
BRF, LLC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

BRF, LLC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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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, 2021 and 2020, 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, 2021 and 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the consolidated financial position of BRF, LLC and its subsidiaries as of September 30, 2021 and 2020, and the results of their operations, changes in net assets, and their cash flows for the years ended September 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of BRF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRF's internal control over financial reporting and compliance.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
March 31, 2022

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents	\$ 10,192,604	\$ 38,831,630
Restricted cash and cash equivalents	6,532,417	1,720,623
Accounts receivable, net of allowances for doubtful accounts of \$201,000 and \$173,696 at September 30, 2021 and 2020, respectively	4,331,305	4,421,024
Unconditional promises to give, net of discounts of \$5,641 and \$13,014 at September 30, 2021 and 2020, respectively	469,442	516,853
Prepaid expenses	94,148	159,979
Inventory	37,667	-
Investments	20,029,484	1,104,427
Notes receivable and accrued interest, net of allowances for doubtful accounts of \$512,877 and \$0 at September 30, 2021 and 2020, respectively	6,839,795	3,104,528
Property and equipment, net	55,319,749	46,689,420
Due from related party (Note 13)	93,210	93,210
Total assets	\$ 103,939,821	\$ 96,641,694

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 3,718,408	\$ 2,513,456
Note payable	9,254,070	5,367,462
Derivative liability	-	23,629
Deferred revenue	407,663	288,511
Asset retirement liability	654,500	652,778
Due to related party (Note 13)	26,747,224	27,575,334
Total liabilities	40,781,865	36,421,170

NET ASSETS

Without donor restrictions	59,507,436	56,535,182
With donor restrictions	3,650,520	3,685,342
Total net assets	63,157,956	60,220,524
Total liabilities and net assets	\$ 103,939,821	\$ 96,641,694

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, 2021 AND 2020

	Year ended September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Patient service revenue	\$ 2,354,882	\$ -	\$ 2,354,882
Support - philanthropic	356,140	1,588,381	1,944,521
Rental revenues	10,284,847	-	10,284,847
Local government operating revenue	2,817,838	-	2,817,838
Government grants and contracts	261,047	404,915	665,962
Investment revenues	509,019	-	509,019
Interest revenues	334,900	-	334,900
Radiopharmaceutical sales	968,680	-	968,680
Tuition revenues	498,132	-	498,132
Other revenues	192,079	-	192,079
	<u>18,577,564</u>	<u>1,993,296</u>	<u>20,570,860</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>2,028,118</u>	<u>(2,028,118)</u>	<u>-</u>
Total revenues and support	<u>20,605,682</u>	<u>(34,822)</u>	<u>20,570,860</u>
EXPENSES:			
Program services:			
Center for Molecular Imaging and Therapy	3,398,782	-	3,398,782
Office of Research, Development and Administration	378,883	-	378,883
Entrepreneurial Accelerator Program	1,287,658	-	1,287,658
Digital Media Institute	1,671,638	-	1,671,638
Real Estate Management and Development	5,983,725	-	5,983,725
Shreveport Next	515,653	-	515,653
Other sponsored projects	126,924	-	126,924
Total program services	<u>13,363,263</u>	<u>-</u>	<u>13,363,263</u>
Support services:			
Management and general	4,077,947	-	4,077,947
Fund-raising	214,423	-	214,423
Total support services	<u>4,292,370</u>	<u>-</u>	<u>4,292,370</u>
Total expenses	<u>17,655,633</u>	<u>-</u>	<u>17,655,633</u>
NONOPERATING REVENUES:			
Change in value of derivative	23,629	-	23,629
Loss on disposal of property and equipment	<u>(1,424)</u>	<u>-</u>	<u>(1,424)</u>
Total nonoperating revenues	<u>22,205</u>	<u>-</u>	<u>22,205</u>
CHANGE IN NET ASSETS	2,972,254	(34,822)	2,937,432
Net assets - beginning of year	<u>56,535,182</u>	<u>3,685,342</u>	<u>60,220,524</u>
Net assets - end of year	<u>\$ 59,507,436</u>	<u>\$ 3,650,520</u>	<u>\$ 63,157,956</u>

