
BRF, LLC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

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BRF, LLC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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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, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class, and cash flows for the years ended September 30, 2019 and 2018, 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.



Postlethwaite & Netterville

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 BRF, LLC and its subsidiaries as of September 30, 2019 and 2018, and the results of their operations, changes in net assets, and their cash flows for the years ended September 30, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, BRF, LLC and its subsidiaries adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reports Required by Government Auditing Standards.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, 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
January 27, 2020

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

ASSETS

	2019	2018
Cash and cash equivalents	\$ 40,668,392	\$ 16,213,619
Restricted cash and cash equivalents	1,720,623	1,720,623
Accounts receivable, net of allowances for doubtful accounts and contractual adjustments of \$121,397 and \$44,760 at September 30, 2019 and 2018, respectively	3,115,772	2,814,546
Unconditional promises to give, net of discounts of \$18,020 at September 30, 2019	545,547	-
Prepaid expenses	154,302	113,403
Investments	1,045,918	961,651
Property and equipment, net	47,139,928	47,744,952
Due from related party (Note 10)	93,210	308,884
Notes receivable	236,808	244,033
Other receivables	20,955	-
Total assets	\$ 94,741,455	\$ 70,121,711

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,611,895	\$ 1,481,982
Notes payable	6,219,781	7,026,789
Derivative liability	83,064	6,598
Deferred revenue	185,670	212,767
Asset retirement liability	240,051	225,483
Due to related party (Note 10)	26,020,595	-
Total liabilities	34,361,056	8,953,619

NET ASSETS

Without donor restrictions	57,468,262	58,815,083
With donor restrictions	2,912,137	2,353,009
Total net assets	60,380,399	61,168,092
Total liabilities and net assets	\$ 94,741,455	\$ 70,121,711

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, 2019 AND 2018

	Year ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Net patient service revenue	\$ 2,715,745	\$ -	\$ 2,715,745
Support - philanthropic	3,256	752,392	755,648
Rental revenues	9,717,448	-	9,717,448
Local government operating revenue	2,815,000	-	2,815,000
Government grants and contracts	436,500	304,626	741,126
Investment revenues	33,805	-	33,805
Radiopharmaceutical sales	543,495	-	543,495
Other revenues	756,232	11,607	767,839
	<u>17,021,481</u>	<u>1,068,625</u>	<u>18,090,106</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	509,497	(509,497)	-
Total revenues and support	<u>17,530,978</u>	<u>559,128</u>	<u>18,090,106</u>
EXPENSES:			
Program services:			
Center for Molecular Imaging and Therapy	3,845,106	-	3,845,106
Office of Research, Development and Administration	885,308	-	885,308
Entrepreneurial Accelerator Program	1,180,208	-	1,180,208
Digital Media Institute	1,225,678	-	1,225,678
Real Estate Management and Development	5,716,749	-	5,716,749
Other sponsored projects	508,311	-	508,311
Total program services	<u>13,361,360</u>	<u>-</u>	<u>13,361,360</u>
Support services:			
Management and general	3,551,703	-	3,551,703
Fund-raising	176,643	-	176,643
Total support services	<u>3,728,346</u>	<u>-</u>	<u>3,728,346</u>
Total expenses	<u>17,089,706</u>	<u>-</u>	<u>17,089,706</u>
NONOPERATING REVENUES:			
Change in value of derivative	(76,466)	-	(76,466)
Total nonoperating revenues	<u>(76,466)</u>	<u>-</u>	<u>(76,466)</u>
CHANGE IN NET ASSETS	364,806	559,128	923,934
Net assets - beginning of year	58,815,083	2,353,009	61,168,092
Distribution to parent (Note 10)	(1,711,627)	-	(1,711,627)
Net assets - end of year	<u>\$ 57,468,262</u>	<u>\$ 2,912,137</u>	<u>\$ 60,380,399</u>

