
BRF, LLC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

BRF, LLC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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A Professional Accounting Corporation

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, and the results of their operations, changes in net assets, and their cash flows for the years ended September 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, 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 15, 2021

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	\$ 38,831,630	\$ 40,668,392
Restricted cash and cash equivalents	1,720,623	1,720,623
Accounts receivable, net of allowances for doubtful accounts of \$173,696 and \$121,397 at September 30, 2020 and 2019, respectively	4,421,024	3,115,772
Unconditional promises to give, net of discounts of \$13,014 and \$18,020 at September 30, 2020 and 2019, respectively	516,853	545,547
Prepaid expenses	159,979	154,302
Investments	1,104,427	1,045,918
Notes receivable and accrued interest	3,104,528	236,808
Property and equipment, net	46,689,420	47,139,928
Due from related party (Note 12)	93,210	93,210
Other receivables	-	20,955
Total assets	\$ 96,641,694	\$ 94,741,455

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 2,513,456	\$ 1,611,895
Note payable	5,367,462	6,219,781
Derivative liability	23,629	83,064
Deferred revenue	288,511	185,670
Asset retirement liability	652,778	240,051
Due to related party (Note 12)	27,575,334	26,020,595
Total liabilities	36,421,170	34,361,056

NET ASSETS

Without donor restrictions	56,535,182	57,468,262
With donor restrictions	3,685,342	2,912,137
Total net assets	60,220,524	60,380,399
Total liabilities and net assets	\$ 96,641,694	\$ 94,741,455

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, 2020 AND 2019

	Year ended September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Net patient service revenue	\$ 2,652,028	\$ -	\$ 2,652,028
Support - philanthropic	8,386	900,266	908,652
Rental revenues	10,096,753	-	10,096,753
Local government operating revenue	2,815,000	-	2,815,000
Government grants and contracts	1,418,033	77,260	1,495,293
Investment revenues	42,071	-	42,071
Interest revenues	555,162	-	555,162
Radiopharmaceutical sales	638,985	-	638,985
Tuition revenues	343,609	-	343,609
Other revenues	155,856	9,284	165,140
	18,725,883	986,810	19,712,693
Net assets released from restrictions:			
Restrictions satisfied by payments	213,605	(213,605)	-
Total revenues and support	18,939,488	773,205	19,712,693
EXPENSES:			
Program services:			
Center for Molecular Imaging and Therapy	4,463,142	-	4,463,142
Office of Research, Development and Administration	930,829	-	930,829
Entrepreneurial Accelerator Program	1,274,696	-	1,274,696
Digital Media Institute	1,168,561	-	1,168,561
Real Estate Management and Development	6,148,779	-	6,148,779
Other sponsored projects	86,512	-	86,512
Total program services	14,072,519	-	14,072,519
Support services:			
Management and general	3,865,091	-	3,865,091
Fund-raising	197,296	-	197,296
Total support services	4,062,387	-	4,062,387
Total expenses	18,134,906	-	18,134,906
NONOPERATING REVENUES:			
Change in value of derivative	59,435	-	59,435
Loss on disposal of property and equipment	(1,797,097)	-	(1,797,097)
Total nonoperating revenues	(1,737,662)	-	(1,737,662)
CHANGE IN NET ASSETS	(933,080)	773,205	(159,875)
Net assets - beginning of year	57,468,262	2,912,137	60,380,399
Distribution to parent (Note 12)	-	-	-
Net assets - end of year	\$ 56,535,182	\$ 3,685,342	\$ 60,220,524

