

---

**BRF, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

---



Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**BRF, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

## TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1 - 2
<u>Consolidated Financial Statements</u>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4 - 5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 21
<u>Supplementary Information</u>	
Independent Auditors' Report on Supplementary Information	22
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	23
Digital Media Institute Schedule of Revenues and Expenses	24
Consolidating Statement of Financial Position	25 - 26
Consolidating Statement of Activities and Changes in Net Assets	27 - 28
<u>Governmental Audit Reports</u>	
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 <i>Government Auditing Standards</i>	29 - 30
Schedule of Findings and Questioned Costs	31
Summary Schedule of Prior Year Findings and Questioned Costs	32

## INDEPENDENT AUDITORS' REPORT

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

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, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years ended September 30, 2017 and 2016, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

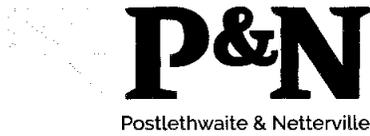
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BRF's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BRF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of the BRF, LLC and its subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for the years ended September 30, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, 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  
March 27, 2018

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017 AND 2016**

**ASSETS**

	2017	2016
Cash and cash equivalents	\$ 228,280	\$ 7,406,538
Restricted cash and cash equivalents	179,084	615,576
Accounts receivable, net of allowances for doubtful accounts and contractual adjustments of \$10,676 and \$115,875 respectively	2,574,931	3,553,760
Prepaid expenses	71,932	183,847
Investments, including \$1,720,623 restricted for endowment purposes	11,585,602	10,004,261
Property and equipment, net	49,634,687	51,520,619
Due from related party	10,285,345	1,567,103
Total assets	\$ 74,559,861	\$ 74,851,704

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 1,974,934	\$ 2,046,157
Line-of-credit	3,246,670	5,000,000
Notes payable	8,155,370	9,305,148
Derivative liability	231,764	562,171
Deferred revenue	98,201	113,309
Asset retirement liability	211,209	198,357
Total liabilities	13,918,148	17,225,142

**NET ASSETS**

Unrestricted	58,356,578	55,295,361
Temporarily restricted	564,512	610,578
Permanently restricted	1,720,623	1,720,623
Total net assets	60,641,713	57,626,562
Total liabilities and net assets	\$ 74,559,861	\$ 74,851,704

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, 2017 AND 2016**

	Year ended September 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND SUPPORT:</b>				
Patient service revenue net of contractual adjustments	\$ 3,062,619	\$ -	\$ -	\$ 3,062,619
Less: Bad debt	-	-	-	-
Net patient service revenue	3,062,619	-	-	3,062,619
Support - philanthropic	21,931	95,170	-	117,101
Rental revenues	9,407,033	-	-	9,407,033
Local government operating revenue	3,448,611	-	-	3,448,611
Government grants and contracts	626,894	-	-	626,894
Investment revenues	1,297,623	-	-	1,297,623
Radiopharmaceutical sales	684,497	-	-	684,497
Other revenues	686,643	-	-	686,643
	<u>19,235,851</u>	<u>95,170</u>	<u>-</u>	<u>19,331,021</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	141,236	(141,236)	-	-
Total revenues and support	<u>19,377,087</u>	<u>(46,066)</u>	<u>-</u>	<u>19,331,021</u>
<b>EXPENSES:</b>				
Program services:				
Center for Molecular Imaging and Therapy	4,836,329	-	-	4,836,329
Office of Research, Development and Administration	659,048	-	-	659,048
Entrepreneurial Accelerator Program	873,904	-	-	873,904
Digital Media Institute	1,053,582	-	-	1,053,582
Real Estate Management and Development	5,579,839	-	-	5,579,839
Other sponsored projects	136,503	-	-	136,503
Total program services	<u>13,139,205</u>	<u>-</u>	<u>-</u>	<u>13,139,205</u>
Support services:				
Management and general	3,256,584	-	-	3,256,584
Fund-raising	250,488	-	-	250,488
Total support services	<u>3,507,072</u>	<u>-</u>	<u>-</u>	<u>3,507,072</u>
Total expenses	<u>16,646,277</u>	<u>-</u>	<u>-</u>	<u>16,646,277</u>
<b>NONOPERATING REVENUES:</b>				
Change in value of derivative	330,407	-	-	330,407
<b>CHANGE IN NET ASSETS</b>	3,061,217	(46,066)	-	3,015,151
Net assets - beginning of year	<u>55,295,361</u>	<u>610,578</u>	<u>1,720,623</u>	<u>57,626,562</u>
<b>Net assets - end of year</b>	<u>\$ 58,356,578</u>	<u>\$ 564,512</u>	<u>\$ 1,720,623</u>	<u>\$ 60,641,713</u>