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

Year ended September 30, 2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,444,522	\$ -	\$ 3,444,522
28,383	200,841	229,224
9,757,722	-	9,757,722
2,815,000	-	2,815,000
574,809	-	574,809
288,117	-	288,117
415,800	-	415,800
1,087,089	-	1,087,089
<u>18,411,442</u>	<u>200,841</u>	<u>18,612,283</u>
132,967	(132,967)	-
<u>18,544,409</u>	<u>67,874</u>	<u>18,612,283</u>
4,430,380	-	4,430,380
681,774	-	681,774
930,188	-	930,188
1,194,876	-	1,194,876
5,599,346	-	5,599,346
130,310	-	130,310
<u>12,966,874</u>	<u>-</u>	<u>12,966,874</u>
3,466,118	-	3,466,118
278,078	-	278,078
<u>3,744,196</u>	<u>-</u>	<u>3,744,196</u>
<u>16,711,070</u>	<u>-</u>	<u>16,711,070</u>
225,166	-	225,166
<u>225,166</u>	<u>-</u>	<u>225,166</u>
2,058,505	67,874	2,126,379
58,356,578	2,285,135	60,641,713
(1,600,000)	-	(1,600,000)
<u>\$ 58,815,083</u>	<u>\$ 2,353,009</u>	<u>\$ 61,168,092</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	Year ended September 30, 2019			
	Center for Molecular Imaging and Therapy	Office of Research, Development and Administration / Envision	Entrepreneurial Accelerator Program	Digital Media Institute
Accounting / auditing fees	\$ -	\$ -	\$ 9,425	\$ -
Advertising	7,063	30,167	219,342	148,854
Animal resources	-	-	-	-
Attorney fees	-	59,586	-	-
Bad debt expense	-	-	-	25,465
Communication and computer services	60,810	7,919	15,681	52,679
Consultant fees	22,039	59,442	32,784	44,020
Contract labor	97,025	35,045	62,937	4,938
Depreciation	315,617	-	-	68,963
Dues and subscriptions	15,648	16,466	6,384	15,154
Employee benefits	242,868	60,470	69,088	80,610
Equipment - leased	6,696	-	-	3,330
Equipment purchased	17,506	431	53	514
FDG distribution services	85,886	-	-	-
Grants - other	-	-	13,750	-
Insurance	47,695	2,416	9,353	3,073
Interest expense	-	-	-	-
License / certification fees	12,565	516	100	17,778
Meals and Entertainment	700	6,299	16,197	7,512
Miscellaneous	147,001	251	82	7,368
Office Expenses	105,481	3,265	5,822	14,785
Payroll taxes	109,885	37,288	37,832	45,190
Project development costs	-	-	38,055	-
Radiopharmaceutical purchases	331,315	-	-	-
Registration and conference fees	12,468	880	6,165	1,242
Repairs and Maintenance	194,168	-	-	-
Salaries	1,963,111	558,042	618,524	669,498
Taxes & licenses	5,929	587	105	230
Travel, meals, and auto	43,630	6,238	18,529	14,475
Utilities	-	-	-	-
	<u>\$ 3,845,106</u>	<u>\$ 885,308</u>	<u>\$ 1,180,208</u>	<u>\$ 1,225,678</u>

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

Year ended September 30, 2019

Real Estate Management and Development	Other sponsored projects	Total Program Expenses	Management and General	Fund-raising	Total
\$ 1,600	\$ -	\$ 11,025	\$ 192,283	\$ -	\$ 203,308
-	5,929	411,355	168,029	38	579,422
56,400	-	56,400	-	-	56,400
36,538	-	96,124	88,231	-	184,355
104,207	-	129,672	-	-	129,672
41,563	-	178,652	85,499	82	264,233
50,774	17,500	226,559	411,451	4,294	642,304
4,965	200	205,110	7,838	-	212,948
1,648,744	-	2,033,324	-	-	2,033,324
1,892	-	55,544	19,220	729	75,493
69,443	-	522,479	193,935	17,954	734,368
6,054	-	16,080	11,618	-	27,698
21,569	1,108	41,181	-	-	41,181
-	-	85,886	-	-	85,886
-	482,635	496,385	12,000	-	508,385
187,552	-	250,089	66,017	-	316,106
358,269	-	358,269	1,750	-	360,019
-	-	30,959	1,126	5,568	37,653
-	-	30,708	38,059	101	68,868
3,471	-	158,173	296,912	142	455,227
732,698	939	862,990	28,604	1,197	892,791
39,814	-	270,009	92,038	10,343	372,390
-	-	38,055	27,862	-	65,917
-	-	331,315	-	-	331,315
1,635	-	22,390	14,784	-	37,174
697,265	-	891,433	29	-	891,462
530,631	-	4,339,806	1,739,452	135,271	6,214,529
15,961	-	22,812	22,837	-	45,649
8,236	-	91,108	32,129	924	124,161
1,097,468	-	1,097,468	-	-	1,097,468
<u>\$ 5,716,749</u>	<u>\$ 508,311</u>	<u>\$ 13,361,360</u>	<u>\$ 3,551,703</u>	<u>\$ 176,643</u>	<u>\$ 17,089,706</u>