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

Year ended September 30, 2020

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,652,028	\$ -	\$ 2,652,028
8,386	900,266	908,652
10,096,753	-	10,096,753
2,815,000	-	2,815,000
1,418,033	77,260	1,495,293
42,071	-	42,071
555,162	-	555,162
638,985	-	638,985
343,609	-	343,609
155,856	9,284	165,140
<u>18,725,883</u>	<u>986,810</u>	<u>19,712,693</u>
213,605	(213,605)	-
<u>18,939,488</u>	<u>773,205</u>	<u>19,712,693</u>
4,463,142	-	4,463,142
930,829	-	930,829
1,274,696	-	1,274,696
1,168,561	-	1,168,561
6,148,779	-	6,148,779
-	-	-
86,512	-	86,512
<u>14,072,519</u>	<u>-</u>	<u>14,072,519</u>
3,865,091	-	3,865,091
197,296	-	197,296
<u>4,062,387</u>	<u>-</u>	<u>4,062,387</u>
<u>18,134,906</u>	<u>-</u>	<u>18,134,906</u>
59,435	-	59,435
<u>(1,797,097)</u>	<u>-</u>	<u>(1,797,097)</u>
<u>(1,737,662)</u>	<u>-</u>	<u>(1,737,662)</u>
(933,080)	773,205	(159,875)
<u>57,468,262</u>	<u>2,912,137</u>	<u>60,380,399</u>
<u>\$ 56,535,182</u>	<u>\$ 3,685,342</u>	<u>\$ 60,220,524</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	Year ended September 30, 2021				
	Center for Molecular Imaging and Therapy	Office of Research, Development and Administration / Envision	Entrepreneurial Accelerator Program	Digital Media Institute	Real Estate Management and Development
Accounting / auditing fees	\$ -	\$ -	\$ 2,675	\$ -	\$ -
Accretion	1,722	-	-	-	-
Advertising	3,289	8,242	241,624	112,764	-
Animal resources	-	-	-	-	56,400
Attorney fees	2,901	4,808	-	25	22,585
Bad debt expense	-	-	-	100,336	13,274
Bank fees	9,381	-	19	4,343	57
Communication and computer services	71,206	5,900	5,505	95,728	29,924
Consultant fees	26,174	1,125	15,018	58,692	55,516
Contract labor	261,347	6,991	11,800	13,855	4,536
Depreciation	137,244	-	26,667	44,780	1,654,100
Dues and subscriptions	8,577	600	3,844	38,068	2,595
Employee benefits	203,523	29,864	75,106	101,645	119,817
Equipment - leased	6,388	1,125	-	3,336	4,343
Equipment purchased	13,138	942	-	130	19,015
FDG distribution services	96,852	-	-	-	-
Grants - other	-	-	10,148	289,693	-
Insurance	32,505	7,185	2,418	2,405	229,290
Interest expense	19,097	-	-	-	152,931
License / certification fees	-	-	16,000	24,069	-
Meals and entertainment	129	250	4,302	1,789	81
Miscellaneous	1,164	6,085	2,898	1,503	-
Office Expenses	58,783	3,292	4,311	12,312	736,689
Payroll taxes	92,727	19,253	49,257	50,517	51,358
Project development costs	-	-	44,120	1,500	-
Radiopharmaceutical and medical supplies	620,450	1,260	-	-	-
Registration and conference fees	893	4,137	7,364	75	100
Rent	1	23,868	-	-	(1)
Repairs and maintenance	151,638	940	-	35	790,770
Salaries	1,569,056	252,201	759,369	707,762	720,090
Taxes and licenses	6,079	360	70	(70)	9,565
Travel, meals, and auto	4,518	455	5,143	6,346	5,407
Utilities	-	-	-	-	1,305,283
	<u>\$ 3,398,782</u>	<u>\$ 378,883</u>	<u>\$ 1,287,658</u>	<u>\$ 1,671,638</u>	<u>\$ 5,983,725</u>

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

Year ended September 30, 2021

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

(Continued)

Year ended September 30, 2020

	Center for Molecular Imaging and Therapy	Office of Research, Development and Administration	Entrepreneurial Accelerator Program	Digital Media Institute	Real Estate Management and Development
Accounting / auditing fees	\$ -	\$ -	\$ 2,650	\$ -	\$ -
Accretion	412,726	-	-	-	-
Advertising	3,941	13,910	254,235	149,624	-
Animal resources	-	-	-	-	56,400
Attorney fees	-	40,646	-	-	47,108
Bad debt expense	-	-	-	150	50,866
Communication and computer services	63,680	8,252	13,509	56,680	60,829
Consultant fees	41,097	6,956	33,966	50,689	317,233
Contract labor	141,131	20,888	18,448	5,655	3,427
Depreciation	305,629	-	13,333	45,362	1,674,023
Dues and subscriptions	12,879	8,468	7,482	13,410	1,889
Employee benefits	228,943	40,257	63,741	91,625	110,693
Equipment - leased	7,470	500	-	4,168	5,223
Equipment purchased	4,755	23,321	-	-	6,839
FDG distribution services	101,763	-	-	-	-
Grants - other	-	-	23,900	-	-
Insurance	32,460	1,333	7,436	2,575	230,089
Interest expense	-	-	-	-	313,643
License / certification fees	-	-	128	13,440	-
Meals and entertainment	226	2,355	12,030	7,847	165
Miscellaneous	167,041	71,423	39	2,530	7,037
Office Expenses	97,183	9,174	5,743	11,115	730,567
Payroll taxes	104,655	38,351	46,745	46,519	53,280
Project development costs	-	-	28,813	2,250	-
Radiopharmaceutical and medical supplies	683,213	-	-	-	-
Registration and conference fees	2,268	44,699	8,151	2,237	350
Rent	-	7,956	-	950	-
Repairs and maintenance	201,036	-	21	5,992	614,177
Salaries	1,826,899	586,993	721,360	643,832	713,738
Taxes and licenses	6,967	260	105	266	11,869
Travel, meals, and auto	17,180	5,087	12,861	11,645	5,082
Utilities	-	-	-	-	1,134,252
	<u>\$ 4,463,142</u>	<u>\$ 930,829</u>	<u>\$ 1,274,696</u>	<u>\$ 1,168,561</u>	<u>\$ 6,148,779</u>