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

Year ended September 30, 2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,377,999	\$ -	\$ -	\$ 3,377,999
-	-	-	-
3,377,999	-	-	3,377,999
12,314	137,449	-	149,763
9,666,902	-	-	9,666,902
3,210,671	-	-	3,210,671
573,862	-	-	573,862
1,255,754	-	-	1,255,754
1,214,558	-	-	1,214,558
208,317	-	-	208,317
19,520,377	137,449	-	19,657,826
(20,435)	20,435	-	-
19,499,942	157,884	-	19,657,826
5,548,088	-	-	5,548,088
466,768	-	-	466,768
857,231	-	-	857,231
1,006,778	-	-	1,006,778
5,782,377	-	-	5,782,377
130,464	-	-	130,464
13,791,706	-	-	13,791,706
3,967,042	-	-	3,967,042
114,515	-	-	114,515
4,081,557	-	-	4,081,557
17,873,263	-	-	17,873,263
65,819	-	-	65,819
1,692,498	157,884	-	1,850,382
53,602,863	452,694	1,720,623	55,776,180
\$ 55,295,361	\$ 610,578	\$ 1,720,623	\$ 57,626,562

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 3,015,151	\$ 1,850,382
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,479,276	2,664,945
Loss on sale of fixed assets	3,769	1,331
Change in value of derivative liability	(330,407)	(65,820)
Net change in unrealized gain on investments	(1,214,588)	(711,579)
Decrease in accounts receivable	978,829	303,698
Decrease in prepaid expenses	111,915	33,276
Increase (decrease) in deferred revenue	(15,108)	95,523
Increase in accounts payable and other liabilities	(58,371)	(557,084)
Net cash provided by operating activities	4,970,466	3,614,672
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(597,113)	(724,891)
Purchase of investments	(386,671)	(2,929,625)
Proceeds from sales of investments	19,918	2,156,091
(Increase) decrease in due from related party	(8,718,242)	21,385,092
Net cash (used in) provided by investing activities	(9,682,108)	19,886,667
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase in line-of-credit	23,670,956	17,959,909
Payments on line-of-credit	(25,424,286)	(33,303,347)
Payments on notes payable	(1,149,778)	(1,098,477)
Net cash used in financing activities	(2,903,108)	(16,441,915)
Net increase (decrease) in cash and cash equivalents	(7,614,750)	7,059,424
Cash and cash equivalents - beginning of year	8,022,114	962,690
Cash and cash equivalents - end of year	\$ 407,364	\$ 8,022,114
<b><u>Supplemental disclosure of cash flow information:</u></b>		
Cash paid during the year for interest	\$ 524,629	\$ 544,410

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), the sole member of BRF.

BRF is a publicly supported not-for-profit organization which was created to pioneer a knowledge-based 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, LP (the Fund or the Partnership) through its two wholly-owned subsidiaries, InterTech Venture Management, LLC (VC Management) and BRF Capital, LLC (Capital). VC Management functions as the general partner in the Fund, and Capital operates as the limited partner. The operations of the subsidiaries and 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.

BRF also owns 100% of Southern Isotopes, LLC, which operates radiopharmaceutical manufacturing and distribution facilities in Louisiana. This entity had no operations during the year ended September 30, 2017.

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 above, 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Nature of operations (continued)

- Office of Research Development and Administration – 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.
- Entrepreneurial Accelerator Program – A financial analytics and support group formed to stimulate the creation of entrepreneurial enterprises through a system that analyzes the viability of ideas and products, matches them with informed investors and nurtures them through the initial critical steps to market.
- 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.

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.

