BATON ROUGE AREA FOUNDATION
AND SUPPORTING ORGANIZATIONS
BATON ROUGE, LOUISIANA

DECEMBER 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Baton Rouge Area Foundation
Baton Rouge, Louisiana

Opinion

We have audited the consolidated financial statements of the Baton Rouge Area Foundation (a nonprofit organization) and its subsidiaries and its supporting organizations, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Baton Rouge Area Foundation and its subsidiaries and its supporting organizations as of December 31, 2021 and 2020, and the results of their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The Wilbur Marvin Foundation, The E.J. and Marjory B. Ourso Family Foundation, The Milford Wampold Support Foundation, The Credit Bureau of Baton Rouge Foundation, and The Community Foundation of Southwest Louisiana (five supporting organizations), whose statements reflect total assets of $342,450,533 and $341,915,648 as of December 31, 2021 and 2020, and total support and revenues of $50,554,177 and $36,587,022 for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these supporting organizations, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Baton Rouge Area Foundation and its subsidiaries and its supporting organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baton Rouge Area Foundation and its subsidiaries and its supporting organizations' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Baton Rouge Area Foundation and its subsidiaries and its supporting organizations' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Baton Rouge Area Foundation and its subsidiaries and its supporting organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Respectfully submitted,

Harris T. Bourgeois, LLP

Baton Rouge, Louisiana
February 8, 2023

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 41,505,235	$ 35,045,626
Restricted and escrowed cash	4,260	6,411
Accounts and other receivables	2,453,043	2,467,634
Notes receivable	293,567	145,801
Investments, at fair value	427,996,249	356,159,511
Real estate, net	249,582,945	241,641,439
Beneficial interest in estates, trusts and annuities	11,530,937	10,485,825
Property and equipment, net	2,450,584	2,558,949
Real estate held for sale	6,305,860	26,816,607
Other assets	3,461,739	5,930,908
Total assets	$ 745,584,419	$ 681,258,711
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 5,233,982	$ 7,329,604
Grants payable	2,210,114	3,120,624
Amounts held on behalf of others	128,809,220	104,159,895
Mortgages and notes payable	125,192,636	130,761,163
Other liabilities	13,669,150	13,170,334
Total liabilities	275,115,102	258,541,620
NET ASSETS		
Without donor restrictions:		
Undesignated	243,154,289	201,827,722
Designated by the Board	52,960,734	52,537,339
Total without donor restrictions	296,115,023	254,365,061
With donor restrictions:		
Perpetual in nature	90,055,807	86,435,280
Restricted for a specified purpose	65,946,503	54,828,536
Total with donor restrictions	156,002,310	141,263,816
Noncontrolling interest	18,351,984	27,088,214
Total net assets	470,469,317	422,717,091
Total liabilities and net assets	$ 745,584,419	$ 681,258,711

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 35,538,193	$ 21,489,252	$ 57,027,445
Program service fees	16,000	27,431	43,431
Real estate income	14,202,389	51,270	14,253,659
Gains (Losses) on disposal of assets	8,947,859	-	8,947,859
Change in value of beneficial interest in estates, trusts and annuities	48,017	439,007	487,024
Net investment income	23,246,293	18,113,544	41,359,837
In-kind contributions	45,100	6,464	51,564
PPP loan forgiveness	1,069,623	-	1,069,623
Other forgiveness of debt	635,430	-	635,430
Other revenue	1,604,790	-	1,604,790
Gross special events revenue	-	302,666	302,666
Less cost of direct benefit to donors	-	(50,377)	(50,377)
Net special events revenue	-	252,289	252,289
Administrative assessment	51,773	-	51,773
Net assets released from restriction pursuant to endowment spending-rate distribution formula	4,287,434	(4,287,434)	-
Net assets released from restriction - other	21,353,329	(21,353,329)	-
Total revenue, support, and reclassifications	111,046,230	14,738,494	125,784,724
EXPENSES			
Program services expense			
Grants	33,688,413	-	33,688,413
Projects	3,157,492	-	3,157,492
Other	5,187,644	-	5,187,644
Total program expenses	42,033,549	-	42,033,549
Supporting services expense			
Real estate	15,042,035	-	15,042,035
Management and general	8,847,724	-	8,847,724
Fundraising	943,075	-	943,075
Total supporting services expenses	24,832,834	-	24,832,834
Total expenses	66,866,383	-	66,866,383

Continued . . .

	Without Donor Restrictions	With Donor Restrictions	Total
OTHER CHANGES			
Unrelated business income tax expense	494,998	-	494,998
Provision for litigation loss	1,200,000	-	1,200,000
	1,694,998	-	1,694,998
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	42,484,849	14,738,494	57,223,343
Change in net assets attributable to noncontrolling interest	533,645	-	533,645
CHANGE IN NET ASSETS ATTRIBUTABLE TO BATON ROUGE AREA FOUNDATION AND SUPPORTING ORGANIZATIONS	$ 41,951,204	$ 14,738,494	$ 56,689,698

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 12,997,255	$ 26,591,549	$ 39,588,804
Program service fees	-	2,503	2,503
Real estate income	13,463,176	69,750	13,532,926
Gains (Losses) on disposal of assets	4,917,726	-	4,917,726
Change in value of beneficial interest in estates, trusts and annuities	47,930	264,715	312,645
Net investment income	11,888,451	9,341,695	21,230,146
In-kind contributions	94,430	6,378	100,808
Gross special events revenue	-	108,983	108,983
Less cost of direct benefit to donors	-	(23,739)	(23,739)
Net special events revenue	-	85,244	85,244
Administrative assessment	18,574	-	18,574
Net assets released from restriction pursuant to endowment spending-rate distribution formula	4,814,242	(4,814,242)	-
Net assets released from restriction - other	17,544,911	(17,544,911)	-
Other transfers at donor request	(1,154,178)	1,154,178	-
Total revenue, support, and reclassifications	64,632,517	15,156,859	79,789,376
EXPENSES			
Program services expense			
Grants	30,381,989	-	30,381,989
Projects	1,780,104	-	1,780,104
Other	5,150,059	-	5,150,059
Total program expenses	37,312,152	-	37,312,152
Supporting services expense			
Real estate	16,639,028	-	16,639,028
Management and general	7,404,643	-	7,404,643
Fundraising	677,427	-	677,427
Total supporting services expenses	24,721,098	-	24,721,098
Total expenses	62,033,250	-	62,033,250

Continued . . .

	Without Donor Restrictions	With Donor Restrictions	Total
OTHER CHANGES			
Unrelated business income tax expense	419,413	-	419,413
Provision for litigation loss	3,000,000	-	3,000,000
	3,419,413	-	3,419,413
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	(820,146)	15,156,859	14,336,713
Change in net assets attributable to noncontrolling interest	(2,685,718)	-	(2,685,718)
CHANGE IN NET ASSETS ATTRIBUTABLE TO BATON ROUGE AREA FOUNDATION AND SUPPORTING ORGANIZATIONS	$ 1,865,572	$ 15,156,859	$ 17,022,431

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the Years ended December 31, 2021 and 2020

	Attributable to Baton Rouge Area Foundation and Supporting Organizations				
	Without Donor Restrictions	With Donor Restrictions	Total	Noncontrolling Interest	Total
Balance at December 31, 2019	$ 256,295,387	$ 126,106,957	$ 382,402,344	$ 36,129,079	$ 418,531,423
Redemption of membership interest	(3,351,398)	-	(3,351,398)	(5,369,595)	(8,720,993)
Redemption of stock	-	-	-	(1,000)	(1,000)
Distributions	-	-		(984,552)	(984,552)
Preferred distributions	(444,500)	-	(444,500)	-	(444,500)
Change in net assets	1,865,572	15,156,859	17,022,431	(2,685,718)	14,336,713
Balance at December 31, 2020	254,365,061	141,263,816	395,628,877	27,088,214	422,717,091
Redemption of membership interest	1,898,559	-	1,898,559	(1,898,559)	-
Sale of controlling interest	(2,099,801)	-	(2,099,801)	-	(2,099,801)
Contributions	-	-	-	4,170,056	4,170,056
Redemption of stock	-	-	-	(1,000)	(1,000)
Distributions	-	-	-	(11,540,372)	(11,540,372)
Change in net assets	41,951,204	14,738,494	56,689,698	533,645	57,223,343
Balance at December 31, 2021	$ 296,115,023	$ 156,002,310	$ 452,117,333	$ 18,351,984	$ 470,469,317

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2021

	Program Services				Supporting Services				
	Grants	Projects	Other	Total	Real Estate	Management and General	Fundraising	Total	Total
Grants and other assistance	$33,688,413	$ -	$ -	$33,688,413	$ -	$ -	$ -	$ -	$33,688,413
Salaries and wages, employee benefits, and payroll taxes	-	31,152	2,099,150	2,130,302	87,976	7,059,896	543,058	7,690,930	9,821,232
Professional services	-	2,305,945	759,843	3,065,788	706,345	645,868	91,330	1,443,543	4,509,331
Office expenses	-	24,829	98,627	123,456	167,715	240,016	21,944	429,675	553,131
Insurance	-	133	159,256	159,389	816,910	71,265	9,675	897,850	1,057,239
Information technology	-	2,271	46,356	48,627	-	127,421	21,649	149,070	197,697
Printing	-	10,767	18,797	29,564	-	15,574	118,474	134,048	163,612
Rent	-	27,075	358,474	385,549	495,485	273,565	24,583	793,633	1,179,182
Travel and meetings	-	36,782	82,500	119,282	9,189	173,617	16,359	199,165	318,447
Depreciation and amortization	-	-	980,891	980,891	4,761,133	149,267	20,808	4,931,208	5,912,099
Common area maintenance	-	-	489,746	489,746	2,867,462	63,148	-	2,930,610	3,420,356
Advertising	-	151,072	-	151,072	-	-	-	-	151,072
Interest	-	-	-	-	3,738,385	-	-	3,738,385	3,738,385
Other property expenses	-	-	46,498	46,498	1,391,435	23,638	-	1,415,073	1,461,571
Other project expenses	-	567,466	47,506	614,972	-	4,449	-	4,449	619,421
Direct fundraising expenses	-	-	-	-	-	-	125,572	125,572	125,572
Total expenses by function	33,688,413	3,157,492	5,187,644	42,033,549	15,042,035	8,847,724	993,452	24,883,211	66,916,760
Less expenses included with revenues on the statement of activities									
Cost of direct benefit to donors	-	-	-	-	-	-	50,377	50,377	50,377
Total expenses included in the expense section of the statement of activities	$33,688,413	$3,157,492	$5,187,644	$42,033,549	$15,042,035	$ 8,847,724	$ 943,075	$24,832,834	$66,866,383

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2020

	Program Services				Supporting Services				
	Grants	Projects	Other	Total	Real Estate	Management and General	Fundraising	Total	Total
Grants and other assistance	$30,381,989	$ -	$ -	$30,381,989	$ -	$ -	$ -	$ -	$30,381,989
Salaries and wages, employee benefits, and payroll taxes	-	2,503	1,844,421	1,846,924	445,110	5,940,106	408,877	6,794,093	8,641,017
Professional services	-	1,105,617	389,766	1,495,383	799,309	450,189	58,894	1,308,392	2,803,775
Office expenses	-	33,930	197,898	231,828	174,334	288,677	16,548	479,559	711,387
Insurance	-	-	220,266	220,266	712,499	47,203	6,337	766,039	986,305
Information technology	-	4,280	42,216	46,496	-	110,796	17,915	128,711	175,207
Printing	-	15,568	8,186	23,754	-	22,859	116,583	139,442	163,196
Rent	-	47,738	107,947	155,685	507,694	233,438	20,790	761,922	917,607
Travel and meetings	-	66,203	40,089	106,292	426	102,379	15,856	118,661	224,953
Depreciation and amortization	-	-	1,608,189	1,608,189	3,591,894	150,865	16,814	3,759,573	5,367,762
Common area maintenance	-	-	564,949	564,949	2,381,291	36,954	-	2,418,245	2,983,194
Advertising	-	118,642	-	118,642	-	-	-	-	118,642
Interest	-	-	-	-	6,456,024	-	-	6,456,024	6,456,024
Other property expenses	-	-	126,132	126,132	1,570,447	21,177	-	1,591,624	1,717,756
Other project expenses	-	385,623	-	385,623	-	-	-	-	385,623
Direct fundraising expenses	-	-	-	-	-	-	22,552	22,552	22,552
Total expenses by function	30,381,989	1,780,104	5,150,059	37,312,152	16,639,028	7,404,643	701,166	24,744,837	62,056,989
Less expenses included with revenues on the statement of activities									
Cost of direct benefit to donors	-	-	-	-	-	-	23,739	23,739	23,739
Total expenses included in the expense section of the statement of activities	$30,381,989	$1,780,104	$5,150,059	$37,312,152	$16,639,028	$ 7,404,643	$ 677,427	$24,721,098	$62,033,250

