was created to promote and support collaboration in Northwest Louisiana with local military institutions. CL operates as a division of BRF.

The consolidated financial statements include the accounts of BRF, LLC and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of operations

In addition to the activities conducted by its wholly-owned subsidiaries described on the previous page, BRF conducts a number of other programs as distinct operating units (but not separate legal entities) in support of its mission. Each of these operates under the direction of an Executive Director who is functionally the chief executive officer of the unit. Those major program units include:

- Center for Molecular Imaging & Therapy – A multidisciplinary molecular imaging program consisting of radiochemistry research & production facilities, general science laboratories, and PET Imaging Center primarily engaged in the development and translation of radiopharmaceuticals for a wide array of diseases to offer enhanced clinical care to area patients through “state of the art” molecular imaging tools.
- Entrepreneurial Accelerator Program – A financial analytics and support group formed to stimulate the creation of an entrepreneurial ecosystem in Northwest Louisiana. This is accomplished through a variety of methods including providing entrepreneurial educational content to the community, assisting local universities with entrepreneurial education opportunities, and establishing and maintaining systems which connect entrepreneurs to resources and provide assistance to start and grow their business.
- Digital Media Institute – An educational institute providing an intensive “learn by doing” curriculum in digital arts, gaming and computer programming that facilitates real-world occupational training.
- Shreveport Next – A direct business recruitment group formed to locate and recruit businesses who are looking to relocate or expand to Northwest Louisiana and provide jobs in the community. Shreveport Next also aggregates and provides data regarding Northwest Louisiana business climate, state and local incentive programs, and other community data.

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Restricted cash and cash equivalents

Restricted cash and cash equivalents, which consist primarily of demand deposits and money market accounts, represent assets with donor restrictions for endowment purposes, as well as cash restricted by a lender for a specific purpose (see Note 3) at September 30, 2022 and 2021. These items are considered cash and cash equivalents for purposes of the statements of cash flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

|  | <u>2022</u>         | <u>2021</u>          |
|--|---------------------|----------------------|
| Cash and cash equivalents  | \$ 2,017,545        | \$ 10,192,604        |
| Restricted cash  | <u>3,940,289</u>    | <u>6,532,417</u>     |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | <u>\$ 5,957,834</u> | <u>\$ 16,725,021</u> |

Accounts receivable

BRF is reimbursed by its tenants for certain operating expenses of its leased properties. BRF determines if these receivables are past-due based on the date of the reimbursement request; BRF, however, does not charge interest on past-due accounts. Rent receivables are typically scheduled to be paid on a monthly basis and are closely monitored during the year; accounts considered to be uncollectible are generally written-off when such conclusions are reached. An allowance for uncollectible accounts of \$0 and \$168,317 was recorded at September 30, 2022 and 2021, respectively.

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined for each payor. For third-party payors including Medicare, Medicaid, and Managed Care companies, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries, and any anticipated changes in trends.

Patient accounts receivable can be impacted by the effectiveness of BRF's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of patient accounts receivable. BRF also continually reviews the net realizable value of patient accounts receivable by monitoring historical cash collections, as well as by analyzing current period net revenue by payor classification, aged accounts receivable by payor, days revenue outstanding, and the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables.



**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Accounts receivable (continued)

BRF has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to BRF's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Unrealized and realized gains and losses, dividends, interest, and other investment income are recorded in current year operations as an increase in net assets without donor restrictions unless the use is restricted by the donor.

Investments that do not have readily determinable fair values are valued based on various methods depending on the type of investments. See Note 18 for further details of the determination of investment fair value. Increases and decreases in market value are recognized in the period in which they occur.

Realized gains and losses on dispositions are based on the net proceeds and the amortized cost basis of the securities sold, using the specific identification method.

Notes receivable

Notes receivable are recorded at the amount of the initial investment and interest is accrued based on the interest rates stated in the promissory note agreement. An allowance for uncollectible accounts of \$566,877 and \$512,877 was recorded as of September 30, 2022 and 2021, respectively.

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its estimated fair market value on the date received, which is then treated as cost. Additions, renewals, and betterments in excess of \$5,000 that increase the value or extend the lives of assets are capitalized. Replacements, maintenance, and repairs that do not increase the values or extend the lives of the respective assets are expensed as incurred.

Depreciation has been provided using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized for that period.

Impairment of long-lived assets and long-lived assets to be disposed

BRF reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Impairment of long-lived assets and long-lived assets to be disposed (continued)

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

No impairments were recognized for the years ended September 30, 2022 and 2021.

Asset retirement obligations

BRF records liabilities equal to the fair value of the estimated cost to retire assets. The asset retirement liability is recorded in the year in which the obligation meets the definition of a liability, which is generally when the asset is placed in service. BRF has recorded a liability for the retirement of its cyclotron assets. During the year ended September 30, 2020, BRF made the decision to shut down one of its cyclotron facilities located in Baton Rouge, Louisiana. BRF revised the original estimate for that cyclotron asset and recorded an additional asset retirement obligation of \$397,222 during the year ended September 30, 2020. The decommissioning work on that cyclotron facility was completed during the year ended September 30, 2022, with the total expenses incurred being less than the revised estimate. The remaining asset retirement obligation of \$154,555 was released during the year ended September 30, 2022. In anticipation of replacing and decommissioning the remaining cyclotron located in Shreveport, Louisiana in 2023, BRF revised the original estimate for that cyclotron asset that was recorded at the acquisition of that asset and recorded an additional asset retirement obligation of \$750,000 during the year ended September 30, 2022. The decommissioning work on that cyclotron had not yet commenced as of September 30, 2022.

The Louisiana Department of Environmental Quality requires BRF to maintain letters of credit related to the cyclotron assets. BRF has obtained two letters of credit which have been issued in the maximum amount of \$221,321, which are collateralized by two certificates of deposit. The letters of credit will expire on September 20, 2023.

Deferred financing costs

Deferred financing costs related to a recognized debt liability are presented in the consolidated statements of financial position as a direct reduction from the carrying amount of the debt liability. Costs deferred are amortized to interest expense over the term of the related debt.

Derivative financial instruments

BRF uses interest rate swap agreements to modify interest rate characteristics of its outstanding indebtedness. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed year. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and convert a portion of BRF's variable-rate debt to a fixed rate. BRF's interest rate swap expired on November 30, 2020.

Management has identified the convertible features of certain notes receivable held by BRF as embedded derivatives, which ASC 815-15-25-1 requires to be measured separately from the host contract. However, because BRF cannot reliably identify and measure the embedded derivatives, it has measured the entire contract at fair value with gains or losses recognized in earnings in accordance with ASC 815-35-2.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Professional liability claims

BRF maintains insurance for protection from losses resulting from professional liability claims. The policy is of the claims-made type. BRF has not experienced material losses from professional liability claims in the past. No accrual for losses has been established.

Patient service revenue

BRF reports revenues from patient services at the amount that reflects the consideration to which BRF expects to be entitled in exchange for providing patient care. These amounts are due from patients, governmental programs, health maintenance organizations, private insurers and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by BRF. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. BRF believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The performance obligations are generally satisfied over a period of less than one day.

BRF determines the transaction price based on standard charges for goods and services provided, reduced by explicit concessions provided to third-party payors. BRF determines its estimates of explicit concessions and discounts based on contractual agreements, its discount policies, and historical experience. BRF determines its estimate of implicit price concessions based on historical collection experience with classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

BRF has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts BRF expects to collect based on its collection history with those classes of patients.

Because all of its performance obligations relate to contracts with a duration of less than one year, BRF has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period (if any).

Radiopharmaceutical sales

Revenues from radiopharmaceutical sales are recognized when control of the goods is transferred to the customer, which occurs at a point in time, typically upon delivery or shipment to the customer, depending on shipping terms.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Radiopharmaceutical sales (continued)

The transaction price recognized is the invoiced price. BRF estimates expected returns based on an analysis of historical experience. BRF adjusts the estimate of revenue at the earlier of when the amount of consideration expected to be received changes or when the consideration becomes fixed. BRF does not have any material significant payment terms as payment is received shortly after the point of sale.