(Continued)

Year ended September 30, 2018

	Center for Molecular Imaging and Therapy	Office of Research, Development and Administration	Entrepreneurial Accelerator Program	Digital Media Institute
Accounting / auditing fees	\$ -	\$ -	\$ -	\$ 279
Advertising	3,492	3,000	53,939	137,966
Animal resources	-	-	-	-
Attorney fees	-	12,050	2,738	-
Bad debt expense	-	-	-	34,174
Communication and computer services	51,883	2,367	5,216	85,434
Consultant fees	38,004	15,202	113,259	17,771
Contract labor	96,451	12,465	22,512	-
Depreciation	649,013	-	-	84,771
Dues and subscriptions	11,884	8,340	2,716	6,749
Employee benefits	258,357	42,002	67,843	76,136
Equipment - leased	8,828	-	-	10,624
Equipment purchased	6,595	31	22	7,338
FDG distribution services	83,465	-	-	-
Grants - other	11,500	200,000	46,875	-
Insurance	35,904	181	387	619
Interest expense	4,346	-	-	-
License / certification fees	986	110	12,268	27,098
Meals and Entertainment	320	2,752	10,551	5,363
Miscellaneous	143,639	140	68	5,955
Office Expenses	100,371	3,612	4,013	15,181
Payroll taxes	114,125	25,361	37,017	41,980
Project development costs	-	-	1,140	-
Radiopharmaceutical purchases	630,777	-	-	-
Registration and conference fees	6,862	1,569	2,155	3,539
Repairs and Maintenance	175,696	-	-	344
Salaries	1,936,058	345,911	539,681	613,085
Taxes & licenses	28,986	-	105	1,100
Travel, meals, and auto	32,838	6,681	7,683	19,370
Utilities	-	-	-	-
	<u>\$ 4,430,380</u>	<u>\$ 681,774</u>	<u>\$ 930,188</u>	<u>\$ 1,194,876</u>

Year ended September 30, 2018

Real Estate Management and Development	Other sponsored projects	Total Program Expenses	Management and General	Fund-raising	Total
\$ -	\$ -	\$ 279	\$ 42,919	\$ -	\$ 43,198
-	284	198,681	100,935	-	299,616
56,400	-	56,400	-	-	56,400
-	-	14,788	3,634	-	18,422
-	-	34,174	7,800	250	42,224
30,954	1,500	177,354	89,880	6,951	274,185
4,485	23,487	212,208	576,016	26,909	815,133
5,346	730	137,504	17,228	-	154,732
1,612,718	-	2,346,502	-	-	2,346,502
1,323	-	31,012	23,863	5,679	60,554
71,274	926	516,538	233,428	22,411	772,377
7,172	-	26,624	11,359	-	37,983
72,143	10,164	96,293	-	-	96,293
-	-	83,465	-	-	83,465
-	76,873	335,248	5,000	-	340,248
115,436	-	152,527	50,496	-	203,023
400,779	-	405,125	23,600	-	428,725
-	-	40,462	922	11,398	52,782
367	5,384	24,737	10,022	-	34,759
94	50	149,946	144,395	1,586	295,927
747,882	8,567	879,626	37,413	362	917,401
39,619	-	258,102	96,771	12,475	367,348
-	-	1,140	4,700	-	5,840
-	-	630,777	-	-	630,777
1,635	-	15,760	14,746	-	30,506
649,077	-	825,117	320	-	825,437
520,194	-	3,954,929	1,925,914	190,057	6,070,900
26,230	-	56,421	405	-	56,826
7,521	2,345	76,438	44,352	-	120,790
1,228,697	-	1,228,697	-	-	1,228,697
<u>\$ 5,599,346</u>	<u>\$ 130,310</u>	<u>\$ 12,966,874</u>	<u>\$ 3,466,118</u>	<u>\$ 278,078</u>	<u>\$ 16,711,070</u>

(Concluded)