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

Year ended September 30, 2019

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,715,745	\$ -	\$ 2,715,745
3,256	752,392	755,648
9,717,448	-	9,717,448
2,815,000	-	2,815,000
436,500	304,626	741,126
33,805	-	33,805
249,667	-	249,667
543,495	-	543,495
415,109	-	415,109
91,456	11,607	103,063
<u>17,021,481</u>	<u>1,068,625</u>	<u>18,090,106</u>
509,497	(509,497)	-
<u>17,530,978</u>	<u>559,128</u>	<u>18,090,106</u>
3,845,106	-	3,845,106
885,308	-	885,308
1,180,208	-	1,180,208
1,225,678	-	1,225,678
5,716,749	-	5,716,749
508,311	-	508,311
<u>13,361,360</u>	<u>-</u>	<u>13,361,360</u>
3,551,703	-	3,551,703
176,643	-	176,643
<u>3,728,346</u>	<u>-</u>	<u>3,728,346</u>
<u>17,089,706</u>	<u>-</u>	<u>17,089,706</u>
(76,466)	-	(76,466)
-	-	-
<u>(76,466)</u>	<u>-</u>	<u>(76,466)</u>
364,806	559,128	923,934
58,815,083	2,353,009	61,168,092
<u>(1,711,627)</u>	<u>-</u>	<u>(1,711,627)</u>
<u>\$ 57,468,262</u>	<u>\$ 2,912,137</u>	<u>\$ 60,380,399</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Year ended September 30, 2020			
	Center for Molecular Imaging and Therapy	Office of Research, Development and Administration / Envision	Entrepreneurial Accelerator Program	Digital Media Institute
Accounting / auditing fees	\$ -	\$ -	\$ 2,650	\$ -
Accretion	412,726	-	-	-
Advertising	3,941	13,910	254,235	149,624
Animal resources	-	-	-	-
Attorney fees	-	40,646	-	-
Bad debt expense	-	-	-	150
Communication and computer services	63,680	8,252	13,509	56,680
Consultant fees	41,097	6,956	33,966	50,689
Contract labor	141,131	20,888	18,448	5,655
Depreciation	305,629	-	13,333	45,362
Dues and subscriptions	12,879	8,468	7,482	13,410
Employee benefits	228,943	40,257	63,741	91,625
Equipment - leased	7,470	500	-	4,168
Equipment purchased	4,755	23,321	-	-
FDG distribution services	101,763	-	-	-
Grants - other	-	-	23,900	-
Insurance	32,460	1,333	7,436	2,575
Interest expense	-	-	-	-
License / certification fees	-	-	128	13,440
Meals and entertainment	226	2,355	12,030	7,847
Miscellaneous	167,041	71,423	39	2,530
Office Expenses	97,183	9,174	5,743	11,115
Payroll taxes	104,655	38,351	46,745	46,519
Project development costs	-	-	28,813	2,250
Radiopharmaceutical purchases	683,213	-	-	-
Registration and conference fees	2,268	44,699	8,151	2,237
Rent	-	7,956	-	950
Repairs and maintenance	201,036	-	21	5,992
Salaries	1,826,899	586,993	721,360	643,832
Taxes and licenses	6,967	260	105	266
Travel, meals, and auto	17,180	5,087	12,861	11,645
Utilities	-	-	-	-
	<u>\$ 4,463,142</u>	<u>\$ 930,829</u>	<u>\$ 1,274,696</u>	<u>\$ 1,168,561</u>

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

Year ended September 30, 2020

Real Estate Management and Development	Other sponsored projects	Total Program Expenses	Management and General	Fund-raising	Total
\$ -	\$ -	\$ 2,650	\$ 91,150	\$ -	\$ 93,800
-	-	412,726	-	-	412,726
-	2,707	424,417	41,459	-	465,876
56,400	-	56,400	-	-	56,400
47,108	-	87,754	17,518	-	105,272
50,866	-	51,016	-	-	51,016
60,829	783	203,733	184,827	-	388,560
317,233	22,635	472,576	479,156	-	951,732
3,427	3,475	193,024	-	-	193,024
1,674,023	-	2,038,347	-	-	2,038,347
1,889	-	44,128	36,319	1,328	81,775
110,693	-	535,259	231,757	32,342	799,358
5,223	-	17,361	10,805	-	28,166
6,839	-	34,915	-	-	34,915
-	-	101,763	-	-	101,763
-	54,389	78,289	22,117	-	100,406
230,089	-	273,893	71,881	-	345,774
313,643	-	313,643	-	-	313,643
-	-	13,568	7,577	22,474	43,619
165	741	23,364	26,203	97	49,664
7,037	-	248,070	271,170	19	519,259
730,567	1,782	855,564	34,578	344	890,486
53,280	-	289,550	106,954	9,936	406,440
-	-	31,063	20,950	-	52,013
-	-	683,213	-	-	683,213
350	-	57,705	10,959	2,432	71,096
-	-	8,906	-	-	8,906
614,177	-	821,226	-	-	821,226
713,738	-	4,492,822	2,162,325	127,603	6,782,750
11,869	-	19,467	2,360	-	21,827
5,082	-	51,855	35,026	721	87,602
1,134,252	-	1,134,252	-	-	1,134,252
<u>\$ 6,148,779</u>	<u>\$ 86,512</u>	<u>\$ 14,072,519</u>	<u>\$ 3,865,091</u>	<u>\$ 197,296</u>	<u>\$ 18,134,906</u>