Receivables from radiopharmaceutical sales were \$104,443, \$230,985, and \$151,000 at September 30, 2022, 2021, and 2020, respectively. An allowance for uncollectible accounts of \$2,200 was recorded at September 30, 2022 and 2021.

Tuition revenue

Tuition revenues consist of student tuition derived from courses offered by the Digital Media Institute. Student tuition is recognized pro-rata over the applicable period of instruction (time elapsed method). A contract is entered into with a student and covers the academic term. Revenue recognition occurs once a student starts attending a course. BRF has no costs that are capitalized to obtain or fulfill a contract with a student.

BRF's tuition receivables represent unconditional rights to consideration from contracts with students; accordingly, students are not billed until they start attending a course and the revenue process has commenced. Tuition receivables were \$480,248, \$335,885, and \$453,171 at September 30, 2022, 2021, and 2020, respectively. An allowance for uncollectible accounts of \$52,752 and \$30,463 was recorded at September 30, 2022 and 2021, respectively.

BRF does not have any contract assets. BRF's contract liabilities are reported as unearned tuition in the consolidated statements of financial position. Unearned tuition represents the excess of tuition received as compared to amounts recognized as revenue in the consolidated statements of activities and changes in net assets and is reflected as liabilities in the accompanying consolidated statements of financial position. BRF's education programs have starting and ending dates that differ from its year-end. Therefore, at year-end, a portion of revenue from these programs is not yet earned.

BRF has identified a performance obligation associated with the provision of its educational instruction and uses the output measure for recognition as the period of time which the services are provided to its students. BRF maintains an institutional refund policy. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, BRF continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction.

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of significant activities and accounting policies (continued)

Contributions (continued)

Unconditional promises to give are recognized as revenue in the year received. Promises to give are recorded at realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year.

Income taxes

BRF files a consolidated tax return with its parent company, Biomedical Research Foundation of Northwest Louisiana, which is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income (if any), is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Pursuant to Louisiana law, this exemption also applies to Louisiana state income and franchise taxes. Accordingly, no provision for income taxes has been made.

BRF applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The determination of whether or not a tax position has met the more-than-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the year in which the change in judgment occurs. BRF has evaluated its position regarding the accounting for uncertain income tax positions and determined that it had no uncertain tax positions at September 30, 2022 or 2021.

Environmental obligations

A provision for environmental obligations, other than for asset retirement obligations, is charged to expense when BRF's liability for an environmental assessment and/or cleanup is probable and the cost can be reasonably estimated. Related expenditures are charged against the accrued liability.

Accounting pronouncements issued but not yet adopted

In February 2016, the FASB issued ASU 2016-02 and related amendments, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021, which will be the fiscal year ended September 30, 2023, for BRF. BRF is currently assessing the impact of this pronouncement on its consolidated financial statements.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. Liquidity and availability

The following represents BRF's financial assets available for expenditures within one year at September 30:

| Financial assets at year end:  | 2022          | 2021          |
|--|---------------|---------------|
| Cash and cash equivalents  | \$ 5,957,834  | \$ 16,725,021 |
| Certificates of deposit  | 221,321       | 221,321       |
| Accounts receivable  | 4,160,768     | 4,331,305     |
| Mutual funds   | 5,650,056     | 6,894,322     |
| Exchange traded funds  | 8,986,783     | 10,307,252    |
| Total financial assets   | 24,976,762    | 38,479,221    |
|  |               |               |
| Less amounts not available to be used within one year:                                 |               |               |
| Endowment fund – donor restricted  | 2,720,373     | 2,720,373     |
| Cash restricted by lender  | 1,219,916     | 3,812,044     |
| Certificates of deposit – pledged  | 221,321       | 221,321       |
|  |               |               |
| Financial assets available to meet general expenditures<br>over the next twelve months | \$ 20,815,152 | \$ 31,725,483 |

BRF manages liquidity by maintaining certain cash and cash equivalents of over \$1,500,000 to meet any operating cash flow needs for an extended period as well as any major maintenance and repairs needed. As part of its liquidity plan, excess cash, when available, is invested in short-term investments, including money market accounts. The interest earned is used as part of the operating cash flow needs.

BRF had amounts due to a related party of \$27,287,224 and \$26,747,224 at September 30, 2022 and 2021, respectively, which are not reflected in the table above. These amounts due to the related party have no set repayment terms, and represent funds that have been transferred to BRF for the purpose of investment management and supporting the operations of BRF. There are no associated restrictions. See Note 12 for additional information.

3. New Market Tax Credit Program

The New Market Tax Credit (NMTC) Program was designed to stimulate investment and economic growth in low income communities by offering taxpayers a tax credit against federal income taxes over a seven-year period for Qualified Equity Investments (QEI) in designated Community Development Entities (CDEs). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period. Also, the entity receiving the loans must be treated as a Qualified Active Low-Income Community Business (QALICB) for the duration of the seven-year period. QALICB requirements are outlined in Treasury Regulation Section 1.45D-1(d)(4)(i).

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3. New Market Tax Credit Program (continued)

In June 2021, BRF organized CMIT Louisiana, LLC (CMITLA) and entered into multiple agreements to facilitate the acquisition of state-of-the-art equipment for radiopharmaceutical manufacturing and research. BRF funded the NMTC leverage loan (see Note 6) to Stonehenge Louisiana NMTC Investment Fund, LLC (SIF), whose sole member is an unrelated third party to BRF. SIF used the NMTC leverage loan to refinance a capital contribution to Stonehenge Community Development, LLC 154 (the CDE). The CDE, in turn, used the funding to originate a QLICI Loan to CMITLA. CMITLA has reserved these funds for the purchase of equipment and to pay professional fees associated with the NMTC transaction.

The transaction is subject to an option agreement. The SIF has an option whereby upon exercise of the option after the last day of the tax credit investment period, BRF is obligated to purchase all the membership interest in SIF.

The tax credits associated with the transaction are contingent on BRF maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified period could result in recapture of previously taken tax credits plus penalties and interest. BRF has signed a QALICI Indemnification Agreement that obligates them to pay any NMTC recapture amount as defined in Section 45D(g)(2) of the Internal Revenue Code, to investors within the NMTC structure with respect to related tax credits that have been claimed. Recapture or disallowance can result in CMITLA failing to qualify as a QALICB, among others.

4. Patient service revenue

BRF's revenues generally relate to contracts with patients in which the performance obligations are to provide health care services to patients, and BRF records revenues as performance obligations are satisfied. The performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans, and commercial insurance companies).

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections (the "hindsight analysis") as a primary source of information in estimating the collectability of accounts receivable.

BRF has agreements with governmental and other third-party payors that provide for payments to BRF at amounts different from its established rates. Explicit price concessions under third-party reimbursement programs represent the differences between BRF's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors is as follows:

- *Medicare* - services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge that include defined capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.
- *Medicaid* - services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined fee schedule.

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4. Patient service revenue (continued)

- *Commercial and HMO* - BRF has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methodologies under these agreements include discounts from established charges and prospectively determined rates.

BRF recorded approximately \$4,236,000 and \$3,715,000 of implicit and explicit price concessions as a direct reduction of net operating revenues during the years ended September 30, 2022 and 2021, respectively. These amounts would have been recorded as provision for doubtful accounts and contractual adjustments prior to the adoption of ASU 2014-09.

BRF had patient receivables of \$446,850, \$489,635, and \$393,410 recorded at September 30, 2022, 2021, and 2020, respectively.