Restricted cash and cash equivalents

Restricted cash and cash equivalents, which consist primarily of demand deposits and short-term certificates of deposit, represent donor-restricted assets and assets pledged for future decommissioning expenses at its two cyclotron sites. These items are considered cash and cash equivalents for purposes of the statements of cash flows.

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 repaid on a monthly basis and are closely monitored during the year; all accounts considered to be uncollectible are written-off when such conclusions are reached. Management considers all rent receivables to be collectible; therefore, no allowance for uncollectible accounts has been established.

BRF provides credit in the normal course of operations to patients located primarily in northern Louisiana and surrounding areas and to third party payors conducting operations in these areas. BRF maintains allowances for contractual adjustments and doubtful accounts based on management's assessment of collectability, current economic conditions, and prior experience. BRF determines if patient accounts receivable are past-due based on the service date; however, BRF does not charge interest on past-due accounts. BRF charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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 unrestricted net assets unless the use is restricted by the donor.

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.

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 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 4 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. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairments have been recognized for the years ended September 30, 2017 and 2016.

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.

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, LLC**  
**SHREVEPORT, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time or purpose. Permanently restricted net assets have been restricted by donors to be maintained by BRF in perpetuity.

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.

Net patient service revenue

BRF has agreements with various third-party payors that provide for payments to BRF at amounts different from its established rates. Payment arrangements include prospectively determined rates per service type. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Accounting Standards Update (ASU) 2011-07, Healthcare Entities (Topic 954), "Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities," which requires certain healthcare entities to present the provision for doubtful accounts relating to patient service revenue as a deduction from patient service revenue in the statement of operations rather than as an operating expense, has been applied in the accompanying consolidated financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Income taxes (continued)

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, 2017 or 2016.

Statements of cash flows

For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted operating and restricted funds on deposit at various financial institutions.

Environmental obligations

A provision for environmental 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

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for BRF for the fiscal year ending September 30, 2020.

In February 2016, the FASB issued ASU 2016-02, 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. This standard will be effective for BRF for the fiscal year ending September 30, 2021.

On August 18, 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosure of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risk is required. This standard will be effective for BRF for the fiscal year ending September 30, 2019.

BRF is currently assessing the impact of these pronouncements on its consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Reclassifications

Certain amounts in the September 30, 2016 consolidated financial statements have been reclassified to conform to the current year presentation.

2. Net patient service revenue

Presented below is a summary of net patient service revenue for the years ended September 30, 2017 and 2016:

	2017	2016
Gross patient service revenue	\$ 7,513,019	\$ 7,586,011
Less: contractual adjustments and other deductions, including bad debt	( 4,450,400)	( 4,208,012)
Net patient service revenue	\$ 3,062,619	\$ 3,377,999

Bad debt expense is not material to total contractual adjustments and other deductions and therefore has not been separately disclosed.

3. Investments

Investments at September 30, 2017 and 2016 consisted of the following:

	2017	2016
Mutual funds	\$ 2,527,934	\$ 2,290,805
Exchange traded funds	8,063,392	6,973,197
Limited partnership interests	820,779	740,259
Certificates of deposit	173,497	-
	\$ 11,585,602	\$ 10,004,261

Following is the composition of investment revenues for the years ended September 30, 2017 and 2016:

	2017	2016
Dividends, interest, and realized gains	\$ 228,498	\$ 513,097
Unrealized gain on investments	1,135,225	721,998
	1,363,723	1,235,095
Other investment revenues (losses)	( 66,100)	20,659
	\$ 1,297,623	\$ 1,255,754

See note 15 for fair value disclosures related to investments.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

4. Property and equipment

The composition of property and equipment at September 30, 2017 and 2016 was as follows:

	<u>Estimated useful lives</u>	<u>2017</u>	<u>2016</u>
Land	-----	\$ 8,322,654	\$ 8,176,483
Building and improvements	4 - 40 years	66,538,215	66,394,996
Furniture and fixtures / equipment	5 - 20 years	22,389,243	22,094,085
		<u>97,250,112</u>	<u>96,665,564</u>
Less accumulated depreciation		( 47,615,425)	( 45,144,945)
Property and equipment, net		<u>\$ 49,634,687</u>	<u>\$ 51,520,619</u>

The large majority of BRF's property and equipment is being held for lease or future development.