Year ended September 30, 2020

Shreveport Next	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
-	-	87,754	17,518	-	105,272
-	-	51,016	-	-	51,016
-	783	203,733	184,827	-	388,560
-	22,635	472,576	479,156	-	951,732
-	3,475	193,024	-	-	193,024
-	-	2,038,347	-	-	2,038,347
-	-	44,128	36,319	1,328	81,775
-	-	535,259	231,757	32,342	799,358
-	-	17,361	10,805	-	28,166
-	-	34,915	-	-	34,915
-	-	101,763	-	-	101,763
-	54,389	78,289	22,117	-	100,406
-	-	273,893	71,881	-	345,774
-	-	313,643	-	-	313,643
-	-	13,568	7,577	22,474	43,619
-	741	23,364	26,203	97	49,664
-	-	248,070	271,170	19	519,259
-	1,782	855,564	34,578	344	890,486
-	-	289,550	106,954	9,936	406,440
-	-	31,063	20,950	-	52,013
-	-	683,213	-	-	683,213
-	-	57,705	10,959	2,432	71,096
-	-	8,906	-	-	8,906
-	-	821,226	-	-	821,226
-	-	4,492,822	2,162,325	127,603	6,782,750
-	-	19,467	2,360	-	21,827
-	-	51,855	35,026	721	87,602
-	-	1,134,252	-	-	1,134,252
<u>\$ -</u>	<u>\$ 86,512</u>	<u>\$ 14,072,519</u>	<u>\$ 3,865,091</u>	<u>\$ 197,296</u>	<u>\$ 18,134,906</u>

(Concluded)

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,937,432	\$ (159,875)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and accretion	1,864,513	2,451,073
Bad debt	632,378	51,016
Change in value of derivative liability	(23,629)	(59,435)
Loss on disposal of property and equipment	1,424	1,797,097
Noncash contribution of land	(140,000)	-
Noncash conversion of notes receivable to investments	(601,602)	-
Unrealized (gain) loss on investments	(540,214)	9,315
(Increase) decrease in accounts receivable	(542,659)	(1,356,268)
(Increase) decrease in prepaid expenses and other assets	925,397	(165,645)
Increase (decrease) in deferred revenue	119,152	102,841
Increase (decrease) in accounts payable and other liabilities	1,204,952	901,561
(Increase) decrease in unconditional promises to give	54,784	33,700
Increase (decrease) in discount on unconditional promises to give	(7,373)	(5,006)
Net cash provided by operating activities	<u>5,884,555</u>	<u>3,600,374</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(10,354,544)	(3,384,935)
Purchase of investments	(17,783,241)	(67,824)
Issuance of notes receivable	(4,632,500)	(2,686,797)
(Increase) decrease in due to / from related party	(828,110)	1,554,739
Net cash used in investing activities	<u>(33,598,395)</u>	<u>(4,584,817)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from borrowings on notes payable	5,000,000	-
Payments on notes payable	(768,161)	(852,319)
Deferred financing costs paid	(345,231)	-
Net cash provided by (used in) financing activities	<u>3,886,608</u>	<u>(852,319)</u>
Net decrease in cash, cash equivalents, and restricted cash	(23,827,232)	(1,836,762)
Cash, cash equivalents, and restricted cash - beginning of year	<u>40,552,253</u>	<u>42,389,015</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 16,725,021</u>	<u>\$ 40,552,253</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	<u>\$ 206,186</u>	<u>\$ 316,962</u>

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant activities and accounting policies

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

Organization and consolidation

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

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

BRF owns 100% of InterTech Venture Fund, LLC (the Fund or the Partnership) 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. During the fiscal year ended September 30, 2021, BRF substantially suspended all the operations of Envision, LLC.

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

BRF also owns 100% of Southern Isotopes, LLC, which had no operations during the years ended September 30, 2021 or 2020.

During the fiscal year ended September 30, 2021, and effective June 24, 2021, BRF organized CMIT Louisiana, LLC to construct and hold the building and equipment related to the Center for Molecular Imaging and Technology.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Organization and consolidation (continued)

During the fiscal year ended September 30, 2021, BRF organized Collaboration Link, LLC, which had no operations during the year ended September 30, 2021.

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

Nature of operations

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

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

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Restricted cash and cash equivalents

Restricted cash and cash equivalents, which consist primarily of demand deposits and money market accounts, represent assets with donor restrictions for endowment purposes at September 30, 2021 and 2020, as well as cash restricted by a lender for a specific purpose (see Note 3) at September 30, 2021. These items are considered cash and cash equivalents for purposes of the statements of cash flows.

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 10,192,604	\$ 38,831,630
Restricted cash	<u>6,532,417</u>	<u>1,720,623</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 16,725,021</u>	<u>\$ 40,552,253</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 \$168,317 and \$155,043 was recorded at September 30, 2021 and 2020, respectively.

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

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounts receivable (continued)

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

Investments

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

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

Notes receivable

Notes receivable are recorded at the amount of the initial investment and interest is accrued based on the interest rates stated in the promissory note agreement. An allowance for uncollectible accounts of \$512,877 was recorded as of September 30, 2021. Management considered all notes receivables to be collectible at September 30, 2020; therefore, no allowance for uncollectible accounts was recorded as of that date.