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 923,934	\$ 2,126,379
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,033,324	2,346,502
Bad debt	129,672	42,224
Change in value of derivative liability	76,466	(225,166)
Gain on sale of investments	-	(209,123)
Write-down of investments	60,733	32,625
(Increase) decrease in accounts receivable	(430,898)	(494,647)
(Increase) decrease in prepaid expenses and other assets	(54,629)	(72,696)
Increase (decrease) in deferred revenue	(27,097)	114,566
Increase (decrease) in accounts payable and other liabilities	144,481	(478,678)
(Increase) decrease in unconditional promises to give	(563,567)	-
Increase (decrease) in discount on unconditional promises to give	18,020	-
Net cash provided by operating activities	2,310,439	3,181,986
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,428,300)	(456,767)
Purchase of investments	(145,000)	-
Proceeds from sales of investments	-	10,800,449
(Increase) in cash permanently restricted for endowment purposes	-	(1,720,623)
(Increase) decrease in due to / from related party	26,236,269	8,376,461
Net cash provided by investing activities	24,662,969	16,999,520
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from line-of-credit	-	5,410,011
Payments on line-of-credit	-	(8,656,681)
Distributions to parent	(1,711,627)	-
Payments on notes payable	(807,008)	(1,128,581)
Net cash used in financing activities	(2,518,635)	(4,375,251)
Net increase in cash and cash equivalents	24,454,773	15,806,255
Cash and cash equivalents - beginning of year	17,934,242	407,364
Cash and cash equivalents - end of year	42,389,015	16,213,619
Plus: Cash permanently restricted for endowment purposes	-	1,720,623
Total cash and cash equivalents - end of year	\$ 42,389,015	\$ 17,934,242
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	\$ 363,349	\$ 432,960

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant activities and accounting policies

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

Organization and consolidation

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

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

BRF owns 100% of InterTech Venture Fund, LLC (the Fund or the Partnership) 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.

During the fiscal year ended September 30, 2019, and effective October 1, 2018, BRF organized Envision, LLC (Envision) as a limited liability company. Envision is a research development and administration team formed to identify and manage opportunities for clinical trials and translational research, match them with qualified scientific investigators and healthcare providers, and oversee their implementation and successful completion. Envision operates as a division of BRF, and was previously known as the Office of Research Development and Administration.

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

BRF also owns 100% of Southern Isotopes, LLC, which had no operations during the years ended September 30, 2019 or 2018.

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.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of operations (continued)

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.
- 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 money market accounts, represent assets with donor restrictions for endowment purposes at September 30, 2019 and 2018. 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 paid 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, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounts receivable (continued)

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.

Investments

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

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 in excess of \$5,000 that increase the value or extend the lives of assets are capitalized. Replacements, maintenance, and repairs that do not increase the values or extend the lives of the respective assets are expensed as incurred.

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

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

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

BRF reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. 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, 2019 and 2018.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

The Louisiana Department of Environmental Quality requires BRF to maintain letters of credit related to the cyclotron assets. BRF has obtained two letters of credit which have been issued in the maximum amount of \$173,508, which are collateralized by two certificates of deposit. The letters of credit will expire on September 20, 2020.

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.

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. Patient service revenue is presented net of contractual allowances and the provision for doubtful accounts in the accompanying consolidated financial statements.

Contributions

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 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, 2019 or 2018.

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, except for \$1,720,623 that was for endowment purposes with donor restrictions at September 30, 2019 and 2018.

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.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

New accounting pronouncements adopted

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*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investments return. BRF has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of BRF's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BRF or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Accounting pronouncements issued but not yet adopted

The FASB has issued ASU 2014-09 and related amendments, *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 annual periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02 and related amendments, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction. The updated guidance is effective for annual periods beginning after December 15, 2018.

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Reclassifications

Certain amounts in the September 30, 2018, consolidated financial statements have been reclassified to conform to the current year presentation.

2. Liquidity and availability

The following represents BRF's financial assets at September 30, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 42,389,015	\$ 17,934,242
Account receivable	3,115,772	2,814,546
Total financial assets	<u>45,504,787</u>	<u>20,748,788</u>
Less amounts not available to be used within one year:		
Endowment fund – donor restricted	1,720,623	1,720,623
Due to related party (Note 10)	<u>26,020,595</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 17,763,569</u>	<u>\$ 19,028,165</u>

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

3. Net patient service revenue

Presented below is a summary of net patient service revenue for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Gross patient service revenue	\$ 7,190,546	\$ 8,329,804
Less: contractual adjustments and other deductions, including bad debt	(4,474,801)	(4,885,282)
Net patient service revenue	<u>\$ 2,715,745</u>	<u>\$ 3,444,522</u>

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Investments

Investments at September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Limited partnership interests	\$ 872,421	\$ 788,154
Certificates of deposit	<u>173,497</u>	<u>173,497</u>
	<u>\$ 1,045,918</u>	<u>\$ 961,651</u>

Following is the composition of investment revenues for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dividends, interest, and realized gains	\$ 83,168	\$ 2,207,126
Change in unrealized gains on investments	<u>(30,815)</u>	<u>(1,922,575)</u>
	52,353	284,551
Other investment revenues (losses)	<u>(18,548)</u>	<u>3,566</u>
	<u>\$ 33,805</u>	<u>\$ 288,117</u>

See Note 16 for fair value disclosures related to investments.