5. Investments

Investments at September 30, 2022 and 2021, consisted of the following:

|                               | <u>2022</u>          | <u>2021</u>          |
|-------------------------------|----------------------|----------------------|
| Limited partnership interests | \$ 1,402,280         | \$ 1,160,059         |
| Certificates of deposit       | 221,321              | 221,321              |
| Preferred stock               | 4,527,877            | 1,446,530            |
| Mutual funds                  | 5,650,056            | 6,894,322            |
| Exchange traded funds         | <u>8,986,783</u>     | <u>10,307,252</u>    |
|                               | <u>\$ 20,788,317</u> | <u>\$ 20,029,484</u> |

Following is the composition of investment revenues (losses) for the years ended September 30, 2022 and 2021:

|  | <u>2022</u>             | <u>2021</u>       |
|--|-------------------------|-------------------|
| Dividends, interest, and realized gains            | \$ 228,016              | \$ 25,086         |
| Change in unrealized gains (losses) on investments | ( <u>3,865,264</u> )    | <u>540,214</u>    |
|  | ( 3,637,248 )           | 565,300           |
| Equity investment loss                             | ( 477,858 )             | -                 |
| Other investment revenues (losses)                 | <u>1,131,626</u>        | ( <u>56,281</u> ) |
|  | <u>( \$ 2,983,742 )</u> | <u>\$ 509,019</u> |

See Note 18 for fair value disclosures related to investments.



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6. Notes receivable

BRF has issued convertible promissory notes receivable to several unrelated parties that are associated with its Entrepreneurial Accelerator Program. The notes bear interest at rates ranging from 8% to 10%, and have scheduled maturities ranging from on demand through April 26, 2024. The payment of all principal and accrued interest is due upon maturity. In accordance with the terms of the various agreements, BRF has the right to convert the notes into cash or common stock. As of September 30, 2022 and 2021, BRF recorded an allowance of \$566,877 and \$512,877, respectively, for notes it believes to be uncollectible.

On June 28, 2021, BRF issued a promissory note in the amount of \$3,637,500 to Stonehenge Louisiana NMTC Investment Fund, LLC (SIF). SIF's sole member is another corporation that is wholly owned by a financial institution. The promissory note is collateralized by SIF's interest in Stonehenge Community Development 154, LLC (CDE) related to the NMTC transaction and is stated at the principal amount outstanding. Payments on the promissory note are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. CDE is also a lender to CMIT Louisiana, LLC (see Note 8). Management assesses the credit quality and collectability of the SIF note on an on-going basis. The promissory note is also evaluated for impairment periodically. Management has determined that no allowance is necessary and no impairment has occurred as of September 30, 2022 or 2021.

On May 11, 2022, BRF extended a \$2,000,000 line of credit to a related entity, which had an outstanding balance of \$1,875,000 at September 30, 2022.

The notes are expected to mature as follows:

| Year ending September 30 <sup>th</sup> | <u>Amount</u>       |
|--|---------------------|
| Past Due, fully reserved               | \$ 566,877          |
| 2023                                   | 444,103             |
| 2024                                   | 2,244,574           |
| 2025                                   | 200,192             |
| 2026                                   | -                   |
| 2027                                   | -                   |
| Thereafter                             | <u>5,553,874</u>    |
|  | 9,009,620           |
| Less: Allowance                        | <u>( 566,877)</u>   |
|  | <u>\$ 8,442,743</u> |

7. Property and equipment

The composition of property and equipment at September 30, 2022 and 2021 was as follows:

|                                    | <u>Estimated<br/>useful lives</u> | <u>2022</u>          | <u>2021</u>          |
|------------------------------------|-----------------------------------|----------------------|----------------------|
| Land                               | -----                             | \$ 11,142,145        | \$ 9,789,063         |
| Building and improvements          | 4 - 40 years                      | 78,262,121           | 75,726,084           |
| Furniture and fixtures / equipment | 3 - 20 years                      | <u>20,815,614</u>    | <u>18,839,959</u>    |
|                                    |                                   | 110,219,880          | 104,355,106          |
| Less accumulated depreciation      |                                   | <u>( 50,653,847)</u> | <u>( 49,035,357)</u> |
| Property and equipment, net        |                                   | <u>\$ 59,566,033</u> | <u>\$ 55,319,749</u> |

**BRF, LLC**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

7. Property and equipment (continued)

The large majority of BRF's property and equipment is being held for lease or future development. Depreciation expense totaled \$1,995,709 and \$1,862,791 for the years ended September 30, 2022 and 2021, respectively.

8. Notes payable

During the year ended December 31, 2010, BRF refinanced all of its outstanding revenue bonds and notes payable with a national financial institution. The note payable was issued in the amount of \$12,000,000, bears interest at a variable rate equal to the LIBOR rate plus 2.50% (5.52% and 2.65% at September 30, 2022 and 2021, respectively), and is secured by an assignment of leases, real estate, and investments. The note is due in monthly installments of principal and interest with a balloon payment originally due on November 30, 2020. The due date of the balloon payment has been extended to February 28, 2023. The outstanding balance on the note payable was \$3,788,208 and \$4,599,301 at September 30, 2022 and 2021, respectively. Subsequent to year end, BRF refinanced its note with a regional financial institution. This note is due in monthly installments of principal and interest with a balloon payment of \$2,324,271 due on November 1, 2029, and bears interest at a fixed rate of 4.25% and is secured by real estate.

As part of the loan agreements, BRF has agreed to comply with certain covenants. These consist, primarily, of reporting requirements, financial covenants, restrictions on additional debt and security interests, maintenance of its tax-exempt status, maintenance of its facilities, and other administrative requirements.

On June 28, 2021, CMIT Louisiana, LLC entered into two notes payable with Stonehenge Community Development 154, LLC (see Note 3). The notes payable were issued in the combined amount of \$5,000,000 and bear interest at a fixed rate of 1.479%, and are secured by equipment to be acquired. The notes are payable in quarterly installments of interest only until December 5, 2027, then quarterly payments of principal and interest ending on June 28, 2051.

Subsequent to year end, CMIT Louisiana, LLC entered into a note payable in the amount of \$8,583,885 with a regional financial institution. This note is due in monthly installments of principal and interest with a balloon payment due on November 1, 2029, and bears interest at a fixed rate of 4.25% and is secured by real estate. BRF, LLC is the guarantor on this note.

BRF incurred total interest expense on all types of financing of \$221,300 and \$172,028 for the years ended September 30, 2022 and 2021, respectively.

The long-term debt is scheduled to mature during the years ended September 30<sup>th</sup> as follows:

| Year ending September 30 <sup>th</sup> | <u>Amount</u>       |
|--|---------------------|
| 2023                                   | \$ 177,266          |
| 2024                                   | 188,764             |
| 2025                                   | 197,487             |
| 2026                                   | 206,166             |
| 2027                                   | 215,228             |
| Thereafter                             | <u>7,803,298</u>    |
|  | <u>\$ 8,788,208</u> |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

8. Notes payable (continued)

The total amount outstanding on the notes payable has been reduced on the consolidated statement of financial position by \$333,626 and \$345,231 of unamortized deferred financing costs at September 30, 2022 and 2021, respectively.

9. Unconditional promises to give

Unconditional promises to give at September 30, 2022 and 2021, consisted of the following:

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| Promises to give expected to be collected in: |                   |                   |
| Less than one year                            | \$ 99,850         | \$ 349,583        |
| One to five years                             | <u>42,500</u>     | <u>125,500</u>    |
|   | 142,350           | 475,083           |
| Less: Discount to net present value           | ( 1,932)          | ( 5,641)          |
| Net present value of promises to give         | <u>\$ 140,418</u> | <u>\$ 469,442</u> |

The discount rate used on the valuation of long-term promises to give was 1.68% for the years ended September 30, 2022 and 2021, respectively, the rate of return on the 5 year U.S. Treasury Bill.

10. Net assets

Net assets with donor restrictions were as follows at September 30:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| <b>Specific purpose</b>                            |                     |                     |
| SMART Program                                      | \$ 17,281           | \$ 6,766            |
| Education Fund                                     | 73,425              | 53,425              |
| LED Grant BioSpace 1                               | 61,975              | 61,975              |
| Lead the Way                                       | 10,000              | 10,000              |
| Eastern Star                                       | 12,370              | 24,370              |
| Roche-Wake Forest                                  | 177,632             | 177,632             |
| Other  | 168,323             | 126,538             |
| CMIT Construction Capital Campaign                 | <u>129,586</u>      | <u>469,441</u>      |
|  | <u>650,592</u>      | <u>930,147</u>      |
| <b>Endowment Fund</b>                              |                     |                     |
| Endowment Fund                                     | 2,720,373           | 2,720,373           |
| Unrealized investment loss<br>on restricted assets | ( 308,610)          | -                   |
|  | <u>\$ 3,062,355</u> | <u>\$ 3,650,520</u> |

Net assets of \$663,648 and \$2,028,118 were released from restrictions during the years ended September 30, 2022 and 2021, respectively, due to BRF making payments which satisfied the restrictions.