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 57,223,343	$ 14,336,713
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	6,050,766	5,909,391
Net loss (gain) on investments	(55,042,810)	(25,245,035)
Net loss (gain) on disposal of property, plant and equipment	(8,946,979)	(4,916,664)
Net loss (gain) on beneficial interest in perpetual trust	(312,003)	(313,196)
Non-cash contributions	(21,366,637)	(4,517,625)
Non-cash grants	9,652	20,292
Unrealized loss (gain) on interest rate contracts	(1,371,680)	2,025,221
Equity in loss of affiliate	574,461	568,655
Write off capitalized leasing cost	-	(140,741)
PPP loan forgiveness	(1,069,623)	-
Forgiveness of other debt	(635,430)	-
Provision for litigation loss	1,200,000	3,000,000
Changes in assets and liabilities:		
(Increase) decrease in accounts and other receivables	128,934	23,517
(Increase) decrease in other assets	(696,452)	408,049
Increase (decrease) in accounts payable and accrued liabilities	(1,499,853)	(1,308,849)
Decrease in grants payable	(456,651)	(469,322)
Increase in amounts held on behalf of others	24,649,325	9,055,086
Increase (decrease) in other liabilites	3,239,272	(854,807)
Increase in receivables from estates, trusts and annuities	(703,152)	(418,465)
Other increases in long-term investments:		
Cash contributions to endowments	(402,087)	(528,614)
Interest and dividends restricted for reinvestment in endowments	(12,796)	(11,346)
Net cash provided by (used in) operating activities	559,600	(3,377,740)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(27,265)	(48,027)
Purchase of real estate	(5,677,519)	(15,434,643)

Continued . . .

	2021	2020
Proceeds from sale of property and equipment	16,127,023	16,739,593
Proceeds from sale of stock and withdrawal of partnership interest	113,111	160,176
Capital contribution to equity partnership interest	(3,150)	(4,950)
Net sales (purchases) of investments	(3,155,032)	1,756,960
New loans provided	(147,766)	-
Loan repayments received	-	2,354,226
Distributions from trusts, estates, and equity investments	35,548	62,870
Increase in deferred compensation liability	-	222,195
Net purchases of investments by perpetual trusts	(65,505)	(29,848)
Distribution of LLC interest	821,655	15,377
Net cash provided by (used in) investing activities	8,021,100	5,793,929
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions to endowments	$ 402,087	$ 528,614
Interest and dividends restricted for reinvestment in endowments	12,796	11,346
New borrowings	11,085,997	9,375,140
Principal payments on borrowings	(3,585,555)	(4,028,232)
Proceeds from notes payable - other	478,160	-
Payments on notes payable - other	(463,658)	(936,268)
Proceeds from Payroll Protection Program loan	68,730	1,000,893
Issuance of note receivable	-	(65,000)
Payments received on notes receivable	-	5,000
Increase in due from owners	35,999	(107,187)
Contributions from noncontrolling interests	1,625,755	-
Redemption of non-controlling interest	(1,000)	(8,721,993)
Preferred distributions	-	(444,500)
Distributions to minority interest owners	(11,540,372)	(984,552)
Deferred financing costs	(242,181)	(29,322)
Net cash provided by (used in) financing activities	(2,123,242)	(4,396,061)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,457,458	(1,979,872)
Cash and cash equivalents - beginning of year	35,052,037	37,031,909
Cash and cash equivalents - end of year	$ 41,509,495	$ 35,052,037

Continued . . .

	2021	2020
Cash and cash equivalents	$ 41,505,235	$ 35,045,626
Restricted and escrowed cash	4,260	6,411
	$ 41,509,495	$ 35,052,037

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2021	2020
Cash payments for interest	$ 5,044,643	$ 4,829,413
Cash payments for income taxes, net of refunds	$ 2,198	$ 419,413
Paydown of mortgages payable and notes payable through disposal of real estate investments	$ 14,861,662	$ 17,627,536
Reduction on note payable through trade-in of vehicles	$ 149,230	$ -
Acquisition of real estate investments through notes payable	$ 3,336,437	$ -
Purchase of property and equipment financed by notes payable	$ 155,634	$ 77,746
Reduction of mortgages payable through increase in notes payable	$ 1,200,000	$ -
Exchange of controlling interest for interest in a partnership	$ 2,099,801	$ -

The accompanying notes are an integral part of this statement.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations

Nature of activities
The Baton Rouge Area Foundation (BRAF) is a not-for-profit organization committed to serving the general charitable, educational, and scientific needs of the greater Baton Rouge area through charitable grants made and other Foundation projects carried out at the discretion of the Board of Directors.

Basis of presentation
The financial statements have been prepared on the accrual basis of accounting.

BRAF is required to report information regarding its financial position and activities according to the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions: Net assets available to use in general operations and not subject to donor restrictions.

With donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Principles of consolidation
The consolidated financial statements include the accounts of BRAF and its wholly-owned subsidiaries, LaSalle – Galvez, L.L.C.; Douglas Manship, Sr. Theater Complex, L.L.C.; Alvin & Louise Albritton Memorial Fund, L.L.C.; Albritton Memorial Fund II, L.L.C.; Gray Fox Mineral Corporation; BRAF Cornwallis, LLC; BRAF Hunt, LLC; BRAF LeBlanc, LLC; Storehouse 28, LLC; 725 Main, LLC; BRAF Reeves, LLC; and BRAF Stevens, LLC. All material interorganization transactions have been eliminated.

Accounting principles generally accepted in the United States of America require consolidation of all entities that an organization has both control over and an economic interest in. BRAF effectively controls various affiliated organizations' board of directors and distributions made by these supporting organizations. Transactions and balances between the organizations have been eliminated in consolidation.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

As a result, the financial statements also include the consolidated accounts of BRAF's supporting organizations:

- The Wilbur Marvin Foundation (TWMF) was organized on October 22, 1992, and it includes the operations of its wholly owned and majority-owned subsidiaries. When TWMF does not have a controlling interest in an entity, but exerts significant influence over the entity, TWMF applies the equity method of accounting.

- Helen S. Barnes Trust was organized in 1990 as a private non-operating foundation and is administered by a national bank with offices in Chicago, Illinois.

- The E. J. and Marjory B. Ourso Family Foundation (TOFF) was organized on August 16, 1995 and recognized as the sole legatee of the succession of Mr. E. J. Ourso and put in possession of his estate. Under the terms of Mr. Ourso's will, his estate became a donor-imposed restricted endowment fund for the benefit of twelve named religious and/or charitable organizations. Seventy-five percent (75%) of the income from the endowment is required to be distributed to these beneficiaries and the remaining twenty-five percent (25%) to be added back to the donor-imposed restricted endowment. TOFF's office is located in Donaldsonville, Louisiana.

- The Milford Wampold Support Foundation was organized on December 22, 1997 and its office is located in Baton Rouge, Louisiana.

- The Newton B. Thomas Support Foundation was formed in 2002 to assist BRAF in its mission to support people in Baton Rouge and the surrounding areas and is located in Baton Rouge, Louisiana.

- The Gulf Coast Restoration and Protection Foundation (GCRPF) provides temporary relief to victims of disasters, both natural and man-made, along the Gulf Coast who suffer financial or economic hardship as a result of such disasters.

- The Credit Bureau of Baton Rouge Foundation (CBBRF) was established on January 9, 2004 to support, fund and participate in programs designed to educate the public about the consumer credit system, the prudent use of consumer credit and how the public should manage the individual finances. CBBRF's office is located in Baton Rouge, Louisiana.

- Northshore Community Foundation (NCF) was organized on January 11, 2007 to operate in the Louisiana parishes of St. Helena, St. Tammany, Tangipahoa, and Washington (the Northshore Community). NCF's office is located in Covington, Louisiana.

- Community Foundation of Southwest Louisiana (CFSWL) was organized on June 1, 2001 and as amended on April 30, 2008 operates in the Louisiana parishes of Calcasieu, Beauregard, Allen, Cameron, and Jefferson Davis (Southwest Louisiana). CFSWL's office is located in Lake Charles, Louisiana.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

- The John W. Barton Family Foundation was organized in 2000 to advance charitable activities through a grant-making program and is located in Baton Rouge, Louisiana.

- Community Foundation Realty, Inc. (CFR) was organized on February 7, 2006 specifically to acquire, develop, manage, and dispose of real estate assets donated or otherwise acquired by CFR.

- Employee Assistance Foundation was organized on April 18, 2011 to provide disaster relief and emergency assistance programs to organizations for the benefit of their employees and eligible dependents.

Revenue recognition

BRAF utilizes the accrual basis of accounting for recognizing revenue from rental income, special events, and program service fees whereby income is recognized when earned. Revenue from program service fees and special events is recognized at a point in time when the goods or services are provided by BRAF or the event is held. Rental income is recognized over time in the period in which the service is provided. Any payments received in advance from these sources or revenues are deferred and recognized in the period when the underlying performance obligation is satisfied.

Real estate operations revenue recognition

In 2020, TWMF adopted Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. However, this standard does not affect revenue streams that are addressed by other standards such as leases under Topic 840 or sales of real estate (that do not meet the definition of a business) to noncustomers under ASC 610-20, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets*. However, TWMF has identified certain other revenue streams related to tenant charges, conference center income, and daily parking revenue which are within the scope of Topic 606. The revenue streams and applicable policies are discussed below.

Real estate income is mainly derived from the leasing of both commercial and residential properties and is accounted for on an accrual basis in accordance with Topic 840. Lease agreements may include escalation provisions, and as such, rental income is recognized on a straight-line basis with an offset to straight-line rent receivables. Tenant recoveries revenue relates to reimbursements from tenants for common area maintenance, insurance premiums, property taxes, and other expenses. Percentage rental revenue is included in rental income and is recognized based upon tenant sales that exceed specific levels or breakpoints.

Tenant charges include non-refundable move-in and pet deposit fees, damage assessments, application fees, late fees and insufficient funds and related notice fees. These activities associated with these types of fees do not transfer a good or service to the customer; therefore, they do not give rise to a performance obligation. Fees are charged when the event occurs, and revenue is recognized at a point in time.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

Conference center revenue is generated by providing services such as meeting rooms, audio/visual equipment and/or catering to customers. These fees along with associated deposits are considered a single performance obligation as TWMF is providing a service of distinct services that are substantially the same and have the same patterns of transfer. Consideration, including deposits, is variable and fully constrained as the nonoccurrence of a future event. Deposits are deferred until the performance obligation is met. Revenue is recognized at a point in time when the immediate consumption of the services is provided.

Daily parking revenue is derived from customers parking their vehicles on a short-term basis at TWMF's parking garage property. Parking spaces are not reserved for daily parking patrons. Customers enter the garage, take a ticket, park, and pay upon exit. As such, this transaction is considered a single performance obligation and recognized at a point in time.