5. Property and equipment

The composition of property and equipment at September 30, 2019 and 2018 was as follows:

	<u>Estimated useful lives</u>	<u>2019</u>	<u>2018</u>
Land	-----	\$ 8,670,738	\$ 8,322,654
Building and improvements	4 - 40 years	66,908,914	66,624,935
Furniture and fixtures / equipment	3 - 20 years	<u>20,686,092</u>	<u>20,198,767</u>
		96,265,744	95,146,356
Less accumulated depreciation		<u>(49,125,816)</u>	<u>(47,401,404)</u>
Property and equipment, net		<u>\$ 47,139,928</u>	<u>\$ 47,744,952</u>

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

Depreciation expense totaled \$2,033,324 and \$2,346,502 for the years ended September 30, 2019 and 2018, respectively.

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% (4.53% and 4.76% at September 30, 2019 and 2018, 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 \$6,219,781 and \$7,026,789 at September 30, 2019 and 2018, respectively.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Notes payable (continued)

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

Year ending September 30 th	<u>Amount</u>
2020	\$ 856,206
2021	<u>5,363,575</u>
	<u>\$ 6,219,781</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 \$360,019 and \$428,725 for the years ended September 30, 2019 and 2018, respectively.

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 \$83,064 and \$6,598 at September 30, 2019 and 2018, respectively.

The total notional amounts of the swap agreements totaled \$6,219,781 and \$7,026,789 at September 30, 2019 and 2018, respectively. The pay rate of this agreement is 2.86%, and the receive rate is the 30 Day LIBOR (2.03% and 2.26% at September 30, 2019 and 2018, respectively). The agreement matures on November 30, 2020.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Unconditional promises to give

Unconditional promises to give at September 30, 2019, consisted of the following:

Promises to give expected to be collected in:

Less than one year	\$ 127,033
One to five years	<u>436,534</u>
	563,567
Less: Discount to net present value	<u>(18,020)</u>
Net present value of promises to give	<u>\$ 545,547</u>

There were no unconditional promises to give at September 30, 2018. The discount rate used on the valuation of long-term promises to give was 1.68% for the year ended September 30, 2019, the rate of return on the 5 year U.S. Treasury Bill.

9. Net assets

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

	<u>2019</u>	<u>2018</u>
Specific purpose		
SMART Program	\$ 12,472	\$ 18,246
Education Fund	57,325	32,559
LED Grant BioSpace 1	61,975	61,975
Lead the Way	10,000	21,000
Zuniga Family Grant	-	75,000
Eastern Star	34,027	46,506
Roche-Wake Forest	177,632	177,632
Other	292,536	199,468
CMIT Construction Capital Campaign	<u>545,547</u>	<u>-</u>
	<u>\$ 1,191,514</u>	<u>\$ 632,386</u>
 Endowment Fund		
Endowment Fund	<u>1,720,623</u>	<u>1,720,623</u>
	<u>\$ 2,912,137</u>	<u>\$ 2,353,009</u>

Net assets of \$509,497 and \$132,967 were released from restrictions during the years ended September 30, 2019 and 2018, respectively, due to BRF making payments which satisfied the restrictions.

Net assets with donor restrictions at September 30, 2019 and 2018, included endowment funds the principal of which is restricted in perpetuity and the income of which is unrestricted.

BRF has established prudent investments and spending policies with the objective of maintaining the purchasing power of its endowed net assets in perpetuity and to provide a stable level of support. In an effort to achieve this objective, BRF's asset allocation strategy is periodically reviewed and adjusted to maximize return while limiting risk. During the year ended September 30, 2019, the Board of Directors approved a decrease in the spending rate from 4.5% to 4.0%.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Net assets (continued)

During the year ended September 30, 2018, BRF sold its investments in mutual funds and exchange traded funds. As such, a portion of restricted cash and cash equivalents at September 30, 2019 and 2018, have been restricted for endowment purposes.

10. 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.