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10. Net assets (continued)

Net assets with donor restrictions at September 30, 2022 and 2021, included endowment funds the principal of which is restricted in perpetuity. The income is unrestricted, with the exception of the income related to an endowment established during the year ended September 30, 2021. That income is restricted for use by the Entrepreneurial Accelerator Program. Endowed net assets are included in the mutual funds and exchange traded funds categories disclosed in Note 5. The related unrealized gains and losses are also disclosed in Note 5.

A summary of changes in endowed net assets as of and for the years ended September 30, 2022 and 2021, is as follows:

|   | <u>Board Designated /<br/>Without Donor<br/>Restrictions</u> | <u>With<br/>Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|--|--|---------------------|
| Endowed net assets – September 30, 2020 | \$ -   | \$ 1,720,623                           | \$ 1,720,623        |
| Contributions                           | 1,000,000  | 1,000,000                              | 2,000,000           |
| Write-off of pledge                     | -  | ( 250)                                 | ( 250)              |
| Endowed net assets – September 30, 2021 | <u>\$ 1,000,000</u>  | <u>\$ 2,720,373</u>                    | <u>\$ 3,720,373</u> |
| Investment losses                       | ( 154,305)   | ( 154,305)                             | ( 308,610)          |
| Contributions                           | -  | -                                      | -                   |
| Endowed net assets – September 30, 2022 | <u>\$ 845,695</u>  | <u>\$ 2,566,068</u>                    | <u>\$ 3,411,763</u> |

BRF has established prudent investments and spending policies with the objective of maintaining the purchasing power of its endowed net assets in perpetuity and to provide a stable level of support. In an effort to achieve this objective, BRF's asset allocation strategy is periodically reviewed and adjusted to maximize return while limiting risk. During the year ended September 30, 2022, the Board of Directors approved the spending rate to stay the same 4.0% from prior year.

A portion of restricted cash and cash equivalents at September 30, 2022 and 2021, has been restricted for endowment purposes.

11. COVID-19 and the CARES Act

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. Given the continued spread of COVID-19 throughout the United States, the related impact, if any, on BRF's operational and financial performance will depend on evolving factors that cannot be predicted at this time.

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law, which was intended to provide economic relief and emergency assistance for individuals, families, and businesses affected by COVID-19.

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11. COVID-19 and the CARES Act (continued)

Under the CARES Act, BRF received \$183,244 and \$390,915 from the Higher Education Emergency Relief Fund (HEERF) from the U.S. Department of Education (DE) during the years ended September 30, 2022 and 2021, respectively. All HEERF amounts are subject to certain terms and conditions as defined by DE and are subject to various potential audit and other requirements, and noncompliance with any such terms and conditions could result in recoupment by DE. These amounts were recognized as government grants and contracts revenue in the consolidated statements of activities and changes in net assets for the years ended September 30, 2022 and 2021.

12. Related party transactions

Certain members of the Board of Directors and senior staff may be affiliated with organizations that provide services to BRF and its affiliates. BRF has a policy and procedures for identifying potential conflicts of interest and of periodically obtaining documentation and independent reviews of its insurance program, maintaining banking relationships with multiple financial institutions, and obtaining formal bids on all significant purchases to ensure that all transactions with related parties are at fair market value.

At September 30, 2021, the Foundation owed BRF \$93,210 for expenses paid by BRF on the Foundation's behalf. These amounts are presented in the consolidated statements of financial position as due from related party. At September 30, 2021, BRF owed the Foundation \$26,747,224 for funds that have been transferred to BRF for the purpose of investment management and supporting the operations of BRF. These amounts due have no set repayment terms. These amounts are presented in the consolidated statements of financial position as due to related party.

At September 30, 2022, the Foundation owed BRF \$110,084 for expenses paid by BRF on the Foundation's behalf. These amounts are presented in the consolidated statements of financial position as due from related party. At September 30, 2022, BRF owed the Foundation \$27,287,224 for funds that have been transferred to BRF for the purpose of investment management and supporting the operations of BRF. These amounts due have no set repayment terms. These amounts are presented in the consolidated statements of financial position as due to related party.

13. Rental revenues

Effective October 1, 2013, BRF and the Board of Supervisors of Louisiana State University (LSU) entered into a lease agreement for the Virginia K. Shehee Biomedical Research Institute. The lease agreement, which encompasses the entire Virginia K. Shehee Biomedical Research Institute as well as some additional square footage of the central plant building, is for a term of 30 years and contains an additional 10-year option. The lease requires minimum monthly payments of \$523,230 plus reimbursement for operating expenses. The fixed minimum rent will be adjusted upon each second anniversary of the lease date for changes in the consumer price index and may be adjusted every fifth year based on the then fair market value of the leased premises; however, there will be no adjustments below the fixed minimum rent established at the initial lease date. The effective monthly payments were \$583,364 less \$35,322 for premises leased back to BRF, or \$548,042 for the year ended September 30, 2022. The effective monthly payments were \$566,554 less \$34,304 for premises leased back to BRF, or \$532,250 for the year ended September 30, 2021.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

13. Rental revenues (continued)

In addition to the lease with LSU, BRF has entered into approximately twenty additional agreements for the leasing of its properties. The leases have terms ranging from month-to-month to twenty years and require payments ranging from \$252 / month to \$187,500 / quarter.

In accordance with the terms of these agreements, BRF recorded rental revenues of approximately \$10,313,000 and \$10,285,000 during the years ended September 30, 2022 and 2021, respectively.

The future minimum lease payments expected to be received from the lease with LSU as well as additional operating leases for office and laboratory facilities and real property, during the next five years is as follows:

| <u>Year ending</u><br><u>September 30<sup>th</sup></u> | <u>Amount</u>        |
|--|----------------------|
| 2023   | \$ 7,535,297         |
| 2024   | 7,359,165            |
| 2025   | 7,350,999            |
| 2026   | 7,476,504            |
| 2027   | 7,476,504            |
|  | <u>\$ 37,198,469</u> |

14. Cooperative endeavor agreements

BRF has entered into a cooperative endeavor agreement with the State of Louisiana and the Louisiana Department of Economic Development to provide funding to expand the Center for Molecular Imaging & Therapy and retain, create and maintain jobs and payroll and capital investments. No revenues have been recognized relating to this agreement to date.

During the fiscal year ended September 30, 2021, BRF entered into a cooperative endeavor agreement with the Caddo-Bossier Parishes Port Commission to provide funding for Shreveport Next. BRF recognized revenues relating to this agreement of approximately \$100,000 and \$16,700 during the years ended September 30, 2022 and 2021.

During the fiscal year ended September 30, 2022, BRF entered into a cooperative endeavor agreement with Louisiana Department of Economic Development to provide funding to provide and promote the Digital Media Institute across the state of Louisiana. BRF recognized revenues relating to this agreement of approximately \$198,000 during the year ended September 30, 2022.

15. Radiopharmaceutical revenues

BRF has a limited number of customers for the radiopharmaceuticals that it produces to sell to third parties. The four largest customers comprised approximately 96% and 95% of the sales during the years ended September 30, 2022 and 2021, respectively. Should one or more of the customers discontinue the purchase of radiopharmaceuticals from BRF, this could have a material effect on radiopharmaceuticals revenues in future years.

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16. Retirement benefit plan

BRF has a defined contribution plan under IRS Code Section 401(k) that covers substantially all full-time employees who are over the age of twenty-one and who have met eligibility requirements. Discretionary contributions by BRF include matching contributions to the employee 401(k) plan up to certain limits of compensation. Total expenses were \$291,000 and \$269,930 for the years ended September 30, 2022 and 2021, respectively. Total combined employer and employee contributions were \$605,357 and \$572,637 for the years ended September 30, 2022 and 2021, respectively.