Monthly parking revenue is derived from the leasing of reserved parking spaces. Parking spaces that are leased are billed monthly and are recognized over time as revenue is earned.

There are no significant judgements relating to the amount and timing of revenue recognition for revenue streams within the scope of Topic 606. Due to the nature of the service provided, TWMF does not incur costs to obtain contracts and there are no material incremental costs to fulfill these contracts that should be capitalized. Additionally, there are no material contract assets or receivables as TWMF does not typically enter into long-term revenue contracts with its customers.

Rental expenses are expenses incurred directly by the properties in the course of rental activities. Administrative expenses are those expenses incurred for administrative functions.

Real estate is purchased and sold in the course of business. Management evaluates real estate properties in accordance with its operating strategy. When real estate is sold, the entire capitalized cost of the real estate and any associated accumulated depreciation is removed from the books with the difference between the consideration received activities.

<u>Contributions</u>
BRAF recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for the amounts expected to be collected. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. All contributions are considered available without donor restrictions unless specifically restricted by the donor.

Endowment contributions are restricted by the donor. Investment earnings available for distribution are reclassified to net assets without donor restrictions or net assets with donor restrictions as specified by the donor.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

Use of estimates

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

A material estimate that is particularly susceptible to significant change relates to the determination of the fair value for investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

Other significant estimates include adjustments for discounted present values of long-term contributions and other receivables as well as grants payable.

While management uses available information to determine the market values and the present value discounts, future adjustments may be required. It is reasonably possible that the market values and present value discounts may change materially in the near term.

Gifts of marketable securities and other items

Gifts of marketable securities and other noncash donations are recorded as contributions at their fair values at the date of the donation.

Donated services

No amounts have been reflected in the financial statements for donated services. BRAF generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist BRAF in the performance of its projects and various committee activities.

Cash and cash equivalents

Generally, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents for the purposes of the statement of cash flows.

Assets held and liabilities under split-interest agreements

BRAF acts as trustee for an irrevocable trust. BRAF received unrestricted title to contributed assets and agreed to make recurring payments over a stipulated period to the beneficiary. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiary is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiary and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

The fair value of the split-interest agreement assets at December 31, 2021 and 2020 was $3,071,048 and $2,718,267, respectively and is included in cash and cash equivalents ($89,903 and $97,642, respectively) and in investments ($2,981,145 and $2,620,625, respectively) in the consolidated statements of financial position. The present value of the liability included in other liabilities on the consolidated statements of financial position at December 31, 2021 and 2020 is $2,495,012 and $2,233,383, respectively.

<u>Beneficial interest in charitable trusts held by others</u>
BRAF has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, BRAF has neither possession nor control over the assets of the trusts. At the date BRAF receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to an endowment fund and net assets with donor-restrictions are not released.

<u>Beneficial interests in perpetual trusts</u>
BRAF has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. Perpetual trusts provide for the distribution of net income of the trusts to the beneficiary; however, the beneficiary will never receive the assets of the trusts. At the date BRAF receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust's assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

Accounts receivable

Accounts receivable generally represent amounts due from tenants for monthly rent and billings for reimbursement of common area costs. Accounts receivable are recorded at the invoiced amount and do not bear interest. Management evaluates whether it is necessary to record an allowance for doubtful accounts for estimated losses inherent in the accounts receivable portfolio. In evaluating the required allowance, management considers historical losses adjusted to consider current market conditions and lessee's financial condition, the amounts of receivables in dispute, and the current receivables aging and current payment patterns. Based on its evaluation, management determined that no allowance for doubtful accounts was necessary as of December 31, 2021 and 2020.

In other cases, uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method in these cases does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Property and equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value on the date of donation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. The basis of property and equipment sold or otherwise disposed of, and the accumulated depreciation thereon is eliminated, and any gain or loss is reported in operations.

The estimated useful lives for office furniture and equipment range from three to ten years, and forty years for buildings and improvements.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Real estate

Real estate properties acquired are recorded at cost. Depreciation on buildings and improvements is calculated on the straight-line method over the estimated useful lives of the assets. Repair and maintenance costs are expensed as incurred.

Real estate developments in process are carried at cost in construction in progress, which includes land acquisition cost, architectural fees, general contractor fees, capitalized interest, internal costs related directly to the development, and other costs related directly to the construction of the property. Depreciation is not recorded until the property is placed in service, which occurs shortly after receipt of a certificate of occupancy.

Interest on borrowings used to finance the cost of major capital projects during the active construction period is capitalized. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

Impairment of real estate

Long-lived assets, such as land and buildings and improvements in real estate properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the undiscounted cash flows expected to be generated by those assets or asset group are compared to the carrying values. Various assumptions are used when determining the expected undiscounted cash flow including expected future lease rates, lease terms, end of economic life, value of the property, periods in which the asset may be held in preparation for lease extensions or new leases, maintenance costs, remarketing costs, the remaining economic life of the property, and estimate proceeds from future property sales. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Tenant improvements

The accounting for tenant improvements is dictated by who is determined to own the improvements. When TWMF is the owner of the tenant improvements, the cost to construct the tenant improvements is recorded as tenant improvements in real estate investments and depreciated over the shorter of the asset's useful life or the lease term. To the extent TWMF funded all or a portion of an improvement that is owned by the tenant, TWMF treats the cost as a lease incentive and amortizes the costs as a reduction to rental revenue on a straight-line basis over the term of the lease.

Lease incentives include cash payments to or on behalf of tenants or the buy-out of a prospective tenant's existing lease obligation with a third party and are amortized as a reduction to rental revenue on a straight-line basis over the term of the lease.

Capitalized leasing costs

Costs, such as commissions paid to brokers, incurred in connection with the execution of leases are capitalized. The costs are amortized over the term of the respective lease. Unamortized costs are charged to expense upon termination of the lease prior to the expiration of the lease.

Deferred financing costs

Debt issuance costs related to mortgages payable are deferred and amortized over the term of the respective mortgages payable to interest expense. Deferred financing costs associated with term debt are netted against the corresponding liability on the consolidated statements of financial position. Deferred financing costs associated with lines of credit are reported as an asset on the consolidated statements of financial position.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

Investments

Investments are recorded at cost, or if donated, at the fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The majority of BRAF's investment portfolio is currently managed by two investment advisors that are authorized to allocate the portion of the investment portfolio under their control within policy guidelines between equity, fixed income and cash, and alternative assets. These advisors select the various investment managers needed to accomplish the investment objectives that provide funding for current grant commitments, as well as providing income to fund future grant requests and meet the operating needs of the Foundation. Investments held in the managed portfolio are stated at fair value. Other investments held outside of the managed portfolio are valued based on various methods depending on the type of investments. See Note 9 for further details of the determination of investment fair value. Increases and decreases in market value are recognized in the period in which they occur.

Additionally, BRAF received a property distribution from an estate in previous years that included various tracts of unimproved properties and their mineral rights. BRAF accounts for these properties at lower of cost or fair value.

Through a wholly owned subsidiary, BRAF has a 50% ownership interest in the Shaw Center for the Arts, L.L.C. which is accounted for using the equity method.

Realized gains or losses are computed based on the cost of purchased securities or the estimated fair value of donated securities at the date of receipt using the first-in, first-out method. Unrealized gains or losses represent the difference between the beginning-of-the-year value, or the fair value recorded on the date of purchase or donation and the end-of-the-year value.

Grants

Grants are recorded as expenses at the time the recipient has met all the necessary qualifying conditions and has gained approval of the Board of Directors. Grants payable in future periods that do not require subsequent review and approval for continuance of payment are recorded as expenses and grants payable in the period the grant is approved.

Deferred compensation plans

Deferred compensation plans have been established for the president and CEO as well as the executive vice-president, the chief financial officer, and the general counsel of BRAF. Under the plans, the president and CEO will earn from 10% to 25% of gross salary per year. The applied percentage depends upon the fair market value of BRAF's net assets. The executive vice-president, the chief financial officer, and the general counsel will earn 20% of gross salary per year. Plan assets are held in the name of the Foundation. The benefit, that is the balance accumulated in the plan account, is payable in ten annual installments with an option for a lump sum payment upon the employee's termination/retirement after a certain age or by reason of disability or death. The employee becomes vested in the plan at that same certain age. The age specified for distribution and vesting in the plan for the president and CEO as well as the executive vice-president is 70. The age specified for distribution and vesting in the plans for the chief financial officer and the general counsel is 60. If the employee is still employed at the Foundation once he/she reaches the specified age, the balance of the fund is distributed to the employee as a taxable transaction.

TWMF had a non-qualified deferred compensation arrangement for certain key employees selected by the Board of Directors. The plan allowed participants to elect to defer a maximum of 100% of the regular compensation, as defined by the plan, to be held in a trust account. The amounts deferred under this plan were credited with earnings or losses based upon changes in values of investments to which the participant elected to allocate their contributions. The participant was at all times 100% vested in their deferred contributions plus any appreciation or depreciation attributable to those deferred contributions. Upon termination of the participant's employment, the benefit amount is distributed to the participant in either one lump sum payment or a number of consecutive annual installments, as elected by the participant. The deferred compensation agreement was terminated in October 2020. The remaining liability is expected to be paid out in 2022.

<u>Other employee benefit plan</u>
BRAF also provides group health and term life insurance coverage for all employees.

<u>Functional expenses</u>
The costs of providing the various programs and administrative activities have been summarized on a functional basis in the consolidated statements of functional expenses. Functional expenses are allocated between program, fundraising, and general and administrative on the following bases: (1) personnel expenses are allocated based upon each employee's time spent on each function through an analysis of time studies conducted throughout the year and (2) other costs that cannot be attributed directly to a particular function or activity are also allocated based on employee time.

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of BRAF and its supporting organizations. Estimated allocations are determined by management on an equitable basis.

<u>Advertising</u>
BRAF and its supporting organizations expense advertising cost as incurred.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

Income taxes

Baton Rouge Area Foundation and its supporting organizations are not-for-profit organizations that have qualified as public charities under sections 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code and are exempt from federal income taxes except for taxes on unrelated business income.

Income unrelated to exempt purpose is subject to state and federal income taxes. Ordinary income from partnerships and S corporations is deemed to be an unrelated business activity for a non-profit organization by the Internal Revenue Code and is subject to taxation.

During 2021 and 2020, BRAF and its supporting organization's partnership and S corporation holdings generated taxable income and a provision for income tax has been recorded.

BRAF and its supporting organizations file income taxes in the U. S. federal and state jurisdictions. With few exceptions, BRAF and its supporting organizations are no longer subject to federal income tax examinations by taxing authorities for years before 2018. Any interest and penalties assessed by income taxing authorities are not significant and are included in unrelated business income tax expenses in the financial statements.

TWMF has three subsidiaries subject to income taxes: Commercial Properties Management Corporation, Capitol House Hotel, LLC, and Bon Carre' Management Corporation. These subsidiaries account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Commercial Properties Realty Trust (CPRT), a subsidiary of TWMF, is taxed for federal income taxes as a real estate investment trust (REIT). As a REIT, CPRT is generally not subject to federal income taxes on income and gains distributed to CPRT's shareholders. In 2021 and 2020, no provision was required for federal income taxes on CPRT. Since not all states follow the federal REIT rules, TWMF provides for required state income taxes on CPRT and its subsidiaries

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The effect of income tax positions is recognized only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

BRAF and its supporting organizations evaluate all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2021 and 2020, BRAF and its supporting organizations do not believe that they have taken any position that would require the recording of any additional tax liability, nor do they believe that there are any unrecognized tax benefits that would either increase or decrease within the next year.

Penalties and interest assessed by income taxing authorities, if any, are included in income tax expense.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually in accordance with the provisions of FASB ASC Topic 350, *Intangibles – Goodwill and Other*.

Management performs its annual impairment review of goodwill on both an annual basis at year end, and in the event that a triggering event occurs in the period between the annual impairment tests. There was no impairment of goodwill for the years ended December 31, 2021 and 2020.