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 were recognized for the year ended September 30, 2021.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 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.

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 decommissioning work on that cyclotron facility had not yet commenced as of September 30, 2021.

The Louisiana Department of Environmental Quality requires BRF to maintain letters of credit related to the cyclotron assets. BRF has obtained two letters of credit which have been issued in the maximum amount of \$221,321, which are collateralized by two certificates of deposit. The letters of credit will expire on September 20, 2022.

Deferred financing costs

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

Derivative financial instruments

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Derivative financial instruments (continued)

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

Professional liability claims

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

Patient service revenue

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

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

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

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

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

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

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

Tuition revenue

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

BRF's tuition receivables represent unconditional rights to consideration from contracts with students; accordingly, students are not billed until they start attending a course and the revenue process has commenced. Tuition receivables were \$335,885 and \$453,171 at September 30, 2021 and 2020, respectively. An allowance for uncollectible accounts of \$30,463 and \$16,433 was recorded at September 30, 2021 and 2020, respectively.

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

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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, 2021 or 2020.

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, 2020, 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:	2021	2020
Cash and cash equivalents	\$ 16,725,021	\$ 40,552,253
Certificates of deposit	221,321	221,321
Accounts receivable	4,331,305	4,421,024
Mutual funds	6,894,322	-
Exchange traded funds	10,307,252	-
Total financial assets	38,479,221	45,194,598
Less amounts not available to be used within one year:		
Endowment fund – donor restricted	2,720,373	1,720,623
Cash restricted by lender	3,812,044	-
Certificates of deposit – pledged	221,321	221,321
Financial assets available to meet general expenditures over the next twelve months	\$ 31,725,483	\$ 43,252,654

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

BRF had amounts due to a related party of \$26,747,224 and \$27,575,334 at September 30, 2021 and 2020, respectively, which are not reflected in the table above. These amounts due to the Foundation have no set repayment terms, and represent funds that have been transferred to BRF for the purpose of investment management and supporting the operations of BRF. There are no associated restrictions. See Note 13 for additional information.

3. New Market Tax Credit Program

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

BRF, LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. New Market Tax Credit Program (continued)

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

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

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

4. Patient service revenue

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Net patient service revenue (continued)

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

BRF recorded approximately \$3,715,000 and \$4,218,000 of implicit and explicit price concessions as a direct reduction of net operating revenues during the years ended September 30, 2021 and 2020, respectively. These amounts would have been recorded as provision for doubtful accounts and contractual adjustments prior to the adoption of ASU 2014-09.

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

5. Investments

Investments at September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Limited partnership interests	\$ 1,160,059	\$ 883,106
Certificates of deposit	221,321	221,321
Preferred stock	1,446,530	-
Mutual funds	6,894,322	-
Exchange traded funds	<u>10,307,252</u>	<u>-</u>
	<u>\$ 20,029,484</u>	<u>\$ 1,104,427</u>

Following is the composition of investment revenues for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Dividends, interest, and realized gains	\$ 25,086	\$ 45,048
Change in unrealized gains (losses) on investments	<u>540,214</u>	<u>(9,315)</u>
	565,300	35,733
Other investment revenues (losses)	<u>(56,281)</u>	<u>6,338</u>
	<u>\$ 509,019</u>	<u>\$ 42,071</u>

See Note 19 for fair value disclosures related to investments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Notes receivable

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

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

The notes are expected to mature as follows:

Year ending September 30 th	<u>Amount</u>
Past Due	\$ 512,877
On Demand	155,000
2022	2,022,941
2023	827,069
2024	197,285
2025	-
2026	-
Thereafter	<u>3,637,500</u>
	<u>\$ 7,352,672</u>

7. Property and equipment

The composition of property and equipment at September 30, 2021 and 2020 was as follows:

	<u>Estimated useful lives</u>	<u>2021</u>	<u>2020</u>
Land	-----	\$ 9,789,063	\$ 8,852,624
Building and improvements	4 - 40 years	75,726,084	67,780,499
Furniture and fixtures / equipment	3 - 20 years	<u>18,839,959</u>	<u>17,558,572</u>
		104,355,106	94,191,695
Less accumulated depreciation		<u>(49,035,357)</u>	<u>(47,502,275)</u>
Property and equipment, net		<u>\$ 55,319,749</u>	<u>\$ 46,689,420</u>

The large majority of BRF's property and equipment is being held for lease or future development. Depreciation expense totaled \$1,862,791 and \$2,038,347 for the years ended September 30, 2021 and 2020, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Notes payable

During the year ended December 31, 2010, BRF refinanced all of its outstanding revenue bonds and notes payable with a national financial institution. The 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% (2.58% and 2.65% at September 30, 2021 and 2020, respectively), and is secured by an assignment of leases, real estate, and investments. The note is due in monthly installments of principal and interest with a balloon payment originally due on November 30, 2020. The due date of the balloon payment was extended to November 23, 2021, and subsequent to year-end was further extended to February 28, 2023. The outstanding balance on the note payable was \$4,599,301 and \$5,367,462 at September 30, 2021 and 2020, respectively.