17. Business and credit concentrations

Financial instruments which potentially subject BRF to concentrations of credit risk consist principally of unsecured accounts receivable and temporary cash investments.

BRF maintains its cash investments with national financial institutions. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

BRF grants credit to patients, substantially all of whom are regional residents. BRF generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, and commercial insurance policies).

The mix of revenues from patients and third-party payors for the years ended September 30, 2022 and 2021, was as follows:

|   | <u>2022</u>    | <u>2021</u>    |
|---|----------------|----------------|
| Medicare  | 52.02%         | 49.79%         |
| Medicaid  | 13.02%         | 17.31%         |
| Commercial insurance and managed care organizations | 18.25%         | 11.16%         |
| Self-pay patients and other                         | <u>16.71%</u>  | <u>21.74%</u>  |
|   | <u>100.00%</u> | <u>100.00%</u> |

The mix of receivables from patients and third-party payors at September 30, 2022 and 2021, was as follows:

|   | <u>2022</u>    | <u>2021</u>    |
|---|----------------|----------------|
| Medicare  | 54.16%         | 48.31%         |
| Medicaid  | 12.57%         | 16.46%         |
| Commercial insurance and managed care organizations | 19.86%         | 18.52%         |
| Self-pay patients and other                         | <u>13.41%</u>  | <u>16.71%</u>  |
|   | <u>100.00%</u> | <u>100.00%</u> |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

18. Fair value of financial instruments

In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position, is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments; therefore, the aggregate fair value amounts presented do not represent the underlying value to BRF.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

*The Fair Value Measurements and Disclosures* topic of the FASB ASC provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

- Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that BRF has the ability to access.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



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18. Fair value of financial instruments (continued)

The following methods and assumptions were used by BRF in estimating its fair value disclosures for financial instruments:

*Cash and cash equivalents and certificates of deposit* - the carrying amounts approximate fair values because of the short maturity of these instruments.

*Limited partnerships and preferred stock* - limited partnership interests are valued using inputs which may include current and historical financial results of the issuer as well as sales, debt and stock price data of similar public companies.

*Mutual funds* - valued at the daily closing price as reported by the mutual fund. Mutual funds held by BRF are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by BRF are deemed to be actively traded.

*Exchange traded funds* - valued at the closing price reported on the active market on which the individual securities are traded.

*Long-term debt* - the carrying amount of BRF's long-term debt approximates its fair value.

*Derivative financial instruments* - fair values for interest rate swap agreements are based upon the amounts required to settle the contracts and credit risk assumptions.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Management typically uses the market approach for which sufficient and reliable data is available. The use of the market approach generally consists of using recent or similar market transactions.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table presents the fair-value hierarchy level of BRF's financial assets and liabilities that are measured at fair value on a recurring basis:

|                            | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u>      | <u>Total</u>         |
|----------------------------|----------------------|----------------|---------------------|----------------------|
| <i>September 30, 2022:</i> |                      |                |                     |                      |
| Limited partnerships       | \$ -                 | \$ -           | \$ 1,402,280        | \$ 1,402,280         |
| Preferred stock            | -                    | -              | 4,527,877           | 4,527,877            |
| Certificates of deposit    | 221,321              | -              | -                   | 221,321              |
| Mutual funds - equities    | 5,650,056            | -              | -                   | 5,650,056            |
| Exchange traded funds      | <u>8,986,783</u>     | -              | -                   | <u>8,986,783</u>     |
|                            | <u>\$ 14,858,160</u> | <u>\$ -</u>    | <u>\$ 5,930,157</u> | <u>\$ 20,788,317</u> |

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

18. Fair value of financial instruments (continued)

|                            | <u>Level 1</u>       | <u>Level 2</u> | <u>Level 3</u>      | <u>Total</u>         |
|----------------------------|----------------------|----------------|---------------------|----------------------|
| <i>September 30, 2021:</i> |                      |                |                     |                      |
| Limited partnerships       | \$ -                 | \$ -           | \$ 1,160,059        | \$ 1,160,059         |
| Preferred stock            | -                    | -              | 1,446,530           | 1,446,530            |
| Certificates of deposit    | 221,321              | -              | -                   | 221,321              |
| Mutual funds - equities    | 6,894,322            | -              | -                   | 6,894,322            |
| Exchange traded funds      | <u>10,307,252</u>    | <u>-</u>       | <u>-</u>            | <u>10,307,252</u>    |
|                            | <u>\$ 17,422,895</u> | <u>\$ -</u>    | <u>\$ 2,606,589</u> | <u>\$ 20,029,484</u> |

The majority of the Level 3 instruments consist of limited partnerships and preferred stock. The following tables present the changes in fair value for the years ended September 30, 2022 and 2021, in Level 3 instruments that are measured at fair value on a recurring basis:

|                                   | <u>2022</u>         | <u>2021</u>         |
|-----------------------------------|---------------------|---------------------|
| Balance - beginning of the year   | \$ 2,606,589        | \$ 883,106          |
| Purchases                         | 2,317,122           | 393,862             |
| Unrealized gains on investments   | 32,794              | 733,371             |
| Conversion of promissory notes    | 1,483,580           | 601,602             |
| Proceeds from sale of investments | ( 32,070)           | -                   |
| Loss from equity investment       | <u>( 477,858)</u>   | <u>( 5,352)</u>     |
| Balance - end of the year         | <u>\$ 5,930,157</u> | <u>\$ 2,606,589</u> |

During the year ended September 30, 2022, one of the promissory notes held by BRF converted to equity investments, which are now included in Level 3 investments above. The promissory note has principle and accrued interest totaling \$1,483,580 at the conversion date and resulted in a gain from conversion of \$106,817.

During the year ended September 30, 2021, two of the promissory notes held by BRF converted to equity investments, which are now included in Level 3 investments above. The two promissory notes had principle and accrued interest totaling \$601,602 at the conversion dates, and resulted in a gain from conversion of \$733,371.

19. Commitments and contingencies

BRF receives a portion of its revenues from government grants and contracts which are subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and subject to audit by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

BRF receives, directly or indirectly, a portion of its revenues from government ad valorem tax millages which are set to expire in 2032 if not renewed. BRF does not anticipate a material change in these revenues.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

19. Commitments and contingencies (continued)

In management's opinion, environmental issues will not have a material impact on the net assets of BRF. Liabilities related to the cost of future investigation and remediation of environmental issues and the amounts of any grants that might be available to offset those costs cannot be readily determined at this time and as such no accrual for them has been made in these consolidated financial statements.

BRF is involved in various legal actions and claims that arose as a result of events that occurred in the normal course of operations. The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material effect upon the financial position of BRF.

BRF has entered into two contracts for construction projects. The total value of the construction contracts is approximately \$194,000, with approximately \$41,000 remaining to be expended as of September 30, 2022.

On March 2, 2021, a related party of BRF entered into a note payable with a regional financial institution in order to acquire and relocate assets to promote job creation in Northwest Louisiana. BRF and the Foundation agreed to guarantee the note payable if certain conditions were not met by the related party, and BRF and the Foundation agreed to maintain a sufficient level of liquidity to cover the remaining outstanding portion of the note payable. As of September 30, 2022 and 2021, all conditions were met by the related party, therefore no liability was accrued. BRF and the Foundation's maximum potential exposure as of September 30, 2022 and 2021 was \$2,815,834 and \$3,183,413, respectively.

20. Composite score calculation

As part of the Digital Media Institute's Council on Occupational Education accreditation process and to participate in federal student aid programs, it must submit audited financial statements demonstrating its fiscal responsibility by maintaining a minimum composite score (defined by the U.S Department of Education) of 1.5. BRF's composite score using the standards of financial responsibility is 2.0 as of September 30, 2022. The components and ratios used to compute this amount are presented below.