Noncontrolling interest

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by BRAF and its supporting organizations and are therefore consolidated. Noncontrolling interests in the consolidated statement of financial position represent the portion of net assets owned by entities outside of BRAF and its supporting organizations, for those entities in which BRAF and its supporting organization's ownership is less than 100%.

Adoption of new accounting standard

During the year ended December 31, 2020, BRAF and its supporting organizations adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* as amended. The standard improves the usefulness and understandability of BRAF's financial reporting. Analysis of the various provisions of this standard resulted in no significant changes in the way BRAF recognized revenue. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

Recent accounting pronouncements not yet adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which will require lessees to record leases as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. In November 2019, the FASB issued ASU No. 2019-10 delaying the effective date for non-public companies to fiscal years

Note 1 – Summary of Significant Accounting Policies and Nature of Operations (Continued)

beginning after December 15, 2020. In response to the COVID-19 pandemic, ASU 2020-05 was issued in June 2020 delaying the effective date for Topic 842 to fiscal years beginning after December 15, 2021. BRAF and its supporting organizations are evaluating the impact the pronouncement may have on the financial statements.

Reclassifications
Certain amounts in the prior year consolidated financial statements have been reclassified to be comparable with the current year presentation and had no effect on changes to net assets as previously reported.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 41,505,235	$ 35,045,626
Accounts and other receivables	2,453,043	2,467,634
Portion of BRAF investment pool held in money-market accounts and available for liquidity	16,034,226	14,769,421
	$ 59,992,504	$ 52,282,681

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

BRAF's board-designated endowments as of December 31, 2021 and 2020 of $52,960,734 and $52,537,339, respectively, are subject to the annual spending rate of 5 percent as described in Note 3. Although, BRAF does not intend to spend from these board-designated endowments (other than amounts released for expenditures under the spending policy described in Note 3), these amounts could be made available if necessary.

As part of the liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

Note 3 – Spending Policy

BRAF and its supporting organizations use the total return concept to determine the amount of grantmaking dollars available each year. Under the total return concept amounts available for distribution are determined based upon total investment return, which consists of investment income and realized and unrealized gains and losses. Under this policy, distributions made during the year are not dependent on the availability of cash investment earnings. In December of each year, the Board of Directors of BRAF establishes the amount of dollars available for grants for the following year stated as a percentage of the fair value of the individual endowment funds as of the end of each calendar quarter. The quarterly percentage was 1.25% for 2021 and 2020 and is subject to change in the future at the discretion of the Board of Directors.

Note 4 – Restricted and Escrowed Cash

Restricted and escrowed cash of $4,260 and $6,411 at December 31, 2021 and 2020, respectively, is related to the construction associated with the Lafayette Street Holdings, LLC. Under the terms of the construction agreement, the cash will be held by an escrow agent until certain terms and conditions have been met.

Note 5 – Real Estate Investments Held for Sale

For the years ended December 31, 2021 and 2020, activity in real estate investments held for sale was as follows:

	2021	2020
Beginning of year	$ 26,816,607	$ 7,505,860
Transfers from real estate investments	-	19,310,747
Sales	(20,510,747)	-
End of year	$ 6,305,860	$ 26,816,607

Real estate properties that are currently being offered for sale are held at the lower of the properties' cost or its expected net realizable value.

Note 6 – Notes Receivable

Notes receivable as of December 31, 2021 and 2020 are as follows:

		2021		2020
Various notes donated to NCF payable over 1 to 3 years with an annual payment of $0 to $5,000, with a final original payment due on December 31, 2023, bearing interest at 3%.	$	80,000	$	80,000
An unsecured note with former tenant due in twelve monthly payments with a maturity date of June 15, 2021. Interest at 5%.		-		5,801
An unsecured note with former tenant with interest at 5%. The note was paid in full on March 15, 2022.		5,416		-
An unsecured note with former tenant with interest and maturity still in negotiation.		208,151		-
A non-interest bearing unsecured note with future tenant that was paid in full in May 2021 by offsetting their tenant allowance.		-		60,000
	$	293,567	$	145,801

Management has determined imputed interest on the noninterest-bearing notes is not material to these financial statements.

The maturities on notes receivable as of December 31, 2021 and 2020 are as follows:

		2021		2020
Due in less than one year	$	5,416	$	70,801
Due in one to five years		288,151		75,000
	$	293,567	$	145,801

Note 7 – Investments

Investments as of December 31, 2021 and 2020 are presented below:

	2021	2020
Debt and equity securities		
Common and preferred stocks	$ 43,986,389	$ 40,858,604
Closely-held stocks	175,800	175,800
Government agency obligations	142,169	1,913,076
Corporate and other fixed income obligations	17,288,402	10,139,911
Mutual funds	214,696,535	178,061,433
Unit investment trusts	249,013	269,486
Private equity	61,924,346	43,688,278
Hedge funds	10,241,140	11,876,594
Partnership and LLC interests	20,950,067	20,792,508
Other alternatives	3,819,526	1,748,262
Venture capital partnerships	19,361,404	18,621,713
Other	2	2
	392,834,793	328,145,667
Other investments and affiliate		
Other cash and cash equivalents	23,548,909	15,962,442
Other	1,032,505	907,157
Affiliate	10,580,042	11,144,245
	35,161,456	28,013,844
	$ 427,996,249	$ 356,159,511

Investment in affiliate

The Douglas Manship, Sr. Theater Complex, L.L.C., a wholly owned subsidiary of BRAF, is an organizational member of the Shaw Center for the Arts, L.L.C. (Shaw Center) with a 50% ownership interest. The investment in affiliate at December 31, 2021 and 2020 was $10,580,042 and $11,144,245, respectively. The summarized unaudited financial information as of and for the years ended December 31, 2021 and 2020 of the Shaw Center for the Arts, L.L.C. is as follows:

	2021	2020
Total assets	$ 25,527,325	$ 26,569,192
Total liabilites	$ 241,349	$ 154,809
Net loss	$ (1,128,407)	$ (1,129,888)

Note 8 – Real Estate

Real estate investments consist of the following as of December 31, 2021 and 2020:

	2021	2020
Oil and gas properties	$ 5,657,612	$ 5,657,612
Less accumulated depletion	(1,301,660)	(1,223,873)
	4,355,952	4,433,739
Land	33,155,165	29,808,480
Leasehold improvements and other	3,255,940	2,850,979
Building and improvements	211,383,206	199,966,397
Construction in progress	21,308,291	24,539,004
Tenant improvements	5,314,750	4,635,534
Total real estate investments	278,773,304	266,234,133
Less accumulated depreciation and amortization	(29,190,359)	(24,592,694)
Real estate investments, net	$ 249,582,945	$ 241,641,439

Real estate, net includes $32,772,254 and $40,790, 999 as of December 31, 2021 and 2020, respectively, associated with properties under development. During 2021 and 2020, TWMF capitalized $595,981 and $915,146, respectively, of interest on development projects.

Total depreciation expense of real estate investments for 2021 and 2020 was $5,305,930 and $5,180,640, respectively.

Certain real estate is pledged as collateral for mortgages payable as described in Note 14.

Note 9 – Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (Unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Note 9 – Fair Value Measurements and Disclosures (Continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. 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 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value measurement level of the asset or liability 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.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the assets and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

BRAF and its supporting organization's investments in securities with readily determinable fair values including common and preferred stocks, mutual funds and U. S. government bonds and U. S. Treasury notes are recorded at fair value based on quoted market prices. For those investments where quoted prices are unavailable (Level 2), management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data.

BRAF utilizes several externally managed funds of funds for alternative strategy mutual funds, partnership interest, private equity, venture capital and hedge funds; and with these types of investments (Level 3), quoted prices are often unavailable, and pricing inputs are generally unobservable. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. In certain instances, several valuation techniques are utilized by external managers (e.g., the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. In circumstances in which net asset value per share of an investment is not indicative of fair value, the manager is permitted, as a practical expedient, to estimate the fair value of an investment in an investment company using the net asset value

Note 9 – Fair Value Measurements and Disclosures (Continued)

per share of the investment (or its equivalent) without further adjustment if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The application of those valuation procedures and methodologies are borne out in each manager's compliant annual audited financial statements and were monitored through BRAF's reporting period ended December 31, 2021.

Although direct valuation techniques and methodologies for Level 3 assets are not completed internally, BRAF and its supporting organization's investment advisors conduct ongoing monitoring and review of managers to ensure that reporting and valuation techniques are in accordance with industry standards and best practices. Capital statements, performance, and pertinent news regarding changes in management are scrutinized as an internal part of the due diligence process prior to hiring a manager. These same elements are monitored on an on-going basis, as a matter of regular practice, following the hiring of a manager. Level 3 asset types for which this due diligence process and focused monitoring are applied internally are certain equity, structured, real estate and infrastructure investments, and private investments.

The methods used to measure fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although BRAF and its supporting organization believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, BRAF and its supporting organization's assets at fair value on a recurring basis as of December 31, 2021 and 2020:

	Assets at Fair Value as of December 31, 2021 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV*
Common and Preferred Stocks					
US Equity	$ 17,879	$ 17,879	$ -	$ -	$ -
Closely-held	176	-	-	176	-
Non-US Equity	26,107	26,107	-	-	-
Fixed Income					
Fixed Income - Unclassified	17,431	-	17,431	-	-
Mutual Funds					
Equity					
US Equity	127,684	127,684	-	-	-
Non US Equity	26,595	26,595	-	-	-
Equity - Unclassified	5,500	5,500	-	-	-
Fixed Income					
US Fixed Income	29,930	29,930	-	-	-
Non US Fixed Income	3,033	3,033	-	-	-
Fixed Income - Unclassified	10,742	10,742	-	-	-

Note 9 – Fair Value Measurements and Disclosures (Continued)

	Total	Level 1	Level 2	Level 3	NAV*
GS Tactical Tilt	6,267	6,267	-	-	-
Real Estate and Infrastructure	4,944	2,395	-	2,549	-
Unit Investment Trusts	249	249	-	-	-
Private Equity	61,924	-	-	-	61,924
Partnership Interests	20,951	-	-	20,951	-
Hedge Funds	10,241	-	-	-	10,241
Other Alternatives	3,820	-	-	3,820	-
Venture Capital Partnerships	19,362	-	-	19,362	-
	$ 392,835	$ 256,381	$ 17,431	$ 46,858	$ 72,165

	Assets at Fair Value as of December 31, 2020 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV*
Common and Preferred Stocks					
US Equity	$ 15,125	$ 15,125	$ -	$ -	$ -
Closely-held	176	-	-	176	-
Non-US Equity	25,733	25,733	-	-	-
Fixed Income					
Government Agency Obligations	1,913	-	1,913	-	-
Fixed Income - Unclassified	10,140	-	10,140	-	-
Mutual Funds					
Equity					
US Equity	92,042	92,042	-	-	-
Non US Equity	22,538	22,538	-	-	-
Equity - Unclassified	1,846	1,846	-	-	-
Fixed Income					
US Fixed Income	31,553	31,553	-	-	-
Non US Fixed Income	301	301	-	-	-
Fixed Income - Unclassified	16,769	16,769	-	-	-
GS Tactical Tilt	4,810	4,810	-	-	-
Real Estate and Infrastructure	8,201	5,653	-	2,548	-
Unit Investment Trusts	269	269	-	-	-
Private Equity	43,689	-	-	-	43,689
Partnership Interests	20,794	-	-	20,794	-
Hedge Funds	11,877	-	-	-	11,877
Other Alternatives	1,748	-	-	1,748	-
Venture Capital Partnerships	18,622	-	-	18,622	-
	$ 328,146	$ 216,639	$ 12,053	$ 43,888	$ 55,566

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value heirarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Note 9 – Fair Value Measurements and Disclosures (Continued)

