BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES
AND SUPPORTING ORGANIZATIONS
BATON ROUGE, LOUISIANA

DECEMBER 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 Civic Collaborative Foundation, and The Community Foundation of Southwest Louisiana for 2023 and 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 for 2022 (five supporting organizations for 2023 and 2022), whose statements reflect total assets of $336,826,801 and $336,050,120 as of December 31, 2023 and 2022, respectively, and total support and revenues of $32,921,896 and $18,870,323 for the years ended December 31, 2023 and 2022, respectively. 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,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
July 8, 2025

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES
AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 41,231,304	$ 38,755,327
Restricted and escrowed cash	100,321	269,931
Accounts and other receivables	3,744,411	5,430,193
Notes receivable	346,309	89,130
Investments, at fair value	406,591,302	378,578,141
Real estate, net	248,078,332	253,373,160
Beneficial interest in estates, trusts and annuities	9,838,310	9,353,599
Property and equipment, net	2,343,878	2,203,125
Real estate held for sale	27,904,840	7,285,180
Other assets	5,902,053	7,012,118
Total assets	$ 746,081,060	$ 702,349,904
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 10,744,131	$ 6,521,627
Grants payable	4,030,636	3,271,402
Amounts held on behalf of others	121,538,308	112,037,495
Mortgages and notes payable	138,177,450	129,290,726
Notes payable - related party	370,000	-
Other liabilities	15,125,309	11,774,104
Total liabilities	289,985,834	262,895,354
NET ASSETS		
Without donor restrictions:		
Undesignated	221,979,327	225,167,774
Designated by the Board	54,541,454	51,576,443
Total without donor restrictions	276,520,781	276,744,217
With donor restrictions:		
Perpetual in nature	90,335,004	88,521,111
Restricted for a specified purpose	57,699,879	49,645,472
Total with donor restrictions	148,034,883	138,166,583
Noncontrolling interest	31,539,562	24,543,750
Total net assets	456,095,226	439,454,550
Total liabilities and net assets	$ 746,081,060	$ 702,349,904

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 17,396,219	$ 20,171,586	$ 37,567,805
Program service fees	19,750	-	19,750
Real estate income (loss)	17,408,160	(43,703)	17,364,457
Gains (Losses) on disposal of assets	1,979,216	-	1,979,216
Change in value of beneficial interest in estates, trusts and annuities	450,127	(167,951)	282,176
Net investment income (loss)	15,825,313	12,598,877	28,424,190
In-kind contributions	77,730	42,671	120,401
Gross special events revenue	-	965,756	965,756
Less cost of direct benefit to donors	-	(328,544)	(328,544)
Net special events revenue	-	637,212	637,212
Administrative assessment	134,611	-	134,611
Net assets released from restriction pursuant to endowment spending-rate distribution formula	5,660,015	(5,660,015)	-
Net assets released from restriction - other	17,710,377	(17,710,377)	-
Total revenue, support, and reclassifications	76,661,518	9,868,300	86,529,818
EXPENSES			
Program services expense			
Grants	41,236,338	-	41,236,338
Projects	3,976,506	-	3,976,506
Other	4,369,091	-	4,369,091
Total program expenses	49,581,935	-	49,581,935
Supporting services expense			
Real estate	18,066,639	-	18,066,639
Management and general	9,083,223	-	9,083,223
Fundraising	1,263,067	-	1,263,067
Total supporting services expenses	28,412,929	-	28,412,929
Total expenses	77,994,864	-	77,994,864

Continued . . .