September 30, 2022

|                 |                       |              |     |                                   |               |
|-----------------|-----------------------|--------------|-----|-----------------------------------|---------------|
| (1)             | Expendable net assets | \$ 6,896,491 | (4) | Modified assets                   | \$ 99,204,951 |
| (2)             | Total expenses        | 18,700,888   | (5) | Change in unrestricted net assets | (2,040,002)   |
| (3)             | Modified net assets   | 60,419,705   | (6) | Total unrestricted revenues       | 16,599,405    |
| Primary reserve | 1.2                   | Equity       | 1.2 | Net Income                        | (0.4)         |

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

21. Subsequent events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, February 28, 2023, and determined that there were no events that occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Biomedical Research Foundation of Northwest Louisiana  
Managing Member of BRF, LLC  
Shreveport, Louisiana

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 the BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 28, 2023, which contained an unmodified opinion on those consolidated financial statements taken as a whole. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 35-43 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
February 28, 2023

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO CHIEF EXECUTIVE OFFICER**

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

This organization is not required to report the total compensation, reimbursements, and benefits paid to the agency head as these costs are supported by private funds.

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**DIGITAL MEDIA INSTITUTE**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Revenues**

|                |                |
|----------------|----------------|
| Tuition        | 520,256        |
| Grants         | 414,507        |
| Other          | 3,223          |
| Total revenues | <u>937,986</u> |

**Expenses**

|                                  |                     |
|----------------------------------|---------------------|
| Salaries and benefits            | 902,398             |
| Professional services            | 56,444              |
| Insurance                        | 3,528               |
| Travel                           | 55,723              |
| Registration and conference fees | 539                 |
| Subscriptions                    | 33,336              |
| Meals and entertainment          | 1,976               |
| Advertising                      | 224,192             |
| Supplies                         | 17,120              |
| Other office expenses            | 1,948               |
| Lease payments                   | 3,607               |
| Minor equipment                  | 88,317              |
| Depreciation                     | 52,623              |
| Bad debt                         | 85,615              |
| Bank Fees                        | 5,541               |
| Class and Student Supplies       | 38,319              |
| Grants to Individuals            | 12,019              |
| Other                            | 4,284               |
| Total expenses                   | <u>1,587,529</u>    |
| Excess of expenses over revenues | <u>\$ (649,543)</u> |



**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022**

|   | InterTech<br>Venture Fund | CMIT<br>Louisiana, LLC | BRF, LLC      |
|---|---------------------------|------------------------|---------------|
| <b><u>ASSETS</u></b>  |                           |                        |               |
| Cash and cash equivalents                                       | \$ 4,280                  | \$ 246,317             | \$ 1,766,948  |
| Restricted cash and cash equivalents                            | -                         | 1,219,916              | 2,720,373     |
| Accounts receivable, net of allowances for<br>doubtful accounts | -                         | 521,391                | 3,639,377     |
| Unconditional promises to give                                  | -                         | 129,586                | 10,832        |
| Prepaid expenses  | -                         | 51,782                 | 64,071        |
| Inventory   | -                         | -                      | 32,985        |
| Investments   | 341,499                   | -                      | 21,130,644    |
| Notes receivable and accrued interest                           | 248,315                   | -                      | 8,194,428     |
| Property and equipment, net                                     | -                         | 15,911,231             | 43,654,802    |
| Due from related party  | 170,409                   | -                      | 981,806       |
| Total assets  | \$ 764,503                | \$ 18,080,223          | \$ 82,196,266 |
| <b><u>LIABILITIES AND NET ASSETS</u></b>                        |                           |                        |               |
| <b><u>LIABILITIES</u></b>                                       |                           |                        |               |
| Accounts payable and accrued expenses                           | \$ -                      | \$ 249,730             | \$ 1,398,401  |
| Note payable  | -                         | 4,666,374              | 3,788,208     |
| Deferred revenue  | -                         | -                      | 515,809       |
| Due to related party  | -                         | 871,722                | 27,457,633    |
| Asset retirement liability                                      | -                         | -                      | 879,500       |
| Total liabilities   | -                         | 5,787,826              | 34,039,551    |
| <b><u>NET ASSETS</u></b>  |                           |                        |               |
| Without donor restrictions                                      | 764,503                   | 12,162,811             | 45,223,946    |
| With donor restrictions   | -                         | 129,586                | 2,932,769     |
| Total net assets  | 764,503                   | 12,292,397             | 48,156,715    |
| Total liabilities and net assets                                | \$ 764,503                | \$ 18,080,223          | \$ 82,196,266 |

| Elimination Entries |           | BRF, LLC             |
|---------------------|-----------|----------------------|
| DR                  | CR        | Consolidated         |
| \$ -                | \$ -      | \$ 2,017,545         |
| -                   | -         | 3,940,289            |
| -                   | -         | 4,160,768            |
| -                   | -         | 140,418              |
| -                   | -         | 115,853              |
| -                   | -         | 32,985               |
| -                   | 683,826   | 20,788,317           |
| -                   | -         | 8,442,743            |
| -                   | -         | 59,566,033           |
| -                   | 1,042,131 | 110,084              |
|                     |           | <u>\$ 99,315,035</u> |
| \$ -                | \$ -      | \$ 1,648,131         |
| -                   | -         | 8,454,582            |
| -                   | -         | 515,809              |
| 1,042,131           | -         | 27,287,224           |
| -                   | -         | 879,500              |
|                     |           | <u>38,785,246</u>    |
| 683,826             | -         | 57,467,434           |
| -                   | -         | 3,062,355            |
|                     |           | <u>60,529,789</u>    |
|                     |           | <u>\$ 99,315,035</u> |

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2022**

|   | InterTech<br>Venture Fund | CMIT<br>Louisiana, LLC | BRF, LLC             |
|---|---------------------------|------------------------|----------------------|
| <b>REVENUES AND SUPPORT:</b>                                  |                           |                        |                      |
| Net patient service revenue                                   | \$ -                      | \$ 1,020,503           | 1,565,391            |
| Support - philanthropic                                       | -                         | 1,001                  | 107,668              |
| Rental revenues   | -                         | -                      | 10,312,515           |
| Local government operating revenue                            | -                         | -                      | 2,863,251            |
| Government grants and contracts                               | -                         | -                      | 595,526              |
| Investment revenues (losses)                                  | 48,558                    | -                      | (3,032,300)          |
| Interest revenues   | -                         | -                      | 583,889              |
| Radiopharmaceutical sales                                     | -                         | 31,950                 | 896,014              |
| Tuition revenues  | -                         | -                      | 520,256              |
| Management fees   | -                         | -                      | 860,514              |
| Other revenues  | -                         | 57,581                 | 439,437              |
| <b>Total revenues and support</b>                             | <b>48,558</b>             | <b>1,111,035</b>       | <b>15,712,161</b>    |
| <b>EXPENSES:</b>  |                           |                        |                      |
| Program services:   |                           |                        |                      |
| Center for Molecular Imaging and Therapy                      | -                         | 2,146,209              | 3,505,487            |
| Office of Research, Development and Administration / Envision | -                         | -                      | 11,586               |
| Entrepreneurial Accelerator Program                           | -                         | -                      | 1,309,406            |
| Digital Media Institute                                       | -                         | -                      | 1,588,265            |
| Real Estate Management and Development                        | -                         | -                      | 6,085,339            |
| Shreveport Next   | -                         | -                      | 400,005              |
| Other sponsored projects                                      | -                         | -                      | 89,015               |
| <b>Total program services</b>                                 | <b>-</b>                  | <b>2,146,209</b>       | <b>12,989,103</b>    |
| Support services:   |                           |                        |                      |
| Management and general  | -                         | -                      | 4,145,394            |
| Fund-raising  | -                         | -                      | 280,696              |
| <b>Total support services</b>                                 | <b>-</b>                  | <b>-</b>               | <b>4,426,090</b>     |
| <b>Total expenses</b>   | <b>-</b>                  | <b>2,146,209</b>       | <b>17,415,193</b>    |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                      |                           |                        |                      |
| Gain on disposal of fixed assets                              | -                         | -                      | 61,481               |
| <b>Total nonoperating revenues</b>                            | <b>-</b>                  | <b>-</b>               | <b>61,481</b>        |
| <b>CHANGE IN NET ASSETS</b>                                   | <b>48,558</b>             | <b>(1,035,174)</b>     | <b>(1,641,551)</b>   |
| Capital contribution from Parent                              | -                         | 4,423,579              | -                    |
| Capital distribution to Parent                                | (84,088)                  | -                      | -                    |
| Capital contribution to Subsidiary                            | -                         | -                      | (4,423,579)          |
| Net assets - beginning of year                                | 800,033                   | 8,903,992              | 54,221,845           |
| <b>Net assets - end of year</b>                               | <b>\$ 764,503</b>         | <b>\$ 12,292,397</b>   | <b>\$ 48,156,715</b> |