Also included in these financial statements under the caption "Beneficial interest in estates, trusts, and annuities" are various charitable remainder trusts that BRAF has been named as a beneficiary. The fair values of these items are determined by calculating present values of the estimated future payments and for changes in actuarial assumptions. These valuation methods are considered Level 3 inputs. The amounts included in the financial statements for these beneficial interests in estates, trusts, and annuity are $11,530,937 and $10,485,825 as of December 31, 2021 and 2020, respectively.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position as of December 31, 2021 and 2020 using significant unobservable (Level 3) inputs:

	(in thousands)					
	Closely-held	Real Estate and Infrastructure	Venture Capital	Partnership Interests	Other Alternatives	Beneficial Interests
Balance, December 31, 2019	$ 176	$ 2,529	$ 17,558	$ 19,051	$ 1,036	$ 9,787
Total realized and unrealized gains (losses) included in change in net assets	-	19	63	1,387	28	732
Purchases	-	-	1,200	448	810	-
Sales and Withdrawals	-	-	-	(107)	(126)	(63)
Other Earnings, Distributions and Expenses	-	-	(199)	15	-	-
Balance, December 31, 2020	176	2,548	18,622	20,794	1,748	10,456
Total realized and unrealized gains (losses) included in change in net assets	-	17	1,866	1,812	365	1,045
Purchases	-	44	-	2,287	2,060	-
Sales and Withdrawals	-	-	(1,200)	(3,262)	-	(36)
Other Earnings, Distributions and Expenses	-	(60)	74	(680)	(353)	66
Balance, December 31, 2021	$ 176	$ 2,549	$ 19,362	$ 20,951	$ 3,820	$ 11,531

Note 9 – Fair Value Measurements and Disclosures (Continued)

The unfunded commitments, redemption frequency, and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency +	Redemption Notice
December 31, 2021				
Private Equity	$ 61,924	$ 26,642	see below	see below
Hedge Funds	386	-	unknown	unknown
Hedge Funds	10	-	monthly	65 days
Hedge Funds	7,329	-	quarterly	65 - 70 days
Hedge Funds	40	-	semi-annually	65 days
Hedge Funds	2,476	-	annually	65 - 90 days
	10,241	-		
	$ 72,165	$ 26,642		
December 31, 2020				
Private Equity	$ 43,688	$ 31,477	see below	see below
Hedge Funds	309	-	unknown	unknown
Hedge Funds	99	-	monthly	25 - 75 days
Hedge Funds	8,898	-	quarterly	45 - 95 days
Hedge Funds	241	-	semi-annually	65 days
Hedge Funds	2,330	-	annually	65 - 90 days
	11,877	-		
	$ 55,565	$ 31,477		

\+ If currently eligible

Private equity funds - These investments are generally not redeemable from the fund manager. Instead, distributions are received through the liquidation of the underlying assets of the fund ranging from 5 to 17 years.

Hedge funds - Often these investments cannot be redeemed due to an outstanding lock-up of 6 months to 2 years. Additional restrictions, such as early withdrawal fees, may also limit withdrawal.

Note 10 – Property and Equipment

Property and equipment as of December 31, 2021 and 2020, consist of the following:

	2021	2020
Buildings and improvements	$ 1,764,422	$ 1,764,422
Office furniture and equipment	1,011,841	996,123
Tenant improvements	828,915	826,740
	3,605,178	3,587,285
Less accumulated depreciation	(1,154,594)	(1,028,336)
	$ 2,450,584	$ 2,558,949
Depreciation Expense	$ 134,749	$ 140,550

Note 11 – Other Assets

Other assets as of December 31, 2021 and 2020 consists of the following:

	2021	2020
Deferred compensation assets	$ 1,397,428	$ 4,276,682
Employee advances	268,150	101,719
Goodwill	489,000	489,000
CEA land lease - St. Tammany Parish	341,473	365,864
Capitalized leasing costs	606,479	342,162
Deferred financing costs	60,081	96,565
Other	299,128	258,916
	$ 3,461,739	$ 5,930,908

Note 12 – Grants Payable

Grants authorized but unpaid at year end are reported as liabilities. Grants to be paid in more than one year are discounted to net present value. The following is a summary of grants authorized and payable as of December 31, 2021 and 2020. These transactions are scheduled as follows:

	2021	2020
Payable in less than one year	$ 1,397,671	$ 1,597,216
Payable in one to five years	806,550	1,476,004
Payable in six to ten years	29,000	107,000
	2,233,221	3,180,220
Less discounts to net present value	(23,107)	(59,596)
	$ 2,210,114	$ 3,120,624

Note 13 – Amounts Held on Behalf of Others

Amounts held on behalf of others represent pass-through transactions that are transfers of assets from resource providers (contributors) to intermediary not-for-profit organizations that act as agents for resource providers by transferring those assets to specified third-party recipients. When contributors, acting in other than an advisory capacity, designate specific beneficiaries, BRAF and its supporting organizations have no discretion in distributing those assets. Consequently, the transactions only pass through BRAF and its supporting organizations in route to the specified beneficiary.

Additionally, endowment funds of BRAF and its supporting organizations set up by non-profit organizations for their own benefit are also amounts held on behalf of others. That is, BRAF and its supporting organizations are acting as a trustee on behalf of the non-profit organization.

The activity in amounts held on behalf of others during 2021 and 2020 is as follows:

	2021	2020
Balance - beginning of year	$ 104,159,895	$ 95,104,809
Amounts received on behalf of others	12,208,721	9,578,775
	116,368,616	104,683,584
Earnings (losses) allocated to agency accounts	20,659,320	9,800,417
Less: administrative assessment	(1,041,284)	(894,030)
Net earnings (losses) allocated to agency accounts	19,618,036	8,906,387
Amounts remitted to others	(7,177,432)	(9,430,076)
Balance - end of year	$ 128,809,220	$ 104,159,895

Note 14 – Mortgages and Notes Payable

Mortgage notes payable as of December 31, 2021 and 2020 are as follows:

	2021	2020
Mortgage payable to Bank with an interest rate of 4.10%. Secured by real estate investments. Due in monthly installments of $9,420. Final balloon payment due February 2025.	$ 1,105,965	$ 1,171,545
Mortgage payable to Bank with an interest rate of 4.10%. Secured by real estate investments. Due in monthly installments of $8,310. Final balloon payment due February 2025.	975,672	1,033,525
Mortgage payable to Bank with an interest rate of 3.50%. Secured by real estate investments. Due in monthly installments of $69,955. Final balloon payment due July 2026.	11,768,409	12,099,189
Mortgage payable to Bank with a variable interest rate of one-month ICE LIBOR plus 2.26% (2.15% at December 31, 2020). Secured by real estate investments. The note calls for monthly, variable principal payments due over the term of the note, plus accrued interest. The monthly principal payments range from $12,950 in year one to $16,200 in year seven. The note matures August 2026.	7,531,530	7,693,330
Mortgage payable to Bank with a variable interest rate of one-month ICE LIBOR plus 2.26% (2.15% at December 31, 2020). Secured by real estate investments. The note calls for monthly, variable principal payments due over the term of the note, plus accrued interest. The monthly principal payments range from $10,050 in year one to $12,550 in year seven. Additionally, the note requires monthly principal curtailment payment of $13,000. The note matures August 2026.	5,518,870	5,800,970
Construction loan payable to Bank with varying interest rates over the term of loan, 3.85% (4.10% at December 31, 2020). Secured by real estate investments. Due in 60 monthly installments of principal and interest totaling $32,239 beginning in May 2017. Subsequent principal and interest payments vary as do interest rates until maturity in April 2027.	5,299,213	5,465,654
Construction loan payable to Bank with an interest rate of 4.00%. Secured by real estate. Due on demand. If no demand is made, monthly interest only payments due through September 2026. Due in monthly installments of $51,997 beginning October 2016.	-	8,742,496

Note 14 – Mortgages and Notes Payable (Continued)

	2021	2020
Mortgage payable to Bank with an interest rate of 4.40%. Secured by deposit accounts and real estate investments. Due in monthly installments of $8,844. Final balloon payment due September 2023.	$ -	$ 1,198,966
Mortgage payable to Bank with an interest rate of 3.85%. Secured by deposit accounts and real estate investments. Due on demand. If no demand is made, monthly payments of $48,627 due beginning June 2018. Final balloon payment estimated to be $6,260,141 due in May 2023.	6,548,264	6,856,101
Promissory note payable to Related Party with an interest rate of 8.00%. Monthly payments of interest only are due beginning June 2016. Final balloon payment due in full in June 2021.	-	1,000,000
Mortgage payable to Bank with an interest rate of WSJ Prime + .50% (3.75% at December 31, 2021 and 2020). Secured by deposit accounts and real estate investments. Due on demand. If no demand is made, 35 monthly payments of $40,000 beginning November 2020. Final balloon payment of remaining principal and interest due October 15, 2023. [1]	13,440,000	13,920,000
Construction loan payable to Bank with varying interest rates over the term of the loan (3.75% at December 31, 2020). Secured by real estate investments. Due on demand. If no demand is made, monthly interest payments are required with final balloon payment of all outstanding principal due in December 2021.	-	6,805,732
Multiple advance loan payable to Bank with an interest rate of 3.25%. Secured by deposit accounts and real estate investments. Due on demand. If no demand is made, 12 monthly payments of interest only beginning June 2017, 47 monthly payments of principal and interest totaling $16,305, and a final balloon payament due May 2022. [1]	2,283,064	2,401,390
Construction loan payable to Bank with a fixed interest rate of 3.25%. Secured by deposit accounts and real estate investments. Due in 4 monthly payments of interest only beginning November 2017, 59 monthly payment of principal and interest totaling $21,368, and final balloon payment due in December 2025.	3,714,173	3,880,500

Note 14 – Mortgages and Notes Payable (Continued)

		2021		2020
Mortgage payable to Bank at an interest rate of 3.95%. Secured by deposit accounts and real estate investments. Payments of accrued interest due monthly. Monthly principal payments range from $8,100 in year one to $10,250 in year seven. The unpaid principal balance is due December 2026.	$	2,328,820	$	2,430,220
Mortgage payable to Bank. Interest rate of 30-day LIBOR plus 2.00% (2.10% at December 31, 2021). Secured by real estate investments. Due in monthly installments of $17,000. Final balloon payment due July 2022.[1]		4,925,086		5,129,086
Mortgage payable to Bank with a variable interest rate of one month ICE LIBOR plus 2.25% (2.36% at December 31, 2021). Secured by real estate. Monthly payments of accrued interest plus variable monthly principal payments ranging from $25,100 in year one to $31,400 in year seven. Additionally monthly curtailment principal payments of $25,000 are due over the life of the loan. All accrued interest and remaining principal is due October 2026.		15,182,200		15,796,700
Mortgage payable to Bank, due on demand with an interest rate of WSJ prime plus 0.50% (3.75% at Decenber 31, 2020). Secured by real estate. If no demand is made, the note requires monthly interest only payments with a final principal and interest payment due December 2021.		-		9,000,000
Multiple advance note payable to Bank, due on demand, bearing interest at 3.99%. If no demand is made, the note calls for monthly interest only payments through February 2021. In March 2021, monthly principal and interest payments of $32,923 are due with a final balloon payment due February 2026. Secured by real estate.		4,983,204		4,551,660
Mortgage payable to Bank bearing interest at 2.79% as of December 31, 2021. Secured by real estate. 12 principal and interest payments of $22,965 are due beginning January 2020. Beginning in January 2021, 47 monthly principal and interest payments are due with a calculated interest rate based on the Five Year Treasury Bond Rate plus 2.40% and a final payment of remaining principal and interest due at December 2024.		3,800,369		3,915,843

Note 14 – Mortgages and Notes Payable (Continued)