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 \$172,029 and \$313,643 for the years ended September 30, 2021 and 2020, respectively.

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

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

Year ending September 30 th	<u>Amount</u>
2022	\$ 4,599,301
2023	-
2024	-
2025	-
2026	-
Thereafter	<u>5,000,000</u>
	<u>\$ 9,599,301</u>

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

9. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Derivative instruments and hedging activities (continued)

Until its maturity on November 30, 2020, BRF had 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 \$0 and \$23,629 at September 30, 2021 and 2020, respectively.

The total notional amounts of the swap agreement totaled \$5,367,462 at September 30, 2020. The pay rate of this agreement was 2.86%, and the receive rate was the 30 Day LIBOR (0.15% at September 30, 2020).

10. Unconditional promises to give

Unconditional promises to give at September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Promises to give expected to be collected in:		
Less than one year	\$ 349,583	\$ 163,867
One to five years	<u>125,500</u>	<u>366,000</u>
	475,083	529,867
Less: Discount to net present value	<u>(5,641)</u>	<u>(13,014)</u>
Net present value of promises to give	<u>\$ 469,442</u>	<u>\$ 516,853</u>

The discount rate used on the valuation of long-term promises to give was 1.68% for the years ended September 30, 2021 and 2020, respectively, the rate of return on the 5 year U.S. Treasury Bill.

11. Net assets

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

	<u>2021</u>	<u>2020</u>
Specific purpose		
SMART Program	\$ 6,766	\$ 19,738
Education Fund	53,425	53,325
LED Grant BioSpace 1	61,975	61,975
Lead the Way	10,000	10,000
Eastern Star	24,370	34,027
Roche-Wake Forest	177,632	177,632
Other	126,538	219,455
CMIT Construction Capital Campaign	<u>469,441</u>	<u>1,388,567</u>
	<u>930,147</u>	<u>1,964,719</u>
Endowment Fund		
Endowment Fund	<u>2,720,373</u>	<u>1,720,623</u>
	<u>\$ 3,650,520</u>	<u>\$ 3,685,342</u>

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Net assets (continued)

Net assets of \$2,028,118 and \$213,605 were released from restrictions during the years ended September 30, 2021 and 2020, respectively, due to BRF making payments which satisfied the restrictions.

Net assets with donor restrictions at September 30, 2021 and 2020, included endowment funds the principal of which is restricted in perpetuity. The income is unrestricted, with the exception of the income related to a \$1,000,000 endowment established during the year ended September 30, 2021. That income is restricted for use by the Entrepreneurial Accelerator Program.

A summary of changes in endowed net assets as of and for the years ended September 30, 2021 and 2020, is as follows:

	<u>Board Designated / Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowed net assets – September 30, 2019	\$ -	\$ 1,720,623	\$ 1,720,623
Contributions	-	-	-
Endowed net assets – September 30, 2020	-	1,720,623	1,720,623
Contributions	1,000,000	1,000,000	2,000,000
Write-off of pledge	-	(250)	(250)
Endowed net assets – September 30, 2021	<u>\$ 1,000,000</u>	<u>\$ 2,720,373</u>	<u>\$ 3,720,623</u>

BRF has established prudent investments and spending policies with the objective of maintaining the purchasing power of its endowed net assets in perpetuity and to provide a stable level of support. In an effort to achieve this objective, BRF's asset allocation strategy is periodically reviewed and adjusted to maximize return while limiting risk. During the year ended September 30, 2021, 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, 2021 and 2020, has been restricted for endowment purposes.

12. COVID-19 and the CARES Act

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

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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. As of September 30, 2020, management believed that BRF had substantially met the conditions for release of its obligation, and \$1,071,722 was recognized as grant revenue for the year ended September 30, 2020. On February 10, 2021, BRF was notified that its PPP loan was forgiven in full.

Also under the CARES Act, BRF received \$69,464 during the year ended September 30, 2020, 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. These amounts were recognized as government grants and contracts revenue in the consolidated statement of activities and changes in net assets for the year ended September 30, 2020.

Also under the CARES Act, BRF received \$390,915 and \$9,612 from the Higher Education Emergency Relief Fund (HEERF) from the U.S. Department of Education (DE) during the years ended September 30, 2021 and 2020, respectively. All HEERF amounts are subject to certain terms and conditions as defined by DE and are subject to various potential audit and other requirements, and noncompliance with any such terms and conditions could result in recoupment by DE. These amounts were recognized as government grants and contracts revenue in the consolidated statements of activities and changes in net assets for the years ended September 30, 2021 and 2020.

13. Related party transactions

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

At September 30, 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 funds that have been transferred to BRF for the purpose of investment management and supporting the operations of BRF. These amounts due have no set repayment terms. These amounts are presented in the consolidated statements of financial position as due to related party.

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Rental revenues

Effective October 1, 2013, BRF and the Board of Supervisors of Louisiana State University (LSU) entered into a lease agreement for the Virginia K. Shehee Biomedical Research Institute. The lease agreement, which encompasses the entire Virginia K. Shehee Biomedical Research Institute as well as some additional square footage of the central plant building, is for a term of 30 years and contains an additional 10-year option. The lease requires minimum monthly payments of \$523,230 plus reimbursement for operating expenses. The fixed minimum rent will be adjusted upon each second anniversary of the lease date for changes in the consumer price index and may be adjusted every fifth year based on the then fair market value of the leased premises; however, there will be no adjustments below the fixed minimum rent established at the initial lease date. The effective monthly payments were \$566,554 less \$34,304 for premises leased back to BRF, or \$532,250 for the year ended September 30, 2021 and 2020.