(Continued)

Year ended September 30, 2019

	Center for Molecular Imaging and Therapy	Office of Research, Development and Administration	Entrepreneurial Accelerator Program	Digital Media Institute
Accounting / auditing fees	\$ -	\$ -	\$ 9,425	\$ -
Accretion	14,568	-	-	-
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	132,433	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 and 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>

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
-	-	14,568	-	-	14,568
-	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	-	143,605	296,912	142	440,659
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>

(Concluded)

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (159,875)	\$ 923,934
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and accretion	2,451,073	2,047,892
Bad debt	51,016	129,672
Change in value of derivative liability	(59,435)	76,466
Loss on disposal of property and equipment	1,797,097	-
Write-down of investments	(58,509)	60,733
(Increase) decrease in accounts receivable	(1,356,268)	(430,898)
(Increase) decrease in prepaid expenses and other assets	(165,645)	(54,629)
Increase (decrease) in deferred revenue	102,841	(27,097)
Increase (decrease) in accounts payable and other liabilities	901,561	129,913
(Increase) decrease in unconditional promises to give	33,700	(563,567)
Increase (decrease) in discount on unconditional promises to give	(5,006)	18,020
Net cash provided by operating activities	3,532,550	2,310,439
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(3,384,935)	(1,428,300)
Purchase of investments	-	(145,000)
Issuance of notes receivable	(2,686,797)	-
(Increase) decrease in due to / from related party	1,554,739	26,236,269
Net cash provided by (used in) investing activities	(4,516,993)	24,662,969
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Distributions to parent	-	(1,711,627)
Payments on note payable	(852,319)	(807,008)
Net cash used in financing activities	(852,319)	(2,518,635)
Net decrease in cash, cash equivalents, and restricted cash	(1,836,762)	24,454,773
Cash, cash equivalents, and restricted cash - beginning of year	42,389,015	17,934,242
Cash, cash equivalents, and restricted cash - end of year	\$ 40,552,253	\$ 42,389,015
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	\$ 316,962	\$ 363,349

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

BRF also owns 100% of Southern Isotopes, LLC, which had no operations during the years ended September 30, 2020 or 2019.

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 ecosystems and 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.

New accounting pronouncements adopted

On October 1, 2019, BRF adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for revenue recognition. This ASU was developed to update the 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. The adoption of ASU 2014-09 was accomplished using the modified retrospective method of application.

The adoption of the new standard related to revenue recognition did not have an impact on BRF’s recognition of net revenues for any periods prior to adoption. Additional information on the adoption of this standard is included in Note 3.

On October 1, 2019, BRF adopted ASU No. 2018-08 “*Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,*” which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management applied this guidance when accounting for the loan discussed in Note 11.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

New accounting pronouncements adopted (continued)

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 has been applied retrospectively to all periods presented.

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, 2020 and 2019. These items are considered cash and cash equivalents for purposes of the statements of cash flows.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 38,831,630	\$ 40,668,392
Restricted cash	<u>1,720,623</u>	<u>1,720,623</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 40,552,253</u>	<u>\$ 42,389,015</u>

Accounts receivable

BRF is reimbursed by its tenants for certain operating expenses of its leased properties. BRF determines if these receivables are past-due based on the date of the reimbursement request; BRF, however, does not charge interest on past-due accounts. Rent receivables are typically scheduled to be paid on a monthly basis and are closely monitored during the year; accounts considered to be uncollectible are generally written-off when such conclusions are reached. An allowance for uncollectible accounts of \$155,043 was recorded at September 30, 2020. Management considered all rent receivables to be collectible at September 30, 2019; therefore, no allowance for uncollectible accounts had been established at that date.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounts receivable (continued)

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

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

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

Investments

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

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

Notes receivable

Notes receivable are recorded at the amount of the initial investment and interest is accrued based on the interest rates stated in the promissory note agreement. Management considered all notes receivables to be collectible at September 30, 2020 and 2019; therefore, no allowance for uncollectible accounts has been established.