		2021		2020
Mortgage payable to Bank, due on demand bearing interest at 4.50%. If no demand is made, the note calls for 40 monthly principal and interest payments of $1,162. One final payment of remaining principal and interest due in May 2022. Secured by real estate.	$	160,846	$	167,289
Mortgage payable to Bank, due on demand bearing interest at 3.50%. Secured by real estate. If no demand is made, the note calls for 59 monthly principal and interest payments of $17,416 and a final payment of all remaining principal and interest due at July 2024.		848,911		1,024,383
Mortgage payable to Bank, due on demand, bearing interest at 3.90%. Secured by real estate. If no demand is made, the note requires 35 monthly principal and interest payments of $20,139. One final payment of remaining principal and interest is due April 2024. [1]		3,769,453		3,601,244
Mortgage payable to Bank. Interest rate of Prime plus 1.25% (4.50% at December 3, 2015). Secured by real estate investments. Due in monthly installments of $19,500. Property was sold in 2021 and litigation and debt was settled.		-		3,127,057
Mortgage payable to Bank with an interest rate of 3.75%. Secured by deposit accounts and real estate investments. Due in monthly installments of $11,478. Final payment due May 2036.		1,526,767		-
Mortgage payable to Bank with a variable interest rate of WSJ + 0.50% (3.75% at December 31,2021). Secured by deposit accounts and real estate investments. The note calls for monthly interest payments and one final principal payment due at maturity, February 2023.		6,000,000		-
Mortgage payable to Bank with a variable interest rate tied to the WSJ Prime Rate (3.25% at December 31, 2021). Secured by deposit accounts and real estate investments. The note calls for monthly interest payments and one final principal payment due at maturity, August 2023.		1,649,250		-
Mortgage payable to Bank with an interest rate of 3.75%. Secured by deposit accounts and real estate investments. Due on demand. If no demand is made, the note calls for monthly interest payments and one final principal payment due at maturity, October 2024.		5,890,755		-

Note 14 – Mortgages and Notes Payable (Continued)

		2021		2020
Mortgage payable to Bank with an interest rate of 3.99%. Secured by deposit accounts and real estate investments. Due in monthly installments of $59,628. Final balloon payment due January 2026.	$	9,501,847	$	-
Mortgage payable to Bank with a variable interest rate tied to the WSJ Prime Rate (3.25% at December 31, 2021). Secured by deposit accounts and real estate investments. The note calls for monthly interest payments and one final principal payment due at maturity, February 2022. [1]		2,200,000		-
Note payable to Company. Interest rate of 4.50%. Secured by membership interest in subsidiary. Due in monthly installments of $29,418. Final payment due January 2034.		3,251,498		3,453,247
Note payable in settlement of litigation. Non-interest bearing note requirint 24 monthly payments of $50,000. Final payment due September 2023.		1,000,000		-
Paycheck Protection Program Loans [2]		478,158		1,000,893
Various other notes payable		90,135		122,107
Total mortgages and notes payable		125,772,459		131,389,127
Less deferred financing costs, net of amortization		579,823		627,964
Mortgages and notes payable, net of deferred financing costs	$	125,192,636	$	130,761,163

[1] See Note 33 - Subsequent Events. This mortgage was refinanced or paid off subsequent to December 31, 2021.

[2] See Note 15 - Payroll Protection Program

The mortgages payable are collateralized with certain real estate investments with a carrying value of $207,159,791 and $230,211,247 as of December 31, 2021 and 2020, respectively.

Future principal payments for the next five years and thereafter on mortgages payable, as amended and after December 31, 2021, are as follows:

2022	$ 16,495,669
2023	28,968,516
2024	16,570,198
2025	7,542,594
2026	48,707,586
Thereafter	7,487,896
Total	$ 125,772,459

Note 15 - Notes Payable – Payroll Protection Program

In April 2020, BRAF and its subsidiaries qualified for and received loan proceeds in the principal amount of $1,000,893 pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus and, Relief, and Economic Security Act (CARES Act). The PPP loans were unsecured and guaranteed by the SBA. The principal amount of the PPP loan was subject to forgiveness under the PPP upon BRAF and its subsidiaries request to the extent that the PPP loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by BRAF and its subsidiaries. BRAF and its subsidiaries applied for and received forgiveness of the PPP loans with respect to these covered expenses during the year ended December 31, 2021.

On December 27, 2020, as part of the Consolidated Appropriations Act, 2021, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was signed into law to provide additional COVID-19 relief to small business, providing that if certain eligibility tests are met, BRAF and its subsidiaries could apply for an additional loan under the Paycheck Protection Program (PPP). Management determined that certain subsidiaries of BRAF met the eligibility requirements, filed the applications, and received additional loan proceeds of $546,890 in February 2021.Similar to the first PPP loan, if the funds were utilized to pay cover expenses as permitted by the PPP, the principal amount of the loan would be eligible for forgiveness. These subsidiaries applied for forgiveness. As of December 31, 2021, $68,730 of these loan proceeds for these additional PPP loans have been forgiven with respect to the covered expenses.

In accordance with generally accepted accounting principles, BRAF and its subsidiaries recognized income of $1,069,623 on the forgiveness of the PPP loans during the year ended December 31, 2021.

As permitted by generally accepted accounting principles, BRAF and its supporting organizations have recorded notes payable for the PPP loan not forgiven at December 21, 2021 in the amount of $478,158. Forgiveness income will be recorded upon BRAF and its supporting organizations being legally released from the loan obligation.

PPP loans are subject to audit for six years from the date of forgiveness. Department of Treasury guidance states that loans over $2 million will be fully audited and loans under $2 million are subject to random audits. If audited, the SBA could redetermine the amount of forgiveness.

Note 16 – Net Assets

Net assets are restricted for the following purposes or periods as of December 31, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purposes		
Donor designated	$ 26,091,970	$ 23,600,100
Field of interest	16,919,278	17,035,147
Employee assistance	3,927,821	3,241,152
Scholarship	3,742,367	3,081,006
Charitable remainder trusts	7,712,304	7,009,152
Other	7,552,763	861,979
	$ 65,946,503	$ 54,828,536
Perpetual in nature (endowments)		
Donor advised	$ 48,053,335	$ 46,792,717
Donor designated	23,271,927	22,224,703
Field of interest	1,868,757	1,868,757
Local education funds	5,506,923	5,491,981
Scholarship	1,656,754	1,539,774
Other	9,698,111	8,517,348
	90,055,807	86,435,280
	$ 156,002,310	$ 141,263,816

During 2021 and 2020, $25,640,763 and $22,359,153, respectively, of net assets were released from donor restrictions for incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Included in net assets without donor restrictions is $115,165,592 and $87,541,581 of donor advised funds as of December 31, 2021 and 2020, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion as to the use of the funds lies with the Board of Directors of BRAF and its supporting organizations.

During 2020, donors restricted $1,154,178 that was previously classified as without restrictions.

Note 17 – Endowments

BRAF and its supporting organization's net assets include 264 individual funds that function as endowments established by donors to provide funding for a variety of purposes. Additionally, certain net assets have been designated for endowment by the Board of Directors. BRAF and its supporting organizations follow the Uniform Prudent Management of

Note 17 – Endowments (Continued)

Institutional Funds Act (UPMIFA) adopted by the State of Louisiana. This law provides standards to establish investment policies in a prudent manner by providing for a duty to minimize cost, diversify investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions and to ensure that investment decisions be made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the organization. This law requires the preservation of the fair value of the original gift (as opposed to the historical dollar amount) as donor-restricted funds unless there are explicit donor stipulations to the contrary. As of December 31, 2021 and 2020, there were no such donor stipulations. Consequently, BRAF and its supporting organizations are permitted to accumulate for expenditure as much of an endowment fund as deemed to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, thus allowing spending of a fund below its historical dollar value. Seven criteria are to be used in deciding to appropriate or accumulate donor-restricted endowment funds:

(1) duration and preservation of the endowment funds
(2) the purposes of the Foundation and the endowment funds
(3) general economic conditions
(4) effect of inflation or deflation
(5) the expected total return from income and the appreciation of investments
(6) other resources of the Foundation
(7) the investment policy of the Foundation

The endowment net asset composition by type of fund as of December 31, 2021 and 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020			
Donor restricted endowment funds	$ -	$ 89,531,306	$ 89,531,306
Board designated endowment funds	54,128,822	-	54,128,822
	$ 54,128,822	$ 89,531,306	$ 143,660,128
December 31, 2021			
Donor restricted endowment funds	$ -	$ 91,837,670	$ 91,837,670
Board designated endowment funds	54,856,770	-	54,856,770
	$ 54,856,770	$ 91,837,670	$ 146,694,440

As discussed in Note 3, the maximum amount to spend from these donor-restricted endowment funds, including those endowments deemed to be underwater, is determined by the spending policy. The spending rate is determined and adjusted from time to time by the Board of Directors with the objective of maintaining the purchasing power of the endowments over time.

Note 17 – Endowments (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UPMIFA permits spending from underwater endowments in accordance with prudent measures included in the act. As of December 31, 2021 and 2020, funds with deficiencies are described as follows:

	Original Value	Fair Value	Deficiency
December 31, 2020			
Unfavorable market fluctuations that occurred throughout 2018 after the spending policy rate had already been determined in 2017 and the recoveries experienced in subsequent years were not sufficient to offset prior losses	$ 244,633	$ 222,949	$ 21,684
Donors were given a variance to the endowment policy and allowed to use more than the available earnings to fulfill grant requests	35,310,083	20,932,328	14,377,755
Donors were given a variance to the endowment policy and allowed to add additional gifts to the grantmaking portion of the endowment to fulfill grant requests	1,127,574	867,194	260,380
	$ 36,682,290	$ 22,022,471	$ 14,659,819
December 31, 2021			
Unfavorable market fluctuations that occurred throughout 2018 after the spending policy rate had already been determined in 2017 and the recoveries experienced in subsequent years were not sufficient to offset prior losses	$ 83,900	$ 55,477	$ 28,423
Donors were given a variance to the endowment policy and allowed to use more than the available earnings to fulfill grant requests	35,299,730	19,729,109	15,570,621
Donors were given a variance to the endowment policy and allowed to add additional gifts to the grantmaking portion of the endowment to fulfill grant requests	1,293,706	1,000,399	293,307
	$ 36,677,336	$ 20,784,985	$ 15,892,351

Note 17 – Endowments (Continued)

The continued appropriation from these underwater endowments for certain programs was deemed prudent by the Board of Directors.

Changes in endowment net assets for the years ended December 31, 2021 and 2020 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets:			
Balance - December 31, 2019	$ 55,326,624	$ 84,519,743	$ 139,846,367
Contributions	710,827	1,068,031	1,778,858
Investment income	1,017,913	175,033	1,192,946
Net appreciation (depreciation)	2,264,818	1,496,896	3,761,714
Amounts appropriated for expenditure	(5,191,360)	2,271,603	(2,919,757)
Balance - December 31, 2020	54,128,822	89,531,306	143,660,128
Contributions	1,472,681	1,354,306	2,826,987
Investment income	1,364,168	223,396	1,587,564
Net appreciation (depreciation)	6,380,016	2,873,494	9,253,510
Amounts appropriated for expenditure	(8,488,917)	(2,144,832)	(10,633,749)
Balance - December 31, 2021	$ 54,856,770	$ 91,837,670	$ 146,694,440

Note 18 – Projects

Project expenses for the years ended December 31, 2021 and 2020 were:

	2021	2020
Disaster / Hurricane Relief	$ 1,004,590	$ 615,693
Equity Cities	654,500	-
Education	395,486	211,625
Medical Corridor Infrastructure	175,285	-
Bloomberg Department of Education	167,038	183,700
National Science Foundation - LIGO	154,999	180,227
All other	605,594	588,859
	$ 3,157,492	$ 1,780,104

Note 19 – Leases - Lessee

BRAF's wholly-owned subsidiary, LaSalle – Galvez, L.L.C., has leased retail space in two of the State's parking garages located in downtown Baton Rouge. The lease began on April 1, 2001 for a period of 10 years with four 5-year renewal periods. The lease requires the tenant to maintain and repair the premises and to keep the space occupied with appropriate subtenants during the lease term.