Depreciation expense totaled \$2,479,276 and \$2,664,945 for the years ended September 30, 2017 and 2016, respectively.

5. Line-of-credit

BRF maintains a \$5,000,000 line-of-credit with a national financial institution. This line-of-credit is secured by the investments of BRF, bears interest at the 30 day LIBOR rate plus 2.75% (3.99% and 3.27% at September 30, 2017 and 2016, respectively), and matured on November 28, 2014; however, it was subsequently renewed and matures on October 31, 2018. The outstanding balance on this line-of-credit was \$3,246,670 and \$5,000,000 at September 30, 2017 and 2016, respectively.

The line-of-credit agreement requires BRF to maintain financial and other restrictive covenants. These covenants require minimum standards for BRF's securities margin, minimum debt service coverage, and certain other restrictions.

On December 18, 2017, the line-of-credit was paid in full and closed.

6. Notes payable

During the year ended December 31, 2010, BRF refinanced all of its outstanding revenue bonds and notes payable with a regional financial institution. The current 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% (3.74% and 3.02% at September 30, 2017 and September 30, 2016, 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 on November 30, 2020. The outstanding balance on the note payable was \$7,790,896 and \$8,514,383 at September 30, 2017 and 2016, respectively.

During the year ended September 30, 2013, BRF entered into an additional note payable agreement with a national financial institution in the amount of \$2,058,746 for the purposes of financing the acquisition of new medical equipment. The note payable bears interest at a rate of 3% and is secured by the equipment purchased. The note is due in monthly installments of principal and interest through July 10, 2018. The outstanding balance on the note payable was \$364,474 and \$790,765 at September 30, 2017 and 2016, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

6. Notes payable (continued)

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>
2018	\$ 1,128,581
2019	807,008
2020	856,206
2021	5,363,575
2022	<u>-</u>
	<u>\$ 8,155,370</u>

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.

BRF incurred total interest expense on all types of financing of approximately \$520,358 and \$584,089 for the years ended September 30, 2017 and 2016.

7. Derivative instruments and hedging activities

BRF uses long-term variable rate debt as a source of long-term financing. These debt obligations expose BRF to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit variability of a portion of its interest payments and, therefore, hedged a portion of its variable-rate debt. To meet this objective, management entered into an interest rate swap agreement with a financial institution whereby BRF makes fixed interest rate payments and receives variable rate interest rate payments during the contract period.

BRF has a stand-alone derivative financial instrument in the form of an interest rate swap agreement, which derives its value from underlying interest rates. The transaction involves both credit and market risk. The notional amount is the amount on which calculations, payments, and the value of the derivatives are based. The notional amount does not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the derivative instruments, was \$231,764 and \$562,171 at September 30, 2017 and 2016, respectively.

The total notional amounts of the swap agreements totaled \$7,790,896 and \$8,514,383 at September 30, 2017 and 2016, respectively. The pay rate of this agreement is 2.86%, and the receive rate is the 30 Day LIBOR plus 2.50% (3.74% and 3.02% at September 30, 2017 and 2016, respectively). The agreement matures on November 30, 2020.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

8. Restricted net assets

Temporarily restricted net assets were restricted for the following purposes at September 30, 2017 and 2016:

	2017	2016
SMART program	\$ 10,448	\$ 11,664
Biostart	621	4,532
LED Grant BioSpace 1	61,975	61,975
Eastern Star	43,870	50,194
Roche-Wake Forest	177,632	177,632
Other	269,966	304,581
	\$ 564,512	\$ 610,578

Net assets of \$141,236 and \$20,435 were released from restrictions during the years ended September 30, 2017 and 2016, respectively, due to BRF making payments which satisfied the restrictions.

Permanently restricted net assets at September 30, 2017 and September 30, 2016 consisted of endowment funds the principal of which is permanently restricted and the income of which is unrestricted except for amounts restricted for repair, maintenance, and upgrades of scientific equipment donated by BRF to LSUHSC-S.

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.