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 \$10,285,000 and \$10,097,000 during the years ended September 30, 2021 and 2020, 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>
2022	\$ 7,823,835
2023	7,434,094
2024	7,326,504
2025	7,326,504
2026	<u>7,476,504</u>
	<u>\$ 37,452,660</u>

15. 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 \$0 and \$62,700 during the years ended September 30, 2021 and 2020, 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.

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. 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 95% and 97% of the sales during the years ended September 30, 2021 and 2020, respectively. Should one or more of the customers discontinue the purchase of radiopharmaceuticals from BRF, this could have a material effect on radiopharmaceutical revenues in future years.

17. 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 \$269,930 and \$286,809 for the years ended September 30, 2021 and 2020, respectively. Total combined employer and employee contributions were \$572,637 and \$593,590 for the years ended September 30, 2021 and 2020, respectively.

18. 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, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	49.79%	49.65%
Medicaid	17.31%	16.77%
Commercial insurance and managed care organizations	11.16%	10.83%
Self-pay patients and other	21.74%	22.75%
	<u>100.00%</u>	<u>100.00%</u>

The mix of receivables from patients and third-party payors at September 30, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	48.31%	50.12%
Medicaid	16.46%	19.39%
Commercial insurance and managed care organizations	18.52%	20.00%
Self-pay patients and other	16.71%	10.49%
	<u>100.00%</u>	<u>100.00%</u>

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Fair value of financial instruments

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

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

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

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

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Fair value of financial instruments (continued)

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

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

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

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

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

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

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

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

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Fair value of financial instruments (continued)

The majority of the Level 3 instruments consist of limited partnerships and preferred stock. The following tables present the changes in fair value for the years ended September 30, 2021 and 2020, in Level 3 instruments that are measured at fair value on a recurring basis:

	<u>2021</u>	<u>2020</u>
Balance - beginning of the year	\$ 883,106	\$ 872,421
Purchases	393,862	20,000
Unrealized gains on investments	733,371	-
Conversion of promissory notes	601,602	-
Write downs related to investments in limited partnerships	<u>(5,352)</u>	<u>(9,315)</u>
Balance - end of the year	<u>\$ 2,606,589</u>	<u>\$ 883,106</u>

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

20. Commitments and contingencies

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

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

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

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

BRF has entered into two contracts for construction projects. The total value of the construction contracts is approximately \$11,908,000, with approximately \$2,144,000 remaining to be expended as of September 30, 2021. Additionally, at September 30, 2021, BRF had committed to purchase equipment for a total cost of \$3,547,000, with approximately \$1,751,000 remaining to be expended as of September 30, 2021.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Commitments and contingencies (continued)

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

As of September 30, 2021, BRF had committed to make a \$150,000 investment in an unrelated company. That investment was made subsequent to year-end in exchange for ownership interest.

21. Composite score calculation

As part of the Digital Media Institute's Council on Occupational Education accreditation process and to participate in federal student aid programs, it must submit audited financial statements demonstrating its fiscal responsibility by maintaining a minimum composite score (defined by the U.S Department of Education) of 1.5. BRF's composite score using the standards of financial responsibility is 3.0 as of September 30, 2021. The components and ratios used to compute this amount are presented below.

<u>September 30, 2021</u>						
(1)	Expendable net assets	\$ 14,623,925		(4)	Modified assets	\$ 103,846,611
(2)	Total expenses	17,655,633		(5)	Change in unrestricted net assets	2,792,254
(3)	Modified net assets	63,064,747		(6)	Total unrestricted revenues	20,605,682
	Primary reserve	1.2			Equity	1.2
					Net Income	0.6

22. Subsequent events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, March 31, 2022, and determined that there were no events that occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the BRF, LLC and its subsidiaries (BRF), which comprise the consolidated statements of financial position as of and for the year ended September 30, 2021, 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 March 31, 2022, 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 34-39 and 45-46 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 31, 2022

**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, 2021

Revenues

Tuition	\$ 498,132
Grants	399,915
Other	3,409
Total revenues	<u>901,456</u>

Expenses

Salaries and benefits	859,921
Professional services	74,548
Insurance	2,405
Travel	6,345
Registration and conference fees	75
Subscriptions	38,068
Meals and entertainment	1,789
Advertising	112,764
Supplies	6,584
Other office expenses	2,500
Lease payments	3,336
Minor equipment	117,662
Depreciation	44,780
Bad debt	100,336
Bank Fees	4,343
Project development costs	1,500
Repairs and maintenance	35
Grants to Individuals	289,693
Other	4,950
Total expenses	<u>1,671,634</u>
Excess of expenses over revenues	<u>\$ (770,178)</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