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.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and equipment (continued)

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.

During the year ended September 30, 2020, BRF made the decision to shut down one of the cyclotron facilities and compared the estimated fair value of the building and equipment to their respective carrying values. BRF has recorded an impairment loss of \$893,640, which is included in the loss on disposal of property and equipment in the accompanying consolidated statement of activities and changes in net assets for the year ended September 30, 2020.

During the year ended September 30, 2020, BRF expensed \$903,457 of costs capitalized in prior years related to a project to renovate the Center for Molecular Imaging & Therapy facility. The scope of the project was modified during the year and the previous architectural and construction plans were considered abandoned. These expenses are included in the loss on disposal of property and equipment in the accompanying consolidated statement of activities and changes in net assets for the year ended September 30, 2020.

No impairments were recognized for the year ended September 30, 2019.

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. In connection with the shutdown of the cyclotron facility discussed above, BRF revised the original estimate for that cyclotron asset and recorded an additional asset retirement obligation of \$397,222 during the year ended September 30, 2020.

The Louisiana Department of Environmental Quality requires BRF to maintain letters of credit related to the cyclotron assets. BRF has obtained two letters of credit which have been issued in the maximum amount of \$221,194, which are collateralized by two certificates of deposit. The letters of credit will expire on September 20, 2021.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Radiopharmaceutical sales

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

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

Tuition revenue

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

BRF's tuition receivables represent unconditional rights to consideration from contracts with students; accordingly, students are not billed until they start attending a course and the revenue process has commenced. BRF does not have any contract assets. BRF's contract liabilities are reported as unearned tuition in the consolidated statements of financial position. Unearned tuition represents the excess of tuition received as compared to amounts recognized as revenue in the consolidated statements of activities and changes in net assets and is reflected as liabilities in the accompanying consolidated statements of financial position. BRF's education programs have starting and ending dates that differ from its year-end. Therefore, at year-end, a portion of revenue from these programs is not yet earned.

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

Contributions

Contributions received are recorded as with or without donor 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 (if any), is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Pursuant to Louisiana law, this exemption also applies to Louisiana state income and franchise taxes. Accordingly, no provision for income taxes has been made.

BRF applies the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The determination of whether or not a tax position has met the more-than-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the year in which the change in judgment occurs. BRF has evaluated its position regarding the accounting for uncertain income tax positions and determined that it had no uncertain tax positions at September 30, 2020 or 2019.

Environmental obligations

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

Accounting pronouncements issued but not yet adopted

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

BRF is currently assessing the impact of this pronouncement on its consolidated financial statements.

Reclassifications

Certain amounts in the September 30, 2019, consolidated financial statements have been reclassified to conform to the current year presentation.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Liquidity and availability

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

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 40,552,253	\$ 42,389,015
Certificates of deposit	221,321	173,497
Accounts receivable	4,421,024	3,115,772
Total financial assets	<u>45,194,598</u>	<u>45,678,284</u>
Less amounts not available to be used within one year:		
Endowment fund – donor restricted	1,720,623	1,720,623
Certificates of deposit – pledged	221,321	173,497
Due to related party (Note 12)	<u>27,575,334</u>	<u>26,020,595</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 15,677,320</u>	<u>\$ 17,763,569</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. The interest earned is used as part of the operating cash flow needs.

3. Net patient service revenue

As discussed in Note 1, BRF adopted a new standard related to revenue recognition effective October 1, 2019, using the modified retrospective method. The adoption of the new standard did not have an impact on the recognition of net revenues in the current year.