At September 30, 2018, BRF Hospital Holdings, LLC (BRFHH) owed BRF \$308,884 for services provided to BRFHH by BRF or expenses paid by BRF on BRFHH's behalf. These amounts are presented in the consolidated statements of financial position as due from related party. At September 30, 2017, BRFHH owed BRF \$10,285,345 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 year line-of-credit. During the year ended September 30, 2018, BRFHH made payments totaling \$8,685,345, and the remaining balance of \$1,600,000 was assigned to the Foundation and is presented as a distribution to the Foundation in the accompanying financial statements. Effective October 1, 2018, membership interest in BRFHH was transferred from BRF's parent to Ochsner LSU Health System of North Louisiana (Ochsner). At the date of the transfer, Ochsner owns and operates the hospitals previously owned by BRFHH, and BRFHH is no longer a related party to BRF.

At September 30, 2019, the Foundation owed BRF \$93,210 for expenses paid by BRF on the Foundation's behalf. These amounts are presented in the consolidated statements of financial position as due from related party. At September 30, 2019, BRF owed the Foundation \$26,020,595 for cash invested in a money market account on the Foundation's behalf. These amounts are presented in the consolidated statements of financial position as due to related party. During the year ended September 30, 2019, BRF made distributions to the Foundation in the amount of \$1,711,627, which are presented as such in the accompanying consolidated financial statements.

11. Rental revenues

Effective October 1, 2013, BRF and the Board of Supervisors of Louisiana State University (LSU) entered into a lease agreement for the Virginia K. Shehee Biomedical Research Institute. The 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 \$523,230 plus reimbursement for operating expenses. The fixed minimum rent will be adjusted upon each second anniversary of the lease date for changes in the consumer price index and may be adjusted every fifth year based on the then fair market value of the leased premises; however, there will be no adjustments below the fixed minimum rent established at the initial lease date. The effective monthly payments were \$566,554 less \$34,304 for premises leased back to BRF, or \$532,250 for the year ended September 30, 2019, and \$541,561 less \$32,791 for premises leased back to BRF, or \$508,770 for the year ended September 30, 2018.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Rental revenues (continued)

In addition to the lease with LSU, BRF has entered into approximately twenty additional agreements for the leasing of its properties. The leases have terms ranging from month-to-month to twenty years and require payments ranging from \$200 / month to \$131,250 / quarter.

In accordance with the terms of these agreements, BRF recorded rental revenues of approximately \$9,717,000 and \$9,758,000 during the years ended September 30, 2019 and 2018, respectively.

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

<u>Year ending</u> <u>September 30th</u>	<u>Amount</u>
2020	\$ 7,516,702
2021	7,721,595
2022	7,315,728
2023	7,271,328
2024	<u>7,136,976</u>
	<u>\$ 36,962,329</u>

12. 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 \$284,500 and \$424,100 during the years ended September 30, 2019 and 2018, respectively.

13. Radiopharmaceutical revenues

BRF has a limited number of customers for the radiopharmaceuticals that it produces to sell to third parties. The four largest customers comprised approximately 96% and 99% of the sales during the years ended September 30, 2019 and 2018, 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.

14. Retirement benefit plan

BRF has a defined contribution plan under IRS Code Section 401(k) that covers substantially all full-time employees who are over the age of twenty-one and who have met eligibility requirements. Discretionary contributions by BRF include matching contributions to the employee 401(k) plan up to certain limits of compensation. Total expenses were \$265,008 and \$273,740 for the years ended September 30, 2019 and 2018, respectively. Total combined employer and employee contributions were \$614,126 and \$627,136 for the years ended September 30, 2019 and 2018, respectively.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Business and credit concentrations

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

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

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

The mix of revenues from patients and third-party payors for the years ended September 30, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	47.98%	49.97%
Medicaid	21.70%	2.98%
Commercial insurance and managed care organizations	12.73%	12.74%
Self-pay patients and other	<u>17.59%</u>	<u>34.31%</u>
	<u>100.00%</u>	<u>100.00%</u>

The mix of receivables from patients and third-party payors at September 30, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	56.00%	63.66%
Medicaid	18.10%	7.33%
Commercial insurance and managed care organizations	22.10%	25.02%
Self-pay patients and other	<u>3.80%</u>	<u>3.99%</u>
	<u>100.00%</u>	<u>100.00%</u>

16. Fair value of financial instruments

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Fair value of financial instruments (continued)

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:

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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Fair value of financial instruments (continued)