	Without Donor Restrictions	With Donor Restrictions	Total
OTHER CHANGES			
Unrelated business income tax expense	253,055	-	253,055
Provision for cancelled projects	42,571	-	42,571
	295,626	-	295,626
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	(1,628,972)	9,868,300	8,239,328
Change in net assets attributable to noncontrolling interest	(2,078,733)	-	(2,078,733)
CHANGE IN NET ASSETS ATTRIBUTABLE TO BATON ROUGE AREA FOUNDATION AND SUPPORTING ORGANIZATIONS	$ 449,761	$ 9,868,300	$ 10,318,061

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES
AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 10,723,985	$ 21,640,718	$ 32,364,703
Program service fees	21,425	50,270	71,695
Real estate income	16,891,628	50,490	16,942,118
Gains (Losses) on disposal of assets	6,089,285	(182,211)	5,907,074
Change in value of beneficial interest in estates, trusts and annuities	(61,487)	428,003	366,516
Net investment income (loss)	(5,285,408)	(13,066,092)	(18,351,500)
In-kind contributions	40,000	54,430	94,430
PPP loan forgiveness	478,160	-	478,160
Other revenue	10,000	-	10,000
Gross special events revenue	-	870,912	870,912
Less cost of direct benefit to donors	-	(192,446)	(192,446)
Net special events revenue	-	678,466	678,466
Administrative assessment	58,490	-	58,490
Net assets released from restriction pursuant to endowment spending-rate distribution formula	8,733,833	(8,733,833)	-
Net assets released from restriction - other	18,755,968	(18,755,968)	-
Total revenue, support, and reclassifications	56,455,879	(17,835,727)	38,620,152
EXPENSES			
Program services expense			
Grants	34,082,103	-	34,082,103
Projects	3,449,227	-	3,449,227
Other	4,605,385	-	4,605,385
Total program expenses	42,136,715	-	42,136,715
Supporting services expense			
Real estate	17,757,566	-	17,757,566
Management and general	8,630,819	-	8,630,819
Fundraising	1,018,427	-	1,018,427
Total supporting services expenses	27,406,812	-	27,406,812
Total expenses	69,543,527	-	69,543,527

Continued . . .

	Without Donor Restrictions	With Donor Restrictions	Total
OTHER CHANGES			
Unrelated business income tax expense	765,449	-	765,449
	765,449	-	765,449
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	(13,853,097)	(17,835,727)	(31,688,824)
Change in net assets attributable to noncontrolling interest	1,623,960	-	1,623,960
CHANGE IN NET ASSETS ATTRIBUTABLE TO BATON ROUGE AREA FOUNDATION AND SUPPORTING ORGANIZATIONS	$ (15,477,057)	$ (17,835,727)	$ (33,312,784)

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the Years ended December 31, 2023 and 2022

	Attributable to Baton Rouge Area Foundation and Supporting Organizations				
	Without Donor Restrictions	With Donor Restrictions	Total	Noncontrolling Interest	Total
Balance at December 31, 2021	$ 296,115,023	$ 156,002,310	$ 452,117,333	$ 18,351,984	$ 470,469,317
Transfer of non-controlling interest	(3,893,749)	-	(3,893,749)	4,855,095	961,346
Contributions	-	-	-	3,390,000	3,390,000
Redemption of stock	-	-	-	(1,000)	(1,000)
Distributions	-	-	-	(3,676,289)	(3,676,289)
Change in net assets	(15,477,057)	(17,835,727)	(33,312,784)	1,623,960	(31,688,824)
Balance at December 31, 2022	276,744,217	138,166,583	414,910,800	24,543,750	439,454,550
Redemption of membership interest	(44,878)		(44,878)	(8,086)	(52,964)
Contributions	-	-	-	8,350,000	8,350,000
Redemption of stock	-	-	-	(1,000)	(1,000)
Distributions	(161,055)	-	(161,055)	-	(161,055)
Sale of membership interest	(467,264)		(467,264)	733,631	266,367
Change in net assets	449,761	9,868,300	10,318,061	(2,078,733)	8,239,328
Balance at December 31, 2023	$ 276,520,781	$ 148,034,883	$ 424,555,664	$ 31,539,562	$ 456,095,226