A summary of permanently restricted net assets as of September 30, 2017 and 2016, as well as changes in permanently restricted net assets for the years ended September 30, 2017 and 2016, are as follows:

	2017	2016
Balance - beginning of the year	\$ 1,720,623	\$ 1,720,623
Contributions	-	-
Withdrawal of donor restrictions	-	-
Balance - end of the year	\$ 1,720,623	\$ 1,720,623

9. 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 transaction with related parties are at fair market value.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

9. Related party transactions (continued)

At September 30, 2017 and 2016, BRF Hospital Holdings, LLC (BRFHH) owed BRF \$10,285,345 and \$1,567,103, respectively, for services provided to BRFHH by BRF or expenses paid by BRF on BRFHH's behalf and for funds advanced to BRFHH to supplement its current year line-of-credit. These amounts are partially collateralized by a \$7,000,000 promissory note and a second lien on certain BRFHH assets, and are presented in the consolidated balance sheets as due from related party.

10. Rental revenues

Effective October 1, 2013, BRF and the Board of Supervisors of Louisiana State University entered into a lease agreement for the Virginia K. Shehee Biomedical Research Institute. The new 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 \$523,229 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 \$531,938 less \$32,209 for premises leased back to BRF, or \$499,729, for the years ended September 30, 2017 and 2016.

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 \$170 / month to \$131,250 / quarter.

In accordance with the terms of these agreements, BRF recorded rental revenues of approximately \$9,407,000 and \$9,667,000 during the years ended September 30, 2017 and 2016, respectively.

The future minimum lease payments expected to be received from the new 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 September 30<sup>th</sup></u>	<u>Amount</u>
2018	\$ 7,161,937
2019	7,099,605
2020	6,977,310
2021	6,965,494
2022	<u>6,924,039</u>
	<u>\$ 35,128,385</u>

11. Cooperative endeavor agreements

BRF entered into cooperative endeavor agreements with the Caddo Parish Commission and the City of Shreveport to provide funding for the Entrepreneurial Accelerator Program. BRF recognized revenues relating to these agreements of approximately \$627,000 and \$565,000 during the years ended September 30, 2017 and 2016, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

11. Cooperative endeavor agreements (continued)

BRF also entered into a cooperative endeavor agreement with the Caddo Parish Commission to provide scholarships for the Digital Media Institute. BRF recognized revenues relating to this agreement of approximately \$-0- and \$8,400 during the years ended September 30, 2017 and 2016, respectively.

12. 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 97% and 88% of the sales during the years ended September 30, 2017 and 2016, 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.

13. 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 employer contributions were \$269,704 and \$257,806 for the years ended September 30, 2017 and 2016, respectively. Total combined employer and employee contribution were \$619,940 and \$561,146 for the years ended September 30, 2017 and 2016, respectively.

14. 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 receivables from patients and third-party payors at September 30, 2017 and 2016, was as follows:

	<u>2017</u>	<u>2016</u>
Medicare	60.50%	44.41%
Commercial insurance and managed care organizations	36.84%	31.76%
Self-pay patients and other	2.66%	23.83%
	<u>100.00%</u>	<u>100.00%</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

15. Fair value of financial instruments

In accordance with the Fair Value Measurements and Disclosure 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.

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

15. Fair value of financial instruments (continued)

*Cash and cash equivalents, certificates of deposit, accounts receivable, other receivables, accounts payable, and other accrued expenses* - the carrying amounts approximate fair values because of the short maturity of these instruments.

*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 and common stock* - valued at the closing price reported on the active market on which the individual securities are traded.

*Limited partnerships* - 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.

*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.

*Limitations* - 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>
<i>September 30, 2017:</i>			
Mutual funds - equities	\$ 2,527,934	\$ -	\$ -
Exchange traded funds	8,063,392	-	-
Limited partnerships	-	-	820,779
Certificates of deposit	173,497	-	-
Derivative liability	-	( 231,764)	-
	<u>\$ 10,764,823</u>	<u>(\$ 231,764)</u>	<u>\$ 820,779</u>
<i>September 30, 2016:</i>			
Mutual funds - equities	\$ 2,290,805	\$ -	\$ -
Exchange traded funds	6,973,197	-	-
Limited partnerships	-	-	740,259
Derivative liability	-	( 562,171)	-
	<u>\$ 9,264,002</u>	<u>(\$ 562,171)</u>	<u>\$ 740,259</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