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>September 30, 2019:</i>				
Limited partnerships	\$ -	\$ -	\$ 872,421	\$ 872,421
Certificates of deposit	173,497	-	-	173,497
Derivative liability	-	(83,064)	-	(83,064)
	<u>\$ 173,497</u>	<u>(\$ 83,064)</u>	<u>\$ 872,421</u>	<u>\$ 962,854</u>
<i>September 30, 2018:</i>				
Limited partnerships	\$ -	\$ -	\$ 788,154	\$ 788,154
Certificates of deposit	173,497	-	-	173,497
Derivative liability	-	(6,598)	-	(6,598)
	<u>\$ 173,497</u>	<u>(\$ 6,598)</u>	<u>\$ 788,154</u>	<u>\$ 955,053</u>

The majority of the Level 3 instruments consist of limited partnerships. The following tables present the changes in fair value for the years ended September 30, 2019 and 2018, in Level 3 instruments that are measured at fair value on a recurring basis:

	<u>2019</u>	<u>2018</u>
Balance - beginning of the year	\$ 788,154	\$ 820,779
Purchases	145,000	-
Unrealized gains on investments	-	-
Write downs related to investments in limited partnerships	(60,733)	(32,625)
Balance - end of the year	<u>\$ 872,421</u>	<u>\$ 788,154</u>

17. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments and contingencies (continued)

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

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.

The Company has entered into two contracts for construction projects. The total value of the construction contracts is approximately \$520,000, with \$248,000 remaining to be expended as of September 30, 2019.

At September 30, 2019, BRF had committed to make a \$1,000,000 investment in an unrelated company. That investment was made subsequent to year-end in exchange for a series of promissory notes in that amount.

18. Composite score calculation

As part of the Digital Media Institute's Council on Occupational Education accreditation process and to participate in federal student aid programs, it must submit audited financial statements demonstrating its fiscal responsibility by maintaining a minimum composite score (defined by the U.S Department of Education) of 1.5. BRF's composite score using the standards of financial responsibility is 2.8 as of September 30, 2019. The components and ratios used to compute this amount are presented below.

September 30, 2019

(1)	Expendable net assets	\$ 17,625,464		(4)	Modified assets	\$ 68,606,695
(2)	Total expenses	17,089,706		(5)	Change in unrestricted net assets	364,806
(3)	Modified net assets	60,266,234		(6)	Total unrestricted revenues	17,530,978
	Primary reserve	1.2			Equity	1.2
					Net Income	0.4

19. Subsequent events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 27, 2020, and determined that there were no events that occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial consolidated statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statements of financial position as of and for the year ended September 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 27, 2020, which contained an unmodified opinion on those consolidated financial statements taken as a whole. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 28-33 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
January 27, 2020

**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, 2019

Revenues

Tuition	\$ 410,109
Other	4,072
Total revenues	<u>414,181</u>

Expenses

Salaries and benefits	795,347
Professional services	48,958
Insurance	3,073
Travel	14,475
Registration and conference fees	1,242
Subscriptions	15,154
Meals and entertainment	7,512
Advertising	148,854
Supplies	9,779
Other office expenses	1,989
Lease payments	3,330
Minor equipment	70,971
Depreciation	68,963
Bad debt	25,465
Other	10,566
Total expenses	<u>1,225,678</u>

Excess of expenses over revenues \$ (811,497)

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	Intertech Venture Fund	BRF, LLC
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5	\$ 40,668,387
Restricted cash and cash equivalents	-	1,720,623
Accounts receivable, net of allowances for doubtful accounts and contractual adjustments of \$121,397	-	3,115,772
Unconditional promises to give	-	545,547
Prepaid expenses	-	154,302
Investments	299,851	1,513,981
Property and equipment, net	-	47,139,928
Due from related party	240,409	93,210
Notes receivable	236,808	-
Other receivables	-	20,955
Total assets	\$ 777,073	\$ 94,972,705
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ -	\$ 1,611,895
Notes payable	-	6,219,781
Derivative liability	-	83,064
Deferred revenue	-	185,670
Due to related party	-	26,261,004
Asset retirement liability	-	240,051
Total liabilities	-	34,601,465
<u>NET ASSETS</u>		
Without donor restrictions	777,073	57,459,103
With donor restrictions	-	2,912,137
Total net assets	777,073	60,371,240
Total liabilities and net assets	\$ 777,073	\$ 94,972,705

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 40,668,392
-	-	1,720,623
-	-	3,115,772
-	-	545,547
-	-	154,302
-	767,914	1,045,918
-	-	47,139,928
-	240,409	93,210
-	-	236,808
-	-	20,955
		<u>\$ 94,741,455</u>
-	-	\$ 1,611,895
-	-	6,219,781
-	-	83,064
-	-	185,670
240,409	-	26,020,595
-	-	240,051
		<u>34,361,056</u>
767,914	-	57,468,262
-	-	2,912,137
		<u>60,380,399</u>
		<u>\$ 94,741,455</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019