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

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Net patient service revenue

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

- *Medicare* - services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge that include defined capital costs. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.
- *Medicaid* - services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined fee schedule.
- *Commercial and HMO* - BRF has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methodologies under these agreements include discounts from established charges and prospectively determined rates.

BRF recorded approximately \$4,218,000 and \$4,475,000 of implicit and explicit price concessions as a direct reduction of net operating revenues during the years ended September 30, 2020 and 2019, respectively. These amounts would have been recorded as provision for doubtful accounts and contractual adjustments prior to the adoption of ASU 2014-09.

4. Investments

Investments at September 30, 2020 and 2019 consisted of the following:

	2020	2019
Limited partnership interests	\$ 883,106	\$ 872,421
Certificates of deposit	221,321	173,497
	\$ 1,104,427	\$ 1,045,918

Following is the composition of investment revenues for the years ended September 30, 2020 and 2019:

	2020	2019
Dividends, interest, and realized gains	\$ 45,048	\$ 83,168
Change in unrealized gains on investments	-	(30,815)
	45,048	52,353
Other investment revenues (losses)	(2,977)	(18,548)
	\$ 42,071	\$ 33,805

See Note 18 for fair value disclosures related to investments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes receivable

BRF has issued convertible promissory notes receivable to several unrelated parties that are associated with its Entrepreneurial Accelerator Program. The notes bear interest at rates ranging from 8% to 10%, and have scheduled maturities ranging from March 26, 2021 through December 4, 2022. The payment of all principal and accrued interest is due upon maturity. In accordance with the terms of the various agreements, BRF has the right to convert the notes into cash or common stock.

The notes are expected to mature as follows:

Year ending September 30 th	<u>Amount</u>
2021	\$ 1,830,010
2022	<u>1,274,518</u>
	<u>\$ 3,104,528</u>

6. Property and equipment

The composition of property and equipment at September 30, 2020 and 2019 was as follows:

	Estimated useful lives	<u>2020</u>	<u>2019</u>
Land	-----	\$ 8,852,624	\$ 8,670,738
Building and improvements	4 - 40 years	67,780,499	66,908,914
Furniture and fixtures / equipment	3 - 20 years	<u>17,558,572</u>	<u>20,686,092</u>
		94,191,695	96,265,744
Less accumulated depreciation		(47,502,275)	(49,125,816)
Property and equipment, net		<u>\$ 46,689,420</u>	<u>\$ 47,139,928</u>

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

Depreciation expense totaled \$2,038,347 and \$2,033,324 for the years ended September 30, 2020 and 2019, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Note payable

During the year ended December 31, 2010, BRF refinanced all of its outstanding revenue bonds and notes payable with a national financial institution. The 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% (2.65% and 4.53% at September 30, 2020 and 2019, respectively), and is secured by an assignment of leases, real estate, and investments. The note is due in monthly installments of principal and interest with a balloon payment originally due on November 30, 2020. Subsequent to year-end, the due date of the balloon payment was extended to February 28, 2021. The outstanding balance on the note payable was \$5,367,462 and \$6,219,781 at September 30, 2020 and 2019, respectively.

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

Year ending September 30 th	<u>Amount</u>
2021	\$ <u>5,367,462</u>
	\$ <u>5,367,462</u>

As part of the loan agreement, 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 \$313,643 and \$360,019 for the years ended September 30, 2020 and 2019, respectively.

8. 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 \$23,629 and \$83,064 at September 30, 2020 and 2019, respectively.

The total notional amounts of the swap agreements totaled \$5,367,462 and \$6,219,781 at September 30, 2020 and 2019, respectively. The pay rate of this agreement is 2.86%, and the receive rate is the 30 Day LIBOR (0.15% and 2.03% at September 30, 2020 and 2019, respectively). The interest rate swap agreement matured on November 30, 2020.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Unconditional promises to give

Unconditional promises to give at September 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Promises to give expected to be collected in:		
Less than one year	\$ 163,867	\$ 127,033
One to five years	<u>366,000</u>	<u>436,534</u>
	529,867	563,567
Less: Discount to net present value	(13,014)	(18,020)
Net present value of promises to give	<u>\$ 516,853</u>	<u>\$ 545,547</u>

The discount rate used on the valuation of long-term promises to give was 1.68% for the years ended September 30, 2020 and 2019, respectively, the rate of return on the 5 year U.S. Treasury Bill.