15. Fair value of financial instruments (continued)

The majority of the Level 3 instruments consist of limited partnerships and common stocks. The following tables present the changes in fair value for the years ended September 30, 2017 and 2016, in Level 3 instruments that are measured at fair value on a recurring basis:

	<u>2017</u>	<u>2016</u>
Balance - beginning of the year	\$ 740,259	\$ 750,679
Purchases	240,300	40,000
Unrealized gains on investments	-	-
Write downs related to investments in limited partnerships	<u>( 159,780)</u>	<u>( 50,420)</u>
Balance - end of the year	<u>\$ 820,779</u>	<u>\$ 740,259</u>

16. 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. BRF does not anticipate a material change in these revenues.

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's parent, Biomedical Research Foundation of Northwest Louisiana, is currently involved in negotiations with the Louisiana State University Board of Supervisors and the State of Louisiana regarding its Cooperative Endeavor Agreement to manage and operate certain hospital facilities in North Louisiana. The results of those negotiations is not expected to have a negative impact on BRF.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

17. 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 3.0 as of September 30, 2017. The components and ratios used to compute this amount are presented below.

September 30, 2017

(1)	Expendable net assets	\$ 7,158,083	(4)	Modified assets	\$ 64,962,576
(2)	Total expenses	16,640,547	(5)	Change in unrestricted net assets	3,024,687
(3)	Modified net assets	50,358,024	(6)	Total unrestricted revenues	19,375,893
Primary reserve		1.2	Equity		1.2
			Net Income		0.6

Because BRF's composite score for the year ended September 30, 2016, did not meet the minimum requirement, the Department of Education required BRF to provide a letter of credit to participate in federal student aid programs. During the year ended September 30, 2017, BRF obtained a letter of credit which has been issued in the maximum amount of \$403,450. The letter of credit expires on October 31, 2018.

18. Subsequent events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 27, 2018, and determined that no additional disclosures are necessary. No events occurring after this date have been considered for inclusion in these consolidated financial statements.

**SUPPLEMENTARY INFORMATION**



Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809  
225-922-4600 Phone - 225-922-4611 Fax - Postlethwaite & Netterville, L.L.C.

A Professional Accounting Corporation

**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 statements of financial position as of September 30, 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2018, which expressed 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 financial statements as a whole. The supplementary information shown on pages 23-28 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  
March 27, 2018

**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, 2017**

**Revenues**

Tuition	\$ 214,572
Other	2,746
Total revenues	<u>217,318</u>

**Expenses**

Salaries and benefits	673,608
Professional services	8,621
Insurance	4,976
Travel	21,729
Registration and conference fees	2,483
Repairs and maintenance	245
Subscriptions	14,483
Meals and entertainment	3,843
Advertising	96,721
Supplies	5,261
Administrative	428
Lease payments	1,742
Minor equipment	62,430
Depreciation	93,902
Bad debt	47,967
Other	15,143
Total expenses	<u>1,053,582</u>
Excess of expenses over revenues	<u>\$ (836,264)</u>

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017**

	<u>Intertech Venture Fund</u>	<u>BRF, LLC</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 228,130	\$ 150
Restricted cash and cash equivalents	-	179,084
Accounts receivable, net of allowances for doubtful accounts and contractual adjustments of \$10,676	212,808	2,362,123
Prepaid expenses	-	71,932
Investments	330,666	12,028,195
Property and equipment, net	-	49,634,687
Due from related party	-	10,285,345
Total assets	<u>\$ 771,604</u>	<u>\$ 74,561,516</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued expenses	\$ -	\$ 1,974,934
Line-of-credit	-	3,246,670
Notes payable	-	8,155,370
Derivative liability	-	231,764
Deferred revenue	-	98,201
Asset retirement liability	-	211,209
Total liabilities	-	13,918,148
<b><u>NET ASSETS</u></b>		
Unrestricted	771,604	58,358,233
Temporarily restricted	-	564,512
Permanently restricted	-	1,720,623
Total net assets	771,604	60,643,368
Total liabilities and net assets	<u>\$ 771,604</u>	<u>\$ 74,561,516</u>