BRAF's wholly owned subsidiary, Douglas Manship Sr. Theater Complex, L.L.C. (Complex), leases approximately 43,161 rentable square feet at a floating rate of approximately $7.00 per square foot from Shaw Center for the Arts, L.L.C. to be used as a performing arts theater and visual arts gallery with ancillary offices, all pursuant to that certain Theater Turnkey Lease effective November 15, 2002. In turn, Complex, through approved sublease agreements, leases approximately 2,139 rentable square feet at a rate of $18 per square foot that increased to $19 per square foot beginning on July 1, 2017 to Center for Planning Excellence, Inc. (CPEX) under an agreement that was effective June 1, 2010 and was extended through December 31, 2020 and approximately 41,024 rentable square feet at a floating rate of approximately $7 per square foot to Douglas Manship Sr. Theater Complex Holding, Inc. (d/b/a Manship Theatre) under a verbal agreement effective March 5, 2004. CPEX pays rents directly to BRAF; however, in lieu of the payment of rents from Manship Theatre to Complex, BRAF has historically made a charitable grant to Manship Theatre in an amount sufficient to offset the annual rents or, more recently, paid any rents directly to Shaw Center for the Arts, L.L.C.

TWMF leases land under non-cancelable ground leases related to five properties. The leases extend to various dates through 2036. Upon expiration of these leases, the properties revert to the owner. Rental expense for the years ended December 31, 2021 and 2020 was $362,013 and $363,213, respectively.

The future minimum payments under the ground leases as of December 31, 2021 are:

2022	$	186,720
2023		181,570
2024		181,620
2025		66,940
2026		5,400
Thereafter		35,850
Total minimum lease payments	$	658,100

<u>St. Tammany Parish Government</u>
In May 2015, NCF entered into a cooperative endeavor agreement (Lease of Justice Center Property) with the St. Tammany Parish Government (STPG) to lease, develop and use the Justice Center property in accordance with the "West 30's Neighborhood Revitalization Plan" by constructing an office building and conference center (the "Coatney Conference Center") to provide administrative, conference and training facilities for non-profit organizations.

Note 19 – Leases - Lessee (Continued)

The initial term of the lease is 20 years, and there are renewal options that can extend the lease for a total of ninety-nine years. In connection with this agreement, NCF recorded a contribution receivable of $487,818, the estimated value of the land. The receivable will be amortized over the initial 20-year term of the lease as rent expense.

During the term, NCF shall have the sole and exclusive ownership of and right to depreciate the costs and expenses of construction of any buildings and improvements upon the property. On the last day of the entire term including all option periods, NCF will surrender the property to STPG. NCF began construction of the office building and conference center in December 2015, and it was completed and ready for occupancy in December 2016.

For the years ended December 31, 2021 and 2020, rent expense relating to the above-mentioned agreement was $24,391 annually. This amount is recognized as an expense annually during the initial twenty-year term of the lease.

Note 20 – Lease Commitment - Lessor

BRAF leases various retail, office, and warehouse spaces to tenants under various operating leases with various lease terms. The following is a schedule by year of future minimum leases as of December 31, 2021:

2022	$	66,129
2023		8,130
Total minimum lease payments	$	74,259

TWMF leases commercial space to tenants under non-cancelable operating leases with initial terms of five to eight years. The following is a schedule by year of future minimum rental receipts under leases as of December 31, 2021:

2022	$	9,531,556
2023		9,146,971
2024		9,011,176
2025		8,203,524
2026		6,356,028
Thereafter		19,042,368
Total minimum lease receipts	$	61,291,623

Note 20 – Lease Commitment – Lessor (Continued)

Pursuant to the lease agreements, tenants of the property are required to reimburse the lessor for some or all of the particular tenant's pro rata share of the real estate taxes and operating expenses of the property. Such amounts are not included in the future minimum lease payments above but are reported as tenant recoveries on the accompanying consolidated statements of activities.

Under these lease agreements, the lessor is entitled to receive contingent rental income generally based upon a pre-determined formula primarily derived from the lessee's income. Contingent rental income for the years ended December 31, 2021 and 2020 was $1,031 and $-0-, respectively, and is included in rental income in the accompanying consolidated statements of activities.

During 2021 and 2020, leasing costs of $402,994 and $140,741, respectively, were capitalized. Amortization of capitalized leasing costs was $138,677 and $109,532 in 2021 and 2020, respectively. Capitalized leasing costs as of December 31, 2021 and 2020 were $606,479 and $342,162, respectively.

Note 21 – Capital Transactions

In 2004, Commercial Properties Realty Trust (CPRT) issued 104 shares of nonvoting Series A preferred shares. CPRT ultimately authorized the issuance of up to 120 Series A preferred shares. Through the years, shares have been redeemed and issued. Currently there are 103 outstanding Series A preferred shares. The preferred shares pay a cumulative dividend at the rate of 6.00% with a liquidation preference of $1,000 per share. In 2018, CPRT authorized up to 150,000 non-voting Series B preferred shares and issued 1,270 shares of Series B preferred shares to a related party. The Series B preferred shares pay a cumulative dividend at the rate of 7.00% with a liquidation preference of $10,000 per share. Both the Series A and B preferred shares rank senior to common shares of CPRT. The preferred shares are accounted for as a component of non-controlling interest. The transactions with the related party have been eliminated in the consolidation.

Note 22 – Commitments / Conditional Promises to Give

As of December 31, 2021 and 2020, BRAF and its supporting organizations were committed to the payment of certain grants totaling $429,250 and $633,250, respectively, contingent upon the fulfillment of certain criteria by the potential grant recipient.

Note 23 – Contribution of Property

During 2021, TWMF purchased a property from the State of Louisiana for substantially less than the value of the property. TWMF recorded a non-cash contribution of $6,739,538 on the statement of activities for the difference between the estimated fair value of the property at the date of the purchase and the consideration per the agreement.

Note 24 – Retirement Plans

BRAF has established a defined contribution 401(k) Profit Sharing Plan to provide retirement benefits to all eligible employees. Baton Rouge Area Foundation is the plan sponsor and administrator. The plan provides for qualified non-elective contributions of up to 3% and discretionary employer contributions of up to 12% of eligible employees' annual salaries. The plan also allows employees to contribute the lesser of 100% of their annual salary or $19,500 (under 50 years of age) or $26,000 (50 or more years of age) to the plan. Employer contributions to the BRAF 401(k) Profit Sharing Plan for the years ended December 31, 2021 and 2020 was $321,373 and $293,818, respectively.

As described in Note 1, BRAF has established deferred compensation plans for the president and CEO, executive vice-president, director of finance, and general counsel. As of December 31, 2021 and 2020, the liability under these deferred compensation plans was $1,395,962 and $1,102,345, respectively, and is included in other liabilities in the accompanying consolidated statements of financial position. The fair value of assets of the deferred compensation plans held in Trust was $1,395,962 and $1,102,345 as of December 31, 2021 and 2020, respectively, and is included in other assets in the accompanying consolidated statements of financial position.

Additionally, TWMF maintains a 401(k) Profit Sharing Plan & Trust to provide retirement benefits for eligible employees. Commercial Properties Management Corporation, a U.S. affiliate, acts as plan sponsor. The plan provides for employer contributions at a rate of 5% of eligible employees' annual salaries. This plan also allows for participants to contribute up to 90% of the eligible annual salary to the plan capped at the IRC limit. Employer contributions to this plan for the years ended December 31, 2021 and 2020 was $119,794 and $116,784, respectively.

As described in Note 1, TWMF has established a deferred compensation plan for certain employees. As of December 31, 2021 and 2020, the liability under the deferred compensation plan was $817,193 and $3,395,926, respectively, and is included in other liabilities in the accompanying consolidated statements of financial position. The fair value of assets of the deferred compensation plan held in trust was $1,465 and $3,173,732as of December 31, 2021 and 2020, respectively, and is included in other assets in the accompanying consolidated statements of financial position. The deferred compensation agreement was terminated in October 2020. The remaining liability is expected to be paid in 2022.

Note 24 – Retirement Plans (Continued)

NCF has established a simplified employee plan (SEP) which is a defined contribution retirement plan covering all eligible employees with at least one year of service. Contributions are based upon employee compensation at rates determined annually by management not to exceed 15% of eligible compensation. During 2021 and 2020, the contribution rate was 12.5%. Contributions of $40,370 and $39,038 were made to the plan for the years ended December 31, 2021 and 2020, respectively.

CFSWL has established a simplified employee plan (SEP) which is a defined contribution retirement plan covering all eligible employees with at least one year of service. Contributions are based upon employee compensation at rates determined annually by management not to exceed 15% of eligible compensation. The contribution rate for 2021 and 2020 was 12.5%, and the employer's potion of contributions to the plan was $20,146 and $17,285 for the years ended December 31, 2021 and 2020, respectively.

Note 25 – Concentrations of Credit Risk

BRAF and its supporting organizations deposit cash in local financial institutions and at times the account balance may exceed the federally insured limit. Additionally, deposits may include uninsured investments in money market mutual funds. To date, BRAF and its supporting organizations have not experienced losses in any of these accounts. Credit risk associated with accounts receivable is limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the investment sub-committee of the Board of Directors. Although fair values of investments are subject to fluctuation on a year-to-year basis, BRAF and its supporting organizations believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Note 26 – Taxes

For the years ended December 31, 2021 and 2020, BRAF and its supporting organizations recognized an income tax expense of $494,998 and $419,413, respectively. The actual tax expense differed from the expected tax benefit as follows:

	2021	2020
Expected tax expense (benefit)	$ (303,210)	$ (1,194,916)
Permanent differences	-	504
Valued entities	1,399,924	1,392,838
Return to provision	(601,716)	220,987
Total tax expense (benefit)	$ 494,998	$ 419,413

Note 26 – Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020 are presented below.

	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	$ 11,896,549	$ 11,181,477
Tax credit carryforwards	4,970,949	4,833,362
Plant and equipment, principally due to differences in depreciation, capitalized interest, and impairment	(81,276)	(46,173)
Deferred compensation	451,799	1,176,939
Other deductible temporary differences	438,498	80,766
Total gross deferred tax assets	17,676,519	17,226,371
Less valuation allowance	(17,676,519)	(17,226,371)
Net deferred tax assets	$ -	$ -

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. TWMF has net operating loss carryforwards of approximately $45 million and $42.8 million, respectively, which are available to offset future taxable income and expire between the years 2028 to 2039. Management believes that they will not realize the benefits of the net operating losses and other deductible differences and has recorded a valuation allowance of $17,676,519 and $17,226,371 as of December 31, 2021 and 2020, respectively. The fluctuation in the deferred asset's valuation allowance was an increase of $450,148 and $1,948,802 in 2021 and 2020, respectively.

Note 27 – Related Parties

BRAF and its supporting organizations engage in various related party transactions including BRAF providing personnel and facilities for administrative assistance. BRAF charges an administrative assessment to the applicable supporting organizations for these services and there are related payables and receivables associated with these assessments. These administrative assessments and the related payables and receivables have been eliminated in these consolidated financial statements. In addition, BRAF and its supporting organizations also periodically grant funds to each other. The corresponding contribution revenue and grant expense has been eliminated in these consolidated financial statements.

Note 27 – Related Parties (Continued)

Furthermore, BRAF and its supporting organizations periodically advance funds to and receive funds from each other in the form of promissory notes that have various repayment terms. These notes payable and the corresponding notes receivable have been eliminated in these consolidated financial statements.

Preferred non-controlling interest members of CPDC Properties, LP are entitled to receive cumulative cash payments at an annual rate of 10.0% of their capital balance of $1,550,000 at December 31, 2021 and 2020. Cash payments for the years ended December 31, 2021 and 2020 were $155,000 and $155,000, respectively, and are included in other miscellaneous income, net in the consolidated statements of activities. As of December 31, 2021 and 2020, there were no unpaid cumulative cash payments.