	InterTech Venture Fund	CMIT Louisiana, LLC	BRF, LLC
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,280	\$ 1	\$ 10,188,323
Restricted cash and cash equivalents	-	3,812,044	2,720,373
Accounts receivable, net of allowances for doubtful accounts	-	-	4,331,305
Unconditional promises to give	-	125,000	344,442
Prepaid expenses	-	74	94,074
Inventory	-	-	37,667
Investments	380,371	-	20,417,027
Notes receivable and accrued interest	244,973	-	6,594,822
Property and equipment, net	-	11,650,534	43,669,215
Due from related party	170,409	-	93,210
Total assets	\$ 800,033	\$ 15,587,653	\$ 88,490,458
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ -	\$ 2,028,892	\$ 1,689,516
Note payable	-	4,654,769	4,599,301
Derivative liability	-	-	-
Deferred revenue	-	-	407,663
Due to related party	-	-	26,917,633
Asset retirement liability	-	-	654,500
Total liabilities	-	6,683,661	34,268,613
<u>NET ASSETS</u>			
Without donor restrictions	800,033	8,778,992	50,696,325
With donor restrictions	-	125,000	3,525,520
Total net assets	800,033	8,903,992	54,221,845
Total liabilities and net assets	\$ 800,033	\$ 15,587,653	\$ 88,490,458

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 10,192,604
-	-	6,532,417
-	-	4,331,305
-	-	469,442
-	-	94,148
-	-	37,667
-	767,914	20,029,484
-	-	6,839,795
-	-	55,319,749
-	170,409	93,210
		<u>\$ 103,939,821</u>
\$ -	\$ -	\$ 3,718,408
-	-	9,254,070
-	-	-
-	-	407,663
170,409	-	26,747,224
-	-	654,500
		<u>40,781,865</u>
767,914	-	59,507,436
-	-	3,650,520
		<u>63,157,956</u>
		<u>\$ 103,939,821</u>

BRF, LLC
SHREVEPORT, LOUISIANA

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2021

	InterTech Venture Fund	CMIT Louisiana, LLC	BRF, LLC
REVENUES AND SUPPORT:			
Net patient service revenue	\$ -	\$ -	2,354,882
Support - philanthropic	-	125,000	1,819,521
Rental revenues	-	-	10,284,847
Local government operating revenue	-	-	2,817,838
Government grants and contracts	-	-	665,962
Investment revenues (losses)	4,712	-	504,307
Interest revenues	-	-	334,900
Radiopharmaceutical sales	-	-	968,680
Tuition revenues	-	-	498,132
Other revenues	-	-	192,079
Total revenues and support	4,712	125,000	20,441,148
EXPENSES:			
Program services:			
Center for Molecular Imaging and Therapy	-	21,999	3,376,783
Office of Research, Development and Administration / Envision	-	-	378,883
Entrepreneurial Accelerator Program	-	-	1,287,658
Digital Media Institute	-	-	1,671,638
Real Estate Management and Development	-	-	5,983,725
Shreveport Next	-	-	515,653
Other sponsored projects	-	-	126,924
Total program services	-	21,999	13,341,264
Support services:			
Management and general	-	-	4,077,947
Fund-raising	-	-	214,423
Total support services	-	-	4,292,370
Total expenses	-	21,999	17,633,634
NONOPERATING REVENUES (EXPENSES):			
Change in value of derivative	-	-	23,629
Loss on disposal of fixed assets	-	-	(1,424)
Total nonoperating revenues	-	-	22,205
CHANGE IN NET ASSETS	4,712	103,001	2,829,719
Capital contribution from Parent	-	8,800,991	-
Capital contribution to Subsidiary	-	-	(8,800,991)
Net assets - beginning of year	795,321	-	60,193,117
Net assets - end of year	\$ 800,033	\$ 8,903,992	\$ 54,221,845

Elimination Entries		BRF, LLC
DR	CR	Consolidated
\$ -	\$ -	\$ 2,354,882
-	-	1,944,521
-	-	10,284,847
-	-	2,817,838
-	-	665,962
-	-	509,019
-	-	334,900
-	-	968,680
-	-	498,132
-	-	192,079
		<u>20,570,860</u>
-	-	3,398,782
-	-	378,883
-	-	1,287,658
-	-	1,671,638
-	-	5,983,725
-	-	515,653
-	-	126,924
		<u>13,363,263</u>
-	-	4,077,947
-	-	214,423
		<u>4,292,370</u>
		<u>17,655,633</u>
-	-	23,629
-	-	(1,424)
		<u>22,205</u>
		2,937,432
-	8,800,991	-
8,800,991	-	-
767,914	-	<u>60,220,524</u>
		<u>\$ 63,157,956</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, 2021, 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 March 31, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 31, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited BRF, LLC's (BRF) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of BRF's major federal programs for the year ended September 30, 2021. BRF's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of BRF's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Biomedical Research Foundation of Northwest Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on BRF's compliance.

Opinion on Each Major Federal Program

In our opinion, BRF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

BRF's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. BRF's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of BRF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BRF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BRF's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit those attention by charged with governance.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.