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2023

	Program Services				Supporting Services				
	Grants	Projects	Other	Total	Real Estate	Management and General	Fundraising	Total	Total
Grants and other assistance	$41,236,338	$ -	$ -	$41,236,338	$ -	$ -	$ -	$ -	$41,236,338
Salaries and wages, employee benefits, and payroll taxes	-	23,371	1,629,116	1,652,487	104,596	6,776,798	694,342	7,575,736	9,228,223
Professional services	-	3,514,843	504,020	4,018,863	1,455,393	734,787	53,650	2,243,830	6,262,693
Office expenses	-	29,472	186,469	215,941	627,535	271,711	41,883	941,129	1,157,070
Insurance	-	308	143,447	143,755	1,309,054	199,428	15,288	1,523,770	1,667,525
Information technology	-	605	24,768	25,373	-	177,424	71,499	248,923	274,296
Printing	-	8,755	12,131	20,886	-	12,964	88,433	101,397	122,283
Rent	-	58,683	213,297	271,980	60,135	373,248	107,865	541,248	813,228
Travel and meetings	-	94,966	109,148	204,114	5,151	272,631	45,809	323,591	527,705
Depreciation and amortization	-	-	977,387	977,387	6,045,215	193,432	23,435	6,262,082	7,239,469
Common area maintenance	-	-	523,913	523,913	2,398,494	43,144	-	2,441,638	2,965,551
Interest	-	-	-	-	4,995,000	-	-	4,995,000	4,995,000
Other property expenses	-	-	38,647	38,647	1,066,066	25,316	-	1,091,382	1,130,029
Other project expenses	-	245,503	6,748	252,251	-	2,340	1,413	3,753	256,004
Direct fundraising expenses	-	-	-	-	-	-	447,994	447,994	447,994
Total expenses by function	41,236,338	3,976,506	4,369,091	49,581,935	18,066,639	9,083,223	1,591,611	28,741,473	78,323,408
Less expenses included with revenues on the statement of activities									
Cost of direct benefit to donors	-	-	-	-	-	-	328,544	328,544	328,544
Total expenses included in the expense section of the statement of activities	$41,236,338	$3,976,506	$4,369,091	$49,581,935	$18,066,639	$ 9,083,223	$ 1,263,067	$28,412,929	$77,994,864

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2022

	Program Services				Supporting Services				
	Grants	Projects	Other	Total	Real Estate	Management and General	Fundraising	Total	Total
Grants and other assistance	$34,082,103	$ -	$ -	$34,082,103	$ -	$ -	$ -	$ -	$34,082,103
Salaries and wages, employee benefits, and payroll taxes	-	15,397	1,731,041	1,746,438	94,438	6,584,595	553,121	7,232,154	8,978,592
Professional services	-	2,959,406	710,086	3,669,492	896,873	597,359	102,800	1,597,032	5,266,524
Office expenses	-	59,217	133,777	192,994	825,361	255,123	28,703	1,109,187	1,302,181
Insurance	-	294	152,634	152,928	1,267,608	183,898	12,264	1,463,770	1,616,698
Information technology	-	5,926	65,400	71,326	-	156,109	21,071	177,180	248,506
Printing	-	20,822	15,384	36,206	-	16,926	97,172	114,098	150,304
Rent	-	32,917	76,088	109,005	757,107	265,907	72,996	1,096,010	1,205,015
Travel and meetings	-	94,091	132,601	226,692	3,690	276,131	21,408	301,229	527,921
Depreciation and amortization	-	-	984,650	984,650	5,047,607	179,344	22,258	5,249,209	6,233,859
Common area maintenance	-	-	546,637	546,637	2,640,169	72,591	-	2,712,760	3,259,397
Interest	-	-	-	-	4,796,594	-	-	4,796,594	4,796,594
Other property expenses	-	72,704	47,840	120,544	1,428,119	34,836	-	1,462,955	1,583,499
Other project expenses	-	188,453	9,247	197,700	-	8,000	1,079	9,079	206,779
Direct fundraising expenses	-	-	-	-	-	-	278,001	278,001	278,001
Total expenses by function	34,082,103	3,449,227	4,605,385	42,136,715	17,757,566	8,630,819	1,210,873	27,599,258	69,735,973
Less expenses included with revenues on the statement of activities									
Cost of direct benefit to donors	-	-	-	-	-	-	192,446	192,446	192,446
Total expenses included in the expense section of the statement of activities	$34,082,103	$3,449,227	$4,605,385	$42,136,715	$17,757,566	$ 8,630,819	$ 1,018,427	$27,406,812	$69,543,527