| Elimination Entries |           | BRF, LLC             |
|---------------------|-----------|----------------------|
| DR                  | CR        | Consolidated         |
| \$ -                | \$ -      | \$ 2,585,894         |
| -                   | -         | 108,669              |
| -                   | -         | 10,312,515           |
| -                   | -         | 2,863,251            |
| -                   | -         | 595,526              |
| -                   | -         | (2,983,742)          |
| -                   | -         | 583,889              |
| -                   | -         | 927,964              |
| -                   | -         | 520,256              |
| 860,514             | -         | -                    |
| -                   | -         | 497,018              |
|                     |           | <u>16,011,240</u>    |
| -                   | 860,514   | 4,791,182            |
| -                   | -         | 11,586               |
| -                   | -         | 1,309,406            |
| -                   | -         | 1,588,265            |
| -                   | -         | 6,085,339            |
| -                   | -         | 400,005              |
| -                   | -         | 89,015               |
|                     |           | <u>14,274,798</u>    |
| -                   | -         | 4,145,394            |
| -                   | -         | 280,696              |
|                     |           | <u>4,426,090</u>     |
|                     |           | <u>18,700,888</u>    |
| -                   | -         | 61,481               |
|                     |           | <u>61,481</u>        |
|                     |           | (2,628,167)          |
| -                   | 4,423,579 | -                    |
| 84,088              | -         | -                    |
| 4,423,579           | -         | -                    |
| 767,914             | -         | <u>63,157,956</u>    |
|                     |           | <u>\$ 60,529,789</u> |

**BRE, LLC**  
**SHREVEPORT, LOUISIANA**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**  
**SEPTEMBER 30, 2022**

*Primary Reserve Ratio*

| <u>Lines</u>  |  | <u>Expendable Net Assets:</u>   |               |
|---|--|---|---------------|
| p. 3, line 18   | Consolidated Statement of Financial Position - Net assets without donor restrictions   | Net assets without donor restrictions   | \$ 57,467,434 |
| p. 3, line 19   | Consolidated Statement of Financial Position - Net assets with donor restrictions  | Net assets with donor restrictions  | \$ 3,062,355  |
| p. 3, line 10, p. 26, Note 12                                 | Consolidated Statement of Financial Position - Related party receivable  | Secured and Unsecured related party receivable  | \$ 110,084    |
| p. 3, line 10, p. 26, Note 12                                 | Consolidated Statement of Financial Position - Related party receivable  | Unsecured related party receivable  | \$ 110,084    |
| p. 3, line 9  | Consolidated Statement of Financial Position - Property, Plant, & Equipment, net   | Property, Plant, & Equipment, net - including construction-in-progress  | \$ 59,566,033 |
| p. 43, Note for Page 3, Line 9                                | Note of the Financial Statements - Consolidated Statement of Financial Position - Property, Plant, and Equipment, net - pre-implementation   | Property, Plant, & Equipment, net - pre-implementation less any construction-in-progress  | \$ 39,235,795 |
| p. 43, Note for Page 3, Line 9                                | Note of the Financial Statements - Consolidated Statement of Financial Position - Property, Plant, and Equipment, net - post-implementation with outstanding debt for original purchase    | Property, Plant, & Equipment, net - post-implementation less any construction-in-progress with outstanding debt for original purchase with debt | \$ 4,141,247  |
| p. 43, Note for Page 3, Line 9                                | Note of the Financial Statements - Consolidated Statement of Financial Position - Property, Plant, and Equipment, net - post-implementation without outstanding debt for original purchase | Property, Plant, & Equipment, net - post-implementation less any construction-in-progress without outstanding debt for original purchase        | \$ 12,431,228 |
| p. 43, Note for Page 3, Line 9                                | Note of the Financial Statements - Consolidated Statement of Financial Position - Construction in process  | Construction in process   | \$ 3,757,763  |
| p. 3, line 13, p. 23, Note 8, p. 43, Note for Page 3, Line 13 | Consolidated Statement of Financial Position - Notes payable (both current and long-term)  | Long-term debt for long-term purposes   | \$ 8,454,582  |
| p. 3, line 13, p. 23, Note 8, p. 43, Note for Page 3, Line 13 | Consolidated Statement of Financial Position - Notes payable (both current and long-term)  | Long-term debt for long-term purposes pre-implementation  | \$ 3,788,208  |
| p. 3, line 13, p. 23, Note 8, p. 43, Note for Page 3, Line 13 | Consolidated Statement of Financial Position - Notes payable (both current and long-term)  | Long-term debt for long-term purposes post-implementation   | \$ 4,141,247  |
| p. 3, line 13, p. 23, Note 8, p. 43, Note for Page 3, Line 13 | Consolidated Statement of Financial Position - Notes payable (both current and long-term)  | Long-term debt for construction in process  | \$ 525,127    |

**BRE, LLC**  
**SHREVEPORT, LOUISIANA**

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**  
**SEPTEMBER 30, 2022**

(continued)

|                |  |   |               |
|----------------|--|---|---------------|
| p. 24, Note 10 | Note of the Financial Statements - Consolidated Statement of Financial Position - Net assets with donor restrictions: endowments | Net assets with donor restrictions: endowments  | \$ 2,411,763  |
|                |  | <b><u>Total Expenses:</u></b>   |               |
| p. 4, line 45  | Consolidated Statement of Activities and Changes in Net Assets - Total expenses  | Total expenses without donor restrictions - taken directly from Statement of Activities | \$ 18,700,888 |

***Equity Ratio***

| Lines                         |  | <b>Modified Net Assets:</b>                    |               |
|-------------------------------|--|--|---------------|
| p. 3, line 18                 | Consolidated Statement of Financial Position - Net assets without donor restrictions | Net assets without donor restrictions          | \$ 57,467,434 |
| p. 3, line 19                 | Consolidated Statement of Financial Position - Net assets with donor restrictions    | Net assets with donor restrictions             | \$ 3,062,355  |
| p. 3, line 10, p. 26, Note 12 | Consolidated Statement of Financial Position - Related party receivable              | Secured and Unsecured related party receivable | \$ 110,084    |
| p. 3, line 10, p. 26, Note 12 | Consolidated Statement of Financial Position - Related party receivable              | Unsecured related party receivable             | \$ 110,084    |
|                               |  | <b><u>Modified Assets:</u></b>                 |               |
| p. 3, line 11                 | Consolidated Statement of Financial Position - Total Assets                          | Total Assets                                   | \$ 99,315,035 |
| p. 3, line 10, p. 26, Note 12 | Consolidated Statement of Financial Position - Related party receivable              | Secured and Unsecured related party receivable | \$ 110,084    |
| p. 3, line 10, p. 26, Note 12 | Consolidated Statement of Financial Position - Related party receivable              | Unsecured related party receivable             | \$ 110,084    |

***Net Income Ratio***

| Lines         |  |  |                |
|---------------|--|--|----------------|
| p. 4, line 49 | Consolidated Statement of Activities and Changes in Net Assets without donor restrictions            | <b>Change in Net Assets Without Donor Restrictions</b> | \$ (2,040,002) |
|               |  | <b><u>Total Revenues</u></b>                           |                |
| p. 4, line 33 | Consolidated Statement of Activities and Changes in Net Assets - Total revenues without restrictions | Total Revenues   | \$ 16,599,405  |

(concluded)

**BRF, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**  
**SEPTEMBER 30, 2022**

**Note for Page 3, Line 9 - Net Property, Plant, and Equipment**

|   |  |                             |
|---|--|-----------------------------|
| A | Pre-Implementation Property, Plant, and Equipment  | \$ 39,235,795               |
| B | Post-Implementation Property, Plant, and Equipment | 4,141,247                   |
| C | Construction-in-progress                           | 3,757,763                   |
| D | Post-Implementation Property, Plant, and Equipment | 12,431,228                  |
|   | <b><u>Total</u></b>                                | <b><u>\$ 59,566,033</u></b> |

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- A This is the ending balance on the last financial statement submission prior to the implementation of the regulations - less any depreciation or disposals.
- B This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.
- C Asset value of the construction-in-progress.
- D Post-implementation Property, Plant, and Equipment with no outstanding debt.