10. Net assets

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

	<u>2020</u>	<u>2019</u>
Specific purpose		
SMART Program	\$ 19,738	\$ 12,472
Education Fund	53,325	57,325
LED Grant BioSpace 1	61,975	61,975
Lead the Way	10,000	10,000
Eastern Star	34,027	34,027
Roche-Wake Forest	177,632	177,632
Other	219,455	292,536
CMIT Construction Capital Campaign	<u>1,388,567</u>	<u>545,547</u>
	<u>\$ 1,964,719</u>	<u>\$ 1,191,514</u>
 Endowment Fund		
Endowment Fund	<u>1,720,623</u>	<u>1,720,623</u>
	<u>\$ 3,685,342</u>	<u>\$ 2,912,137</u>

Net assets of \$213,605 and \$509,497 were released from restrictions during the years ended September 30, 2020 and 2019, respectively, due to BRF making payments which satisfied the restrictions.

Net assets with donor restrictions at September 30, 2020 and 2019, 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, 2020, the Board of Directors approved the spending rate to stay the same 4.0% from prior year.

A portion of restricted cash and cash equivalents at September 30, 2020 and 2019, have been restricted for endowment purposes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. COVID-19 and the CARES Act

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

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

In conjunction with the CARES Act, BRF applied for assistance under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP provides qualifying businesses with funds to pay payroll costs including benefits. These funds can also be used to pay interest on mortgages, rent, and utilities. On April 23, 2020, BRF received an unsecured loan in the amount of \$1,071,722 under the PPP, and the loan accrues interest at a fixed rate of 1.00%. An additional feature of this program is that some portion or all of the amounts borrowed under the PPP may effectively be converted to a grant through a special loan forgiveness provision if certain criteria are met. Management believes that BRF has substantially met the conditions for release of its obligation, and \$1,071,722 has been recognized as grant revenue during the year ended September 30, 2020.

Also under the CARES Act, BRF received \$69,464 from the Provider Relief Fund (PRF) from the U.S. Department of Health and Human Services (HHS). All PRF amounts are subject to certain terms and conditions as defined by HHS and are subject to various potential audit and other requirements, and noncompliance with any such terms and conditions could result in recoupment by HHS.

Also under the CARES Act, BRF received \$9,612 from the Higher Education Emergency Relief Fund (HEERF) from the U.S. Department of Education (DE). All HEERF amounts are subject to certain terms and conditions as defined by DE and are subject to various potential audit and other requirements, and noncompliance with any such terms and conditions could result in recoupment by DE.

12. Related party transactions

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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Related party transactions (continued)

At September 30, 2020, 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, 2020, BRF owed the Foundation \$27,575,334 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.

13. Rental revenues

Effective October 1, 2013, BRF and the Board of Supervisors of Louisiana State University (LSU) entered into a lease agreement for the Virginia K. Shehee Biomedical Research Institute. The 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, 2020, and \$541,561 less \$32,791 for premises leased back to BRF, or \$508,770 for the year ended September 30, 2019.

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 \$10,097,000 and \$9,717,000 during the years ended September 30, 2020 and 2019, 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 September 30th</u>	<u>Amount</u>
2021	\$ 7,723,038
2022	7,301,654
2023	7,272,516
2024	7,136,976
2025	7,136,946
	<u>\$ 36,571,130</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. 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 \$62,700 and \$284,500 during the years ended September 30, 2020 and 2019, respectively.

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

15. Radiopharmaceutical revenues

BRF has a limited number of customers for the radiopharmaceuticals that it produces to sell to third parties. The four largest customers comprised approximately 97% and 96% of the sales during the years ended September 30, 2020 and 2019, 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.