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 228,280
-	-	179,084
-	-	2,574,931
-	-	71,932
-	773,259	11,585,602
-	-	49,634,687
-	-	10,285,345
		<u>\$ 74,559,861</u>
-	-	\$ 1,974,934
-	-	3,246,670
-	-	8,155,370
-	-	231,764
-	-	98,201
-	-	211,209
		<u>13,918,148</u>
773,259	-	58,356,578
-	-	564,512
-	-	1,720,623
		<u>60,641,713</u>
		<u>\$ 74,559,861</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2017**

	Intertech Venture Fund	BRF, LLC
<b>REVENUES AND SUPPORT:</b>		
Patient service revenue net of contractual adjustments	\$ -	\$ 3,062,619
Less: Bad debt	-	-
Net patient service revenue	-	3,062,619
Support - philanthropic	-	117,101
Rental revenues	-	9,407,033
Local government operating revenue	-	3,448,611
Government grants and contracts	-	626,894
Investment revenues (losses)	(3,806)	1,301,429
Radiopharmaceutical sales	-	684,497
Other revenues	-	686,643
<b>Total revenues and support</b>	<b>(3,806)</b>	<b>19,334,827</b>
<b>EXPENSES:</b>		
Program services:		
Center for Molecular Imaging and Therapy	-	4,836,329
Office of Research, Development and Administration	-	659,048
Entrepreneurial Accelerator Program	-	873,904
Digital Media Institute	-	1,053,582
Real Estate Management and Development	-	5,579,839
Other sponsored projects	-	136,503
Total program services	-	13,139,205
Support services:		
Management and general	5,730	3,250,854
Fund-raising	-	250,488
Total support services	5,730	3,501,342
Total expenses	5,730	16,640,547
<b>NONOPERATING REVENUES:</b>		
Change in value of derivative	-	330,407
<b>CHANGE IN NET ASSETS</b>	(9,536)	3,024,687
Net assets - beginning of year	781,140	57,618,681
<b>Net assets - end of year</b>	<b>\$ 771,604</b>	<b>\$ 60,643,368</b>

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 3,062,619
-	-	-
-	-	3,062,619
-	-	117,101
-	-	9,407,033
-	-	3,448,611
-	-	626,894
-	-	1,297,623
-	-	684,497
-	-	686,643
		<u>19,331,021</u>
-	-	4,836,329
-	-	659,048
-	-	873,904
-	-	1,053,582
-	-	5,579,839
-	-	136,503
		<u>13,139,205</u>
-	-	3,256,584
-	-	250,488
		<u>3,507,072</u>
		<u>16,646,277</u>
-	-	330,407
		3,015,151
773,259	-	<u>57,626,562</u>
		<u>\$ 60,641,713</u>



Postlethwaite & Netterville

8550 United Plaza Blvd , Ste. 1001 - Baton Rouge, LA 70809  
225-922-4600 Phone - 225-922-4611 Fax -

A Professional Accounting Corporation

**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 the BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statements of financial position as of September 30, 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2018.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.



Postlethwaite & Netterville

### 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

This report is intended solely for the information and use of the Board of Directors and management of the BRF, LLC and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
March 27, 2018



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

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2016**

**A. Findings - Financial Statement Audit**

None.

---

**BRF, LLC**

**STATEWIDE AGREED-UPON PROCEDURES**  
**ON CONTROL AND COMPLIANCE AREAS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

---



**P&N**

Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

## TABLE OF CONTENTS

	<u>Page</u>
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Schedule A: Agreed-Upon Procedures and Observations and Associated Findings	2 - 13
Schedule B: Management's Response and Corrective Action Plan	14



Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809

225-922-4600 Phone - 225-922-4611 Fax - [www.pn.com](http://www.pn.com)

A Professional Accounting Corporation

INDEPENDENT ACCOUNTANT'S 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, which were agreed to by BRF, LLC (BRF) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. BRF's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

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

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or a 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.

The purpose of this report is 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 27, 2018

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**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 exception noted*”. If not, then a description of the exception ensues.