**Note for Page 3, Line 13 - Long-term debt for long-term purposes**

|   |  |                            |
|---|--|----------------------------|
| A | Pre-Implementation Long-Term Debt  | \$ 3,788,208               |
| B | Allowable Post-Implementation Long-Term Debt   | 4,141,247                  |
| C | Construction-in-progress debt  | 525,127                    |
| D | Long-term debt not for the purchase of Property, Plant, and Equipment or liability greater than assets value | -                          |
|   | <b><u>Total</u></b>  | <b><u>\$ 8,454,582</u></b> |

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- A This is the ending balance on the last financial statement submission prior to the implementation of the regulations - less in repayments.
- B This is the lessor of actual outstanding debt of each asset or the value of the asset.
- C All debt associated with construction-in-progress up to the asset value for construction-in-progress is included.
- D Long-term debt not for the purchase of Property, Plant, and Equipment.

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

Board of Directors  
Biomedical Research Foundation of Northwest Louisiana  
Managing Member of BRF, LLC  
Shreveport, Louisiana

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 BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 28, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered BRF's internal control over financial reporting (internal control) as a basis for designing 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 BRF's internal control. Accordingly, we do not express an opinion of the effectiveness of BRF'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of BRF'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 charges with governance.

Our consideration of the internal control 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 have not been identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BRF'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 consolidated financial statements. 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 BRF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
February 28, 2023





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**BRF, LLC**

**REPORT ON STATEWIDE**  
**AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL**  
**AREAS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of  
Biomedical Research Foundation of Northwest Louisiana  
Managing Member of BRF, LLC and the  
Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2021 through September 30, 2022. BRF LLC's (BRF or the entity) management is responsible for those C/C areas identified in the SAUPs.

BRF has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by BRF to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of BRF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
March 30, 2023

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exceptions noted*” or for step 25 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

***Written Policies and Procedures***

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1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

*No exceptions noted.*

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*No exceptions noted.*

c) ***Disbursements***, including processing, reviewing, and approving

*No exceptions noted.*

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*No exceptions noted.*

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exceptions noted.*

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*No exceptions noted.*

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*The Entity has a written policy for Travel and Expense Reimbursement; however, the policy does not specifically address attribute (2) dollar thresholds by category of expense.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*Any omitted attributes have been discussed with management.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

***Board or Finance Committee***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*No exception noted.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

*No exceptions noted.*



**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

*A listing of bank accounts was provided and included a total of 6 bank accounts. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected 5 bank accounts and obtained the bank reconciliations for the month ending March 31, 2022, resulting in 5 bank reconciliations obtained and subjected to the following procedures.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*No exceptions noted.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*In the bank reconciliations selected in step 1, there were no reconciling items that have been outstanding for more than 12 months from the statement closing date. Thus, this procedure is not applicable.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

*Collections (excluding electronic funds transfers)*

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was provided and included a total of 3 deposit sites. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected all 3 deposit sites and performed the procedures below.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 3 collection locations. No exceptions were noted as a result of performing this procedure.*

*From each of the listings provided, we randomly selected one collection location for each deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions noted.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*No exceptions noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions noted.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

*No exceptions noted.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

*We randomly selected two deposit dates of the 5 bank accounts selected in procedure #3. 2 out of the 5 bank accounts did not have deposits related to public funds during the fiscal period. We obtained supporting documentation for each of the 6 deposits for the remaining 3 bank accounts and performed the procedures below.*

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions noted.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions noted.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*No exceptions noted.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

***Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

---

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*The listing of locations that process payments for the fiscal period was provided, noting one location. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected the single location and performed the procedures below.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for the single payment processing location noted in procedure # 8 was provided. No exception were noted as a result of performing this procedure.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exception noted.*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exception noted.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exception noted.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*The employee responsible for processing payments is responsible for mailing signed checks. This is considered an exception.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

*From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.*

- a) Observe that the disbursement matched the related original invoice/billing statement.

*No exception noted.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*P&N noted that the payment processor is also responsible for mailing signed checks. This is considered an exception.*

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*A listing of cards was provided. No exceptions were noted as a result of performing this procedure.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

*From the listing provided, we randomly selected 5 cards used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.*

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*No exceptions noted.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*No exceptions noted*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

*We randomly selected 10 transactions (or all transactions if less than 10) for the 5 cards selected in procedure #12 and performed the specified procedures. No exceptions noted.*

***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*None of reimbursements selected used a per diem. No exceptions noted.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions noted.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions noted.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

***Contracts***

---

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*No exceptions noted.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*No exceptions noted.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions noted.*

***Payroll and Personnel***

---

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

*We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.*

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

*No exceptions noted.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*No exceptions noted.*

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

*A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures. No exceptions noted.*

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*No exceptions noted.*

***Ethics***

---

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

***Debt Service***

---

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.



**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

*The Entity is a non-profit. Thus, this procedure is not applicable.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

***Fraud Notice***

---

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management represented that there were no misappropriations of public funds and assets during the fiscal period. No exceptions were noted as a result of performing this procedure.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

***Information Technology Disaster Recovery/Business Continuity***

---

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

*We performed the procedure and discussed the results with management.*

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2022**

Schedule A

*We performed the procedure and discussed the results with management.*

***Sexual Harassment***

---

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

*The Entity is a non-profit. Thus, this procedure is not applicable.*

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

*The Entity is a non-profit. Thus, this procedure is not applicable.*

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- b) Number of sexual harassment complaints received by the agency;

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

*The Entity is a non-profit. Thus, this procedure is not applicable.*

- e) Amount of time it took to resolve each complaint.

*The Entity is a non-profit. Thus, this procedure is not applicable.*



**BRF, LLC**  
**AGREED-UPON PROCEDURES**  
**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN**  
**SEPTEMBER 30, 2022**

Schedule B

The management of BRF, LLC provided a response and corrective action plan for the exceptions noted in Schedule A and are set forth below.

***Written Policies and Procedures***

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1.h) BRF's travel policy does have a dollar threshold for meals and incidentals. The policy is the federal governments' maximum per diem and incidental expense rates based on the city in which the expenses were incurred. The policy states employees should generally choose travel schedules which maximize work time and minimize the total cost to BRF (including the cost associated with the employee's time). BRF believes this policy to be adequate.

1.k) Management, as part of ongoing operations, continues to review and improve its information technology disaster recovery/business continuity policy as necessary. Management believes its information technology disaster recovery/business continuity policy and practices are appropriate.

***Non-Payroll Disbursements***

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9.d) The individual responsible for processing payments is responsible for mailing signed checks. BRF has the following mitigating factors to reduce the risk: The Controller reviews all disbursements and submits a positive pay report to the bank. The bank will only pay items listed on the report. The CFO opens the bank statement and reviews it. The accountant performs the bank reconciliation each month and it is reviewed by the Controller.

10.b) The individual responsible for processing payments is responsible for mailing signed checks. BRF has the following mitigating factors to reduce the risk: The Controller reviews all disbursements and submits a positive pay report to the bank. The bank will only pay items listed on the report. The CFO opens the bank statement and reviews it. The accountant performs the bank reconciliation each month and it is reviewed by the Controller.