The accompanying notes are an integral part of this statement.

BATON ROUGE AREA FOUNDATION AND SUBSIDIARIES

AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 8,239,328	$(31,688,824)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	7,509,997	6,283,309
Net loss (gain) on investments	(32,721,289)	42,672,864
Net loss (gain) on disposal of property, plant and equipment	(5,752,738)	(5,904,137)
Net loss (gain) on beneficial interest in perpetual trust	(405,935)	662,467
Impairment loss	4,295,923	-
Non-cash contributions	(4,507,103)	(2,679,888)
Non-cash grants	101,002	222,372
Unrealized loss (gain) on interest rate contracts	592,877	(2,637,702)
Equity in loss of affiliate	(56,207)	595,317
Recognition of prepaid right-of-use agreement	38,555	37,858
Change in lease liabilities	(18,955)	(18,258)
PPP loan forgiveness	-	(478,160)
Provision for litigation loss	1,000,000	-
Changes in assets and liabilities:		
(Increase) decrease in accounts and other receivables	5,477,317	(357,129)
(Increase) decrease in other assets	36,253	(1,383,801)
Increase (decrease) in accounts payable and accrued liabilities	2,099,707	(1,350,769)
Increase (decrease) in grants payable	684,245	870,842
Increase (decrease) in amounts held on behalf of others	9,807,303	(16,771,725)
Increase (decrease) in other liabilites	1,484,491	(740,700)
(Increase) decrease in receivables from estates, trusts and annuities	(113,438)	102,959
Other increases in long-term investments:		
Cash contributions to endowments	(1,255,796)	(1,920,773)
Interest and dividends restricted for reinvestment in endowments	(7,845)	(8,470)
Net cash provided by (used in) operating activities	(3,472,308)	(14,492,348)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(307,250)	(219,024)
Purchase of real estate	(10,872,460)	(16,579,521)
Proceeds from sale of property and equipment	1,663,727	12,344,500

Continued . . .

	2023	2022
Proceeds from sale of real estate	$ 1,150,000	$ 1,635,632
Proceeds from sale of stock and withdrawal of partnership interest	1,192,120	166,491
Proceeds from life insurance	-	87,000
Net sales (purchases) of investments	6,945,318	7,543,852
Loan repayments received	(237,180)	216,137
Distributions from trusts, estates, and equity investments	(57,432)	1,473,210
Net purchases of investments by perpetual trusts	92,094	(61,298)
Distribution of LLC interest	13,004	15,071
Net cash provided by (used in) investing activities	(418,059)	6,622,050
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions to endowments	$ 1,255,796	$ 1,920,773
Interest and dividends restricted for reinvestment in endowments	7,845	8,470
New borrowings	1,365,603	24,540,645
Principal payments on borrowings	(4,399,708)	(20,859,356)
Proceeds from notes payable - other	370,000	-
Payments on notes payable - other	(505,919)	(683,989)
Increase in due from owners	51,619	51,994
Contributions from noncontrolling interests	8,350,000	3,390,000
Redemption of non-controlling interest	(1,000)	(1,000)
Transfers to non-controlling interest	213,404	961,346
Distributions	(161,055)	-
Distributions to minority interest owners	-	(3,676,289)
Deferred financing costs	(349,851)	(266,533)
Net cash provided by (used in) financing activities	6,196,734	5,386,061
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,306,367	(2,484,237)
Cash and cash equivalents - beginning of year	39,025,258	41,509,495
Cash and cash equivalents - end of year	$ 41,331,625	$ 39,025,258

Continued . . .