	Intertech Venture Fund	BRF, LLC
REVENUES AND SUPPORT:		
Patient service revenue net of contractual adjustments	\$ -	\$ 2,715,745
Less: Bad debt	-	-
Net patient service revenue	-	2,715,745
Support - philanthropic	-	755,648
Rental revenues	-	9,717,448
Local government operating revenue	-	2,815,000
Government grants and contracts	-	741,126
Investment revenues (losses)	(18,495)	52,300
Radiopharmaceutical sales	-	543,495
Other revenues	-	767,839
Total revenues and support	(18,495)	18,108,601
EXPENSES:		
Program services:		
Center for Molecular Imaging and Therapy	-	3,845,106
Office of Research, Development and Administration / Envision	-	885,308
Entrepreneurial Accelerator Program	-	1,180,208
Digital Media Institute	-	1,225,678
Real Estate Management and Development	-	5,716,749
Other sponsored projects	-	508,311
Total program services	-	13,361,360
Support services:		
Management and general	-	3,551,703
Fund-raising	-	176,643
Total support services	-	3,728,346
Total expenses	-	17,089,706
NONOPERATING REVENUES:		
Change in value of derivative	-	(76,466)
Total nonoperating revenues	-	(76,466)
CHANGE IN NET ASSETS	(18,495)	942,429
Net assets - beginning of year	795,568	61,140,438
Distribution to parent	-	(1,711,627)
Net assets - end of year	\$ 777,073	\$ 60,371,240

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 2,715,745
-	-	-
-	-	<u>2,715,745</u>
-	-	755,648
-	-	9,717,448
-	-	2,815,000
-	-	741,126
-	-	33,805
-	-	543,495
-	-	<u>767,839</u>
-	-	<u>18,090,106</u>
-	-	3,845,106
-	-	885,308
-	-	1,180,208
-	-	1,225,678
-	-	5,716,749
-	-	<u>508,311</u>
-	-	<u>13,361,360</u>
-	-	3,551,703
-	-	<u>176,643</u>
-	-	<u>3,728,346</u>
-	-	<u>17,089,706</u>
-	-	<u>(76,466)</u>
-	-	<u>(76,466)</u>
-	-	923,934
767,914	-	61,168,092
-	-	<u>(1,711,627)</u>
-	-	<u>\$ 60,380,399</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
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, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 27, 2020.

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.



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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 27, 2020

BRE, LLC
SHREVEPORT, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2018

A. Findings - Financial Statement Audit

None.

BRF, LLC

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

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated in Schedule A, which were agreed to by BRF, LLC (BRF or the entity) and the Louisiana Legislative Auditor (LLA) (the specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. BRF's management is responsible for those C/C areas identified in the SAUPs.

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*. 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.

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 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 30, 2020

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exceptions noted*”. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, “procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity” is indicated.

Written Policies and Procedures

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

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

No exceptions noted.

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

The Entity has a written policy for Travel and Expense Reimbursement; however, the policies do not contain attribute (2) regarding 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.

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

This C/C area is not applicable for BRF.

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

During the fiscal period October 1, 2018 through September 30, 2019, the Entity had no formal written policy or procedures for Disaster Recovery / Business Continuity.

Board or Finance Committee

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

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Bank Reconciliations

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

Collections

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

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

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

BRF, LLC
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
SEPTEMBER 30, 2019

Schedule A

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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Contracts

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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Ethics

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

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

This C/C area is not applicable for BRF.

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

This C/C area is not applicable for BRF.

Debt Service

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

This C/C area is not applicable for BRF.

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

This C/C area is not applicable for BRF.

Other

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
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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. 1. h) BRF's travel policy does have a dollar threshold for meals and incidentals. The policy is the federal governments' maximum per diem and incidental expense rates based on the city in which the expenses were incurred. The policy states employees should generally choose travel schedules which maximize work time and minimize the total cost to BRF (including the cost associated with the employee's time). BRF does not request reimbursement from local governments or the state for company travel. In addition, all overnight travel is reviewed and approved by management in advance of the required travel.

2. 1. k) BRF did not have a formal disaster recovery or business continuity plan in place during the fiscal year ended September 30, 2019. BRF is in the process of drafting the plan and will have it in effect for the following fiscal year.