16. Retirement benefit plan

BRF has a defined contribution plan under IRS Code Section 401(k) that covers substantially all full-time employees who are over the age of twenty-one and who have met eligibility requirements. Discretionary contributions by BRF include matching contributions to the employee 401(k) plan up to certain limits of compensation. Total expenses were \$286,809 and \$265,008 for the years ended September 30, 2020 and 2019, respectively. Total combined employer and employee contributions were \$593,590 and \$614,126 for the years ended September 30, 2020 and 2019, respectively.

17. Business and credit concentrations

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

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

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Business and credit concentrations (continued)

The mix of revenues from patients and third-party payors for the years ended September 30, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	49.65%	47.98%
Medicaid	16.77%	21.70%
Commercial insurance and managed care organizations	10.83%	12.73%
Self-pay patients and other	<u>22.75%</u>	<u>17.59%</u>
	<u>100.00%</u>	<u>100.00%</u>

The mix of receivables from patients and third-party payors at September 30, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	50.12%	38.13%
Medicaid	19.39%	12.32%
Commercial insurance and managed care organizations	20.00%	15.04%
Self-pay patients and other	<u>10.49%</u>	<u>34.51%</u>
	<u>100.00%</u>	<u>100.00%</u>

18. Fair value of financial instruments

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. 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.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. 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, 2020:</i>				
Limited partnerships	\$ -	\$ -	\$ 883,106	\$ 883,106
Certificates of deposit	221,321	-	-	221,321
Derivative liability	-	(23,629)	-	(23,629)
	<u>\$ 221,321</u>	<u>(\$ 23,629)</u>	<u>\$ 883,106</u>	<u>\$ 1,080,798</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>

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, 2020 and 2019, in Level 3 instruments that are measured at fair value on a recurring basis:

	<u>2020</u>	<u>2019</u>
Balance - beginning of the year	\$ 872,421	\$ 788,154
Purchases	20,000	145,000
Unrealized gains on investments	-	-
Write downs related to investments in limited partnerships	(9,315)	(60,733)
Balance - end of the year	<u>\$ 883,106</u>	<u>\$ 872,421</u>

19. Commitments and contingencies

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. 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 three contracts for construction projects. The total value of the construction contracts is approximately \$3,792,000, with approximately \$1,390,000 remaining to be expended as of September 30, 2020. Additionally, at September 30, 2020, BRF had committed to purchase equipment for a total cost of \$1,610,000.

At September 30, 2020, BRF had committed to make an additional \$650,000 investment in an unrelated company. That investment was made subsequent to year-end in exchange for a series of promissory notes in that amount.

20. Composite score calculation

As part of the Digital Media Institute's Council on Occupational Education accreditation process and to participate in federal student aid programs, it must submit audited financial statements demonstrating its fiscal responsibility by maintaining a minimum composite score (defined by the U.S Department of Education) of 1.5. BRF's composite score using the standards of financial responsibility is 2.4 as of September 30, 2020. The components and ratios used to compute this amount are presented below.

September 30, 2020

(1)	Expendable net assets	\$ 17,084,730		(4)	Modified assets	\$ 96,548,484
(2)	Total expenses	18,134,906	(5)	Change in unrestricted net assets	(933,080)	
(3)	Modified net assets	60,127,312	(6)	Total unrestricted revenues	18,939,488	
Primary reserve	1.2	Equity	1.2	Net Income	0.0	

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Subsequent events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, January 15, 2021, 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 statements.

SUPPLEMENTARY INFORMATION



Postlethwaite & Netterville

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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, 2020 and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 15, 2021, 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 33-38 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 15, 2021

**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, 2020

Revenues

Tuition	\$ 343,609
Grants	25,000
Other	15,208
Total revenues	<u>383,817</u>

Expenses

Salaries and benefits	782,060
Professional services	59,549
Insurance	2,575
Travel	11,646
Registration and conference fees	2,237
Subscriptions	13,410
Meals and entertainment	7,847
Advertising	149,624
Supplies	4,776
Other office expenses	3,190
Lease payments	4,168
Minor equipment	66,916
Depreciation	45,362
Bad debt	150
Rent expense	950
Project development costs	2,250
Repairs and maintenance	5,992
Other	5,860
Total expenses	<u>1,168,562</u>
Excess of expenses over revenues	<u>\$ (784,745)</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