	2023	2022
Cash and cash equivalents	$ 41,231,304	$ 38,755,327
Restricted and escrowed cash	100,321	269,931
	$ 41,331,625	$ 39,025,258

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 5,766,363	$ 4,071,364
Cash payments for income taxes, net of refunds	$ 98,866	$ 641,966
Paydown of mortgages payable and notes payable through disposal of real estate investments	$ 6,233,646	$ 6,913,089
Recognition of right-to-use assets for operating leases	$ -	$ 353,432
Operating lease liabilities arising from obtaining right-to-use assets	$ -	$ (353,432)
Acquisition of real estate investments through notes payable	$ 18,609,125	$ 8,504,750
Purchase of property and equipment financed by notes payable	$ 105,271	$ 75,570

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 and its subsidiaries (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.

- Civic Collaborative Foundation (CCF) 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. Prior to 2023, this support organization was known as The Gulf Coast Restoration and Protection Foundation (GCRPF).

- 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.

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

- 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.

- 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.

- Louisiana Clean Energy Fund was organized on April 1, 2023 to provide financial and technical support to the State of Louisiana in its pursuit of public and private funding necessary to achieve goals for clean energy projects that enhance the well-being of Louisiana citizens and residents.

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
TWMF accounts for revenue in accordance with ASC 606 *Revenue from Contracts with Customers (Topic 606)*. Topic 606 implements a common revenue standard that clarifies the principles for recognizing revenue. The standard states that an entity should recognize revenue to depict the transfer of control for promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To attain the standard, an entity is required to identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies a performance obligation. Topic 606 further requires that companies disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard does not affect revenue streams that are addressed by other standards such as leases under *ASC 842*, *Leases (Topic 842)* and 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, daily parking revenue, and land development income which are within the scope of Topic 606. The revenue streams and applicable recognition 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 842, *Lease Accounting*. 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. Percentage rental revenue is included in rental income and is recognized based upon tenant sales that exceed specific levels or breakpoints.

Tenant recoveries include reimbursements from tenants for common area maintenance (CAM), insurance premiums, property taxes, and other expenses. Under Topic 842, certain tenant recoveries are identified as non-lease components and accounted for separately under other accounting principles generally accepted in the United States of America (U.S. GAAP) except for when a practical expedient, applicable by class of underlying asset, which allows lessors to not separate non-lease components from the associated lease components is adopted. TWMF has adopted the practical expedient and considers commercial space, residential space, and land as classes of underlying assets, assets that are the subject of the lease.

Reimbursements associated with insurance and taxes are considered a lease component as they directly relate to the underlying assets and do not transfer a good or service separate from the underlying asset. Reimbursements associated with maintenance and other goods or services transferred to the lessee (i.e., utilities, trash removal, etc.) are considered a non-lease component. However, TWMF has elected to apply the practical expedient, the non-lease components will not be separated from the associated lease components. TWMF recognizes revenue for tenant recoveries in accordance with ASC 842, *Lease Accounting.*

TWMF evaluates real estate properties in accordance with its operating strategy. Such evaluation may result in the purchase and/or sale of real estate to customers and noncustomers. TWMF, in the ordinary course of business, may generate revenue from the sale of developed land parcels to customers. These fees are considered a single performance obligation and are recognized at that point in time. Fees generated from the sale of real estate to noncustomers, outside the ordinary course of business, are recognized in accordance with ASC 610-20, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets.* When real estate is sold, the entire capitalized cost of the real estate as well as any associated accumulated depreciation is removed from TWMF's books. The difference between the consideration received and the net book value removed is recognized as a gain or loss in the consolidated statement of activities.

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

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.

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 series of distinct services that are substantially the same and have the same patterns of transfer. Consideration, including deposits, is variable and fully constrained as TWMF's entitlement to the consideration is contingent on the occurrence or 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.