***Written Policies and Procedures***

---

1. Obtain the entity’s written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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***, including receiving, recording, and preparing deposits

*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.

*The policy did not include a requirement to have contracts reviewed by legal counsel.*

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, and (5) monitoring card usage.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**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 policy does not include 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.

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

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

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

***Board (or Finance Committee, if applicable)***

---

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*No exceptions noted.*

- b) Report whether the minutes referenced are including monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*No exceptions noted.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions noted.*

***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

*From the listing provided, P&N selected four accounts and obtained the bank reconciliations for each of the twelve months ending September 30, 2017, as applicable. Two of the accounts were opened during the year and therefore only had bank reconciliations for one month, resulting in twenty-six bank reconciliations obtained and subjected to the below procedures.*

- a) Bank reconciliations have been prepared;

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*No exceptions noted.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*No exceptions noted.*

***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*No exceptions noted.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). **For each cash collection location selected:**

*We performed the procedures noted below for the one cash collection location.*

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*For the cash collection location, we noted the individual responsible for collecting cash is also responsible for depositing the cash in the bank.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*No exception noted.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

*Using the collection data, we determined the highest collection week during the year ending September 30, 2017 for the collection location and performed the procedures noted below.*

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*No exception noted.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exception noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, etc.) by a person who is not responsible for collections.

*No exceptions noted.*

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

---

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

*We randomly selected 25 disbursements and performed the procedures below.*

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*No exceptions noted.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions noted.*

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*No exceptions noted.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The 25 disbursements selected in procedure 9 were processed from 1 bank account. The individuals responsible for processing payments were not prohibited from adding vendors.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*No exceptions noted.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*No exceptions noted.*

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

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

*No exceptions noted.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and perform the procedures below.

*We selected ten credit cards and performed the procedures noted below.*

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*No exceptions noted.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*No exceptions noted.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 3 cards selected (i.e. each of the 3 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*No exceptions noted.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*No exceptions noted.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*No exceptions noted.*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions noted.*

***Travel and Expense Reimbursement***

---

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*No exceptions noted.*

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*No exceptions noted.*

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*No exceptions noted.*

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased.
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No exceptions noted.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions noted.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

***Contracts***

---

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*No exceptions noted.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*Not applicable.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*No exceptions noted.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*Not applicable.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*Not applicable.*

***Payroll and Personnel***

---

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

*No exceptions noted.*

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*No exceptions noted.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Of the 24 timesheets tested, 3 did not have evidence of approval by the employee's supervisor.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*No exceptions noted.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*Of the 2 termination payments tested, 1 of the employee's unused vacation was paid out at the wrong hourly rate.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

***Ethics (excluding nonprofits)***

---

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

***Debt Service (excluding nonprofits)***

---

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*This C/C area is not applicable for BRF, as it is a nonprofit entity.*

***Other***

---

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**SEPTEMBER 30, 2017**

**Schedule A**

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.la.gov/hotline](http://www.la.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions noted.*

**BRF, LLC**  
**AGREED-UPON PROCEDURES**  
**MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN**  
**SEPTEMBER 30, 2017**

**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***

---

1.f) Although not so stated in written policies and procedures, all contracts are reviewed by BRF's in-house legal counsel. The policy and procedures have been updated with a statement to require all contracts to be reviewed by legal counsel.

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).

***Collections***

---

6.a) Procedures have been updated to have separate individuals for collecting cash and depositing the cash in the bank.

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

---

10) The individual responsible for processing payments also adds vendors to the purchasing/disbursement system. 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.

***Payroll and Personnel***

---

23.b) BRF's policies require an employee's supervisor to approve timesheets. Management will review the procedures with all employees and adhere to company policies. BRF has recently transitioned to an online timesheet which integrates into the payroll system. A supervisor is required to approve a timesheet before the timesheet is submitted for payroll. The 3 noted instances did not result in an error in the employee's pay.

24) BRF's policies and procedures are to pay employees the correct amount of unused vacation when an employee separates from service. The 1 noted instance did result in an employee being paid an additional 1.5 hours of pay. The method for calculating severance pay has been reviewed with the appropriate employees. All severance pay calculations will be reviewed by the Controller in the future.