	InterTech Venture Fund	BRF, LLC
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,280	\$ 38,827,350
Restricted cash and cash equivalents	-	1,720,623
Accounts receivable, net of allowances for doubtful accounts of \$173,696	-	4,421,024
Unconditional promises to give	-	516,853
Prepaid expenses	-	159,979
Investments	319,851	1,552,490
Notes receivable and accrued interest	300,781	2,803,747
Property and equipment, net	-	46,689,420
Due from related party	170,409	93,210
Total assets	\$ 795,321	\$ 96,784,696
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ -	\$ 2,513,456
Note payable	-	5,367,462
Derivative liability	-	23,629
Deferred revenue	-	288,511
Due to related party	-	27,745,743
Asset retirement liability	-	652,778
Total liabilities	-	36,591,579
<u>NET ASSETS</u>		
Without donor restrictions	795,321	56,507,775
With donor restrictions	-	3,685,342
Total net assets	795,321	60,193,117
Total liabilities and net assets	\$ 795,321	\$ 96,784,696

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 38,831,630
-	-	1,720,623
-	-	4,421,024
-	-	516,853
-	-	159,979
-	767,914	1,104,427
-	-	3,104,528
-	-	46,689,420
-	170,409	93,210
		<u>\$ 96,641,694</u>
\$ -	\$ -	\$ 2,513,456
-	-	5,367,462
-	-	23,629
-	-	288,511
170,409	-	27,575,334
-	-	652,778
		<u>36,421,170</u>
767,914	-	56,535,182
-	-	3,685,342
		<u>60,220,524</u>
		<u>\$ 96,641,694</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2020

	InterTech Venture Fund	BRF, LLC
REVENUES AND SUPPORT:		
Net patient service revenue	\$ -	\$ 2,652,028
Support - philanthropic	-	908,652
Rental revenues	-	10,096,753
Local government operating revenue	-	2,815,000
Government grants and contracts	-	1,495,293
Investment revenues (losses)	19,848	22,223
Interest revenues	-	555,162
Radiopharmaceutical sales	-	638,985
Tuition revenues	-	343,609
Other revenues	-	165,140
Total revenues and support	19,848	19,692,845
EXPENSES:		
Program services:		
Center for Molecular Imaging and Therapy	-	4,463,142
Office of Research, Development and Administration / Envision	-	930,829
Entrepreneurial Accelerator Program	-	1,274,696
Digital Media Institute	-	1,168,561
Real Estate Management and Development	-	6,148,779
Other sponsored projects	-	86,512
Total program services	-	14,072,519
Support services:		
Management and general	1,600	3,863,491
Fund-raising	-	197,296
Total support services	1,600	4,060,787
Total expenses	1,600	18,133,306
NONOPERATING REVENUES (EXPENSES):		
Change in value of derivative	-	59,435
Loss on disposal of fixed assets	-	(1,797,097)
Total nonoperating revenues	-	(1,737,662)
CHANGE IN NET ASSETS	18,248	(178,123)
Net assets - beginning of year	777,073	60,371,240
Net assets - end of year	\$ 795,321	\$ 60,193,117

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 2,652,028
-	-	908,652
-	-	10,096,753
-	-	2,815,000
-	-	1,495,293
-	-	42,071
-	-	555,162
-	-	638,985
-	-	343,609
-	-	165,140
		<u>19,712,693</u>
-	-	4,463,142
-	-	930,829
-	-	1,274,696
-	-	1,168,561
-	-	6,148,779
-	-	86,512
		<u>14,072,519</u>
-	-	3,865,091
-	-	197,296
		<u>4,062,387</u>
		<u>18,134,906</u>
-	-	59,435
-	-	(1,797,097)
		<u>(1,737,662)</u>
		(159,875)
767,914	-	60,380,399
		<u>\$ 60,220,524</u>



Postlethwaite & Netterville

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A Professional Accounting Corporation

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statements of financial position as of September 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered BRF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of BRF's internal control. Accordingly, we do not express an opinion of the effectiveness of BRF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of BRF's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BRF's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BRF's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 15, 2021

BRF, LLC
SHREVEPORT, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2019

A. Findings - Financial Statement Audit

None.