TOFF and Ourso Management Company, Inc., a subsidiary of Ourso Family Investment Company, LLC, are related entities. Ourso Management Company, Inc. provides administrative services for conducting TOFF business at no cost. The estimated value of these services are recorded as in-kind administrative services on the Consolidated Statements of Activities. This has no effect on changes in net assets.

Note 28 – Fair Value of Financial Instruments

The fair values of the financial instruments as of December 31, 2021 and 2020 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in orderly transactions between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the measurement reflects management's own judgments about the assumptions that market participants would use in pricing the assets or liability. Those judgments are developed by management based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, restricted and escrowed cash, accounts receivable - tenants, other receivables, straight-line receivables, other assets, accounts payable and accrued expenses, refundable security deposits, unearned revenue, dividends payable, interest payable, deposits, other liabilities, and income taxes payable
The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of those instruments.

Note 28 – Fair Value of Financial Instruments (Continued)

Mortgages payable
The fair value is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The discount rates used were the Wall Street Journal Prime Rate (3.25% as of December 31, 2021), and represents approximate rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk. The fair values of mortgages payable approximate carrying value and was $120,952,668 as of December 31, 2021.

In addition to those listed above, BRAF has a number of financial instruments, including receivables, investments, beneficial interests, and payables. Due to the short-term nature of or the discount applied to the receivables and payables and the application of fair value accounting for investments, the estimated fair value of all financial instruments as of December 31, 2021 is not materially different from the carrying values recorded in the accompanying consolidated statements of financial position. See also Notes 7, 9, and 12.

Note 29 – Real Estate Rental Expenses

Rental expenses for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Common area maintenance	$ 3,350,692	$ 2,983,194
Ground rents	1,086,430	808,149
Insurance	955,820	914,376
Property taxes	776,472	909,934
Repairs and maintenance	450,593	392,586
Bad debt	(229)	27,547
Miscellaneous	68,867	169,988
Sales and use tax	64,599	59,128
Leasing	69,969	51,037
Utilities	1,679	25,819
	$ 6,824,892	$ 6,341,758

Note 29 – Real Estate Rental Expenses (Continued)

Real estate administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

		2021		2020
Salary and payroll related	$	4,989,209	$	4,181,893
Professional fees		514,567		341,318
Legal		554,732		711,312
Office		175,559		222,376
Travel and entertainment		78,269		38,556
Other		53,263		61,366
Bank charges		23,004		19,000
	$	6,388,603	$	5,575,821

Note 30 – Contingencies

BRAF has guaranteed that the president and CEO will receive 60% of his annual salary in the event of his total disability. This guarantee was issued in conjunction with the group long term disability policy which is limited to annual maximum benefit of $120,000 per employee. BRAF has not determined the fair value of this guarantee.

As of December 31, 2021 and 2020, TWMF has issued guarantees to perform related to an aggregate in borrowings of $143,041,819 from various commercial banks by eight subsidiaries. These borrowings mature at various dates through April 2027. For each guarantee issued, if the respective entity defaults on a payment, TWMF would have to perform its obligation under the guarantee, which may include TWMF being assigned the outstanding balance and the responsibility to remediate the defaulted payment. The outstanding balance of amounts guaranteed totaled $120,952,669 and $127,044,204 as of December 31, 2021 and 2020, respectively.

PPP Loan Forgiveness

See Note 15 to these financial statements for the six-year audit provisions related to the PPP loan forgiveness.

Note 31 – Litigation

BRAF and its supporting organizations may at times be involved in litigation relating to matters arising in the ordinary course of its business activities. Except as discussed below, management does not believe that the outcome of these matters, if any, will have a material adverse effect on the consolidated financial condition or results of operation.

Note 31 – Litigation (Continued)

During 2016, an asset company filed litigation against TWMF for collection and foreclosure of a mortgage. The claim includes the principal amount of the loan, plus interest, legal and attorney fees, as well as other penalties and fees. This matter was settled during 2021. The property was sold for $1,145,000 and the proceeds were used to pay down the debt to the mortgagor. The mortgagor agreed to accept proceeds as well as a $255,000 payment at closing, plus an additional $50,000 per month for 24 months as a settlement of the mortgage payable, which is less than the accrued liability at the end of 2020. The agreement has strict repayment terms as to the amount settled. Failure to meet those terms could result in a default and a demand for the original amount due.

The Wilbur Marvin Foundation (TWMF) and a subsidiary of TWMF are defendants in a lawsuit arising in 2018 alleging the non-payment of certain obligations due to the plaintiff in connection with the operation and dissolution of the Capital House Hotel Operating, LLC. Subsequent to December 31, 2021, the Court has rendered its final ruling regarding this litigation in favor of the plaintiff. As of December 31, 2021, the accrued liability related to this litigation was $4,200,000. TWMF has appealed the court's ruling and the matter is now before the U.S. Fifth Circuit Court of Appeals.

Note 32 – Interest Rate Contracts

TMWF entered into two interest rate swap agreements with a bank as ofAugust 30, 2019, that effectively fixes the LIBOR interest rates from the variable rates called for in the loans. The terms as of December 31, 2021 and 2020 are as follows:

	2021	2020
Contract Date	August 30, 2019	August 30, 2019
Fixed Interest Rate	3.70%	3.70%
Variable Rate	One-month LIBOR + 2.15%	One-month LIBOR + 2.15%
Notional Amount as of year end	$13,050,400	$13,494,300
Maturity	August 1, 2026	August 1, 2026
Market Value as of year end	($218,534)	($813,615)
Contract Date	August 30, 2019	August 30, 2019
Fixed Interest Rate	3.80%	3.80%
Variable Rate	One-month LIBOR + 2.25%	One-month LIBOR + 2.25%
Notional Amount as of year end	$15,182,200	$15,796,700
Maturity	October 1, 2026	October 1, 2026
Market Value as of year end	($253,118)	($947,796)

Note 32 – Interest Rate Contracts (Continued)

TWMF's purpose in entering into the swap contracts was to hedge against the risk of interest rate increases on the related variable rate debt. Accordingly, the swap arrangement was classified as a cash flow hedging activity and represented a derivative financial instrument.

This derivative financial instrument is not held for trading purposes. TWMF accounted for this derivative financial instrument in accordance with the *Derivatives and Hedging* Topic of the FASB Codification (ASC 815). Accordingly, the derivative financial instrument is reflected on the consolidated statement of financial position at its fair value. In accordance with the guidance for non-profits, the change in the fair value of the interest rate swap is recorded as interest expense. The cash flow effects of the swap arrangements were reported as an adjustment to interest expense. The net cash flow effect for the years ended December 31, 2021 and 2020 was an increase in interest expense of $422,130 and $243,988, respectively.

The overall impact of fluctuations in the fair value of the swap arrangements for the years ended December 31, 2021 and 2020, was a gain of $1,339,741 and a loss of $1,943,300, respectively.

Note 33 – Subsequent Events

The management of BRAF and its supporting organizations evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 8, 2023, the date which the financial statements were available to be issued.

Management has determined that the following events have occurred subsequent to December 31, 2021 and require disclosure:

The following transactions occurred relating to mortgages and notes payable of TWMF and/or subsidiaries:

- On April 11, 2022, TWMF entered into a line of credit agreement for $2,135,000 with a bank. The line bears interest at a variable rate which is Wall Street Journal Prime (3.5% at execution). The line calls for monthly interest payments with a final principal and interest payment due at maturity in April 2024.
- On April 9, 2002, TWMF refinanced an existing short-term loan into a long term multiple advance loan with additional proceeds of $312,000. The loan is secured by real estate and bears interest at 3.25%. The loan is interest only for the first five months and then converts to monthly principal and interest payments of $14,310. Any unpaid principal and interest is due at maturity in April 2029.

Note 33 – Subsequent Events (Continued)

- On May 26, 2022, TWMF entered into a term and non-revolving line of credit agreement with a bank as a means of refinancing a loan. The term loan amount is $14,950,000 and the advances available under the line of credit are $1,090,000 and the loans bear interest at 3.70%. The loans call for interest only payments through November 2022. The loan is secured by real estate. In December 2022, monthly principal and interest payments are due based on a 25-year amortization of the entire balance. Any unpaid principal is due at maturity in May 2027.
- On June 30, 2022, TWMF extended a loan with a principal balance of $4,730,162 to October 1, 2022. The extension calls for monthly principal payments for July through September of $17,000 with all unpaid principal due at maturity, October 1, 2022.
- On July 15, 2022, TWMF refinanced a loan with a principal balance of $2,395,229. The loan is secured by real estate and bears interest at 3.75% and requires monthly principal and interest payments of $17,485. Any unpaid principal balance due at maturity on July 15, 2027.
- On September 21, 2022, TWMF entered into a multiple advance loan for approximately $2.5 million with a maturity of September 2027.
- On September 29, 2022, TWMF was granted a 60 day extension on the loan for Hato Rey which had a balance of approximately$4.6 million. The new maturity date is December 1, 2022. No other extensions were noted.
- On December 1, 2022, TWMF entered into a $1.3 million loan agreement related to HE Raleigh. The loan bears interest at 5.60% and matures in December 2027.
- On December 9, 2022, TWMF entered into a $5 million revolving line of credit at a variable rate (7% at execution). The loan requires monthly interest payments and all principal is due at maturity in December 2024.

The following transactions occurred relating to the acquisition or disposition of property:

- In February 2022, Kannapolis Crossing Development, LLC purchased property in Rowan County, North Carolina for $940,000.
- In April 2022, 5401 North, LLC sold multiple properties in Raleigh, North Carolina for $17,500,000.
- In April 2022, Kannapolis Crossing, LP sold a property in Kannapolis, North Carolina for $1,421,685.
- In April 2022, HE Theodore, LLC purchased property in Theodore, Alabama for $325,000.
- In April 2022, HE Apache Junction, LLC purchased two properties in Apache Junction, Arizona for $1,343,000 and $822,000.
- In April 2022, TWMF purchased a building for $300,000.
- In August 2022, HE Ocala, LLC purchase property in Ocala, Florida for $2,275,000.
- In September 2022, TWMF purchased 695 Century Circle in Conway, South Carolina for approximately $500,000.
- In September 2022, TWMF purchased 900 Delta Point Drive in Monroe, Louisiana for approximately $900,000. The property was financed by a multiple advance loan of $1.6 million due in September 2027.

Note 33 – Subsequent Events (Continued)

- In September 2022, Steel Grove Realty Advisors, LLC purchased property in Monroe, Louisiana for $899,000.
- In September 2022, Steel Grove Realty Advisors, LLC purchased property in Wilmington, North Carolina for $2,400,000.
- In September 2022, Steel Grove Realty Advisors, LLC purchased property in Gaston, North Carolina for $2,750,000.
- In September 2022, WC 245 Terrace, LLC purchased property in Baton Rouge, Louisiana for $75,000.
- In November 2022, Baton Rouge Acquisitions, LLC purchased property in Baton Rouge, Louisiana for $3,022,905.
- In November 2022, TWMF purchased 851 Sunnyvale Drive in Wilmington, North Carolina for $2.4 million and entered into a multiple advance loan for $2.9 million. The loan matures in November 2027.
- In November 2022, TWMF purchased 612 Canterbury Road in Kings Mountain, North Carolina for $2.7 million and entered in a loan for the approximate amount. The loan matures in November 2027.

The following transaction occurred relating to the Foundation entering into purchase agreements on the following properties:

- In May 2022, Baton Rouge Acquisitions, LLC entered into an agreement to purchase multiple properties in Baton Rouge, Louisiana for $9,500,000. Under the agreement, TWMF has until March 2023 to close on the property.

The following transaction occurred relating to equity transactions and the formation of entities and subsidiaries:

- In January 2022, 5401 North Investments III, LLC sold its 20% membership interest in both 5401 North, LLC and 5401 CFN I, LLC to minority members in exchange for $2,779,000.