BRF's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. BRF's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 31, 2022

BRF, LLC
SHREVEPORT, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Grant Year</u>	<u>Grantor Project Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures 2021</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>				
COVID-19 HEERFI Institution (CARES Act)	2020	P425F203816	84.425F	\$ 570
COVID-19 HEERFII Student (CRRSAA)	2020	P425E204292-20A	84.425E	9,612
COVID-19 HEERFII Institution (CRRSAA)	2020	P425F203816-20A	84.425F	9,990
COVID-19 HEERFIII Student (ARP)	2021	P425E204292-20B	84.425E	28,096
COVID-19 HEERFIII Institution (ARP)	2021	P425F203816-20B	84.425F	28,096
COVID-19 HEERF-FIPSE	2021	P425N200798	84.425N	314,550
				<u>390,915</u>
Federal Pell Grant Program			84.063*	77,215
Federal Direct Student Loans			84.268*	118,823
				<u>586,952</u>
<u>UNITED STATES ECONOMIC DEVELOPMENT ADMINISTRATION</u>				
Entrepreneurial Accelerator Program (NorLEAP)		08-69-05253	11.307	188,389
				<u>188,389</u>
				<u>\$ 775,341</u>

* Student Financial Assistance Program Cluster - \$196,038

None of the above listed federal awards were passed through to subgrantees.

See accompanying notes to the schedule of expenditures of federal awards.

BRF, LLC
SHREVEPORT, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of BRF and is presented on the accrual basis of accounting. The information in this schedule is also presented in accordance with the requirements of *Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DE MINIMUS COST RATE

During the year ended September 30, 2021, BRF did not elect to use the 10% de minimus cost rate as allowed by §200.414 of the Uniform Guidance.

NOTE C – RECONCILIATION TO THE BASIC FINANCIAL STATEMENT

As revenues for federal programs are recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenue reported. P&N notes that in the current year expenditures agreed to revenues within an immaterial difference.

BRF, LLC
SHREVEPORT, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements or other matters noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes _____ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? _____ yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund Under the Coronavirus Aid: Relief and Economic Security Act

The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.

BRF was determined to be a high-risk auditee.

B. Findings - Financial Statement Audit

None.

BRF, LLC
SHREVEPORT, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2021

C. Findings and Questioned Costs – Major Federal Award Programs

2021-001) Procurement

U.S. DEPARTMENT OF EDUCATION
84.425 ESF – Higher Education Emergency Fund
2021 Award Year
Grant P425N200798

Criteria: The Uniform Guidance federal regulations were fully effective as of December 26, 2017. The regulations (200.320) require, among other things, that procurement for small purchases of goods and services in an amount between the \$10,000 to \$250,000, follow the small purchase procedures and obtain an adequate number of prices\quotes be obtained.

Condition: While testing compliance with the Federal procurement regulations, 2 vendors were identified with expenditures greater than \$10,000 and less than \$250,000 and testing was performed relating to the documentation to support the procurement process. The vendors provided goods and technical services during year ended September 30, 2021. Compliance testing focused on the proper awarding of the contracts to determine compliance with the procurement regulations. The contracts totaled \$83,907. There was no documentation maintained to demonstrate that quotes and prices were obtained for 1 of the 2 vendors in accordance with Federal procurement regulations.

Cause: Due to the time constraints involved with converting to a remote learning environment personnel administering the grants did not execute and enforce BRF’s purchasing policy containing the Uniform Guidance requirements, specifically maintaining adequate documentation to support compliance with procurement of goods and services.

Effect: BRF is not in compliance with the requirements of the Uniform Guidance Procurement regulations or BRF policies.

Questioned Costs: None.

**Universe/
Population Size:** The total universe considered to be all vendors of BRF whose transactions for the year ended September 30, 2021, exceeded the micro-purchase threshold of \$10,000. Based on these requirements, the total universe is 2 vendors totaling \$83,907. This is also considered the population size.

Sample Size: The total universe/population size of two (2) vendors was selected for testing.

BRF, LLC
SHREVEPORT, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2021

C. Findings and Questioned Costs – Major Federal Award Programs (continued)

2021-001 **Procurement** (continued)

Recommendation: We recommend that BRF reinforce with its personnel the need to fully follow its policies and procedures for purchases made with federal awards so that federal procurement regulations are followed.

Repeat Finding: No.

View of Responsible Official:

Management has provided education subsequent to fiscal year-end to its personnel regarding federal procurement guidelines and internal policies. Management will also explore technology-based solutions to continually remind and educate personnel about requirements for procurement under federal guidelines and internal policies and required documentation.

BRF, LLC
SHREVEPORT, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2020

A. Findings - Financial Statement Audit

None.



March 31, 2022

Postlethwaite & Netterville, APAC
8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

BRF, LLC respectfully submits the following corrective action plan for the year ended September 30, 2021:

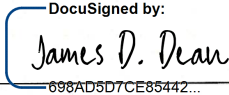
Response to Finding:

2021-001) Procurement

BRF believed it was in compliance with federal procurement guidelines and internal policies in the acquisition of technical services due to a recommendation of the vendor from an independent public educational institution and its need for timely completion.

Management will implement the following corrective action steps:

- 1) Management will provide education and has provided education subsequent to fiscal year end to its personnel regarding federal procurement guidelines and internal policies.
- 2) Management will explore technology-based solutions to continually remind and educate personnel about requirements for procurement under federal guidelines and internal policies and required documentation.

Signature:  _____
698AD5D7CE85442...

Title: Exec. VP