TWMF owns a parking garage from which monthly and daily receipts are generated. Monthly parking revenue is derived from the leasing of reserved parking spaces that are billed monthly. As monthly parking spaces are leased, the revenue is recognized in accordance with ASC 842, *Lease Accounting.* Daily parking revenue is derived from customers parking their vehicles on a short-term basis. 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.

TWMF periodically receives revenue in the form of grants or contributions to further the development of property. Grants and contributions are provided in both monetary and non-monetary forms and are accounted for under ASC 958-605, *Not-for-Profit Entities, Revenue Recognition.* When non-monetary grants and contributions are received, they are recorded at fair value at the time they are provided. Grant funds received are typically reimbursable grants and are not required to be restricted for any purpose.

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 other than for real estate sales to customers. As these costs (typically sales commissions) are associated with the sale of real estate, which is recognized at a point in time, the incremental costs do not qualify for capitalization under Topic 606. Additionally, there are no material contract assets or receivables as TWMF does not typically enter into long-term revenue contracts with its customers.

<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.

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

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.

<u>Use of estimates</u>
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, and such differences may be material.

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.

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

<u>Donated services</u>
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.

<u>Cash and cash equivalents</u>
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.

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

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, 2023 and 2022 was $2,724,783 and $2,461,215, respectively and is included in cash and cash equivalents ($132,824 and $124,479, respectively) and in investments ($2,591,959 and $2,336,736, 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, 2023 and 2022 is $2,234,690 and $1,965,859, respectively.

Beneficial interest in charitable trusts held by others

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.

Beneficial interests in perpetual trusts

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

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

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.

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 credit losses for estimated losses inherent in the accounts receivable portfolio. In evaluating the required allowance, management considers historical losses, current and future market and economic conditions that may be impactful, the lessee's financial condition, the amounts of receivables in dispute, the current receivables aging, and current payment patterns. Based on its evaluation, management determined that no allowance for credit losses or allowance for doubtful accounts was necessary as of December 31, 2023 and 2022.

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Management believes there is no material difference between this method and the current expected credit loss (CECL) method (ASC 326) for 2023 and the incurred loss method for 2022 as 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.

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

Real estate developments in process are carried at cost of 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.

Real estate held for sale

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

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 to 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, 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 estimated 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 of 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.

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

Capitalized leasing costs

Costs, such as commissions paid to brokers, incurred in connection with the execution of leases are capitalized and 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.

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.

Until October 2023, the majority of BRAF's investment portfolio was managed by two investment advisors that were 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 selected 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. During November and December of 2023, BRAF's investment portfolio was merged under the management of a single investment advisor. 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.

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

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 chief financial officer, and the general counsel of BRAF that will earn 20% of gross salary per year. Plan assets are held in the name of the Foundation. The benefit, which 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 plans for the chief financial officer and the general counsel is sixty. 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. The former president and CEO who retired on March 31, 2022, earned 12% of his gross salary per year during this period and beginning in 2023 chose the ten annual installments. The former executive vice-president who retired on June 30, 2023, earned 20% of his gross salary per year during this period and in 2024 chose the lump sum payment.

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 selected by the participant. The deferred compensation agreement was terminated in October 2020. The remaining liability was paid out in 2022.

Other employee benefit plan

BRAF also provides group health and term life insurance coverage for all employees.

Functional expenses

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.

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

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.

Advertising
BRAF and its supporting organizations expense advertising cost as incurred.

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 2023 and 2022, 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 2020. 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 2023 and 2022, 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.

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, 2023 and 2022, 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.

<u>Goodwill</u>
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. In 2023, TWMF recognized a goodwill impairment charge of $489,000 related to a wholly owned subsidiary of TWMF. Goodwill had been recognized as part of a previous acquisition. As the acquired entity was subsequently sold, the carried asset no longer had value and has since been impaired.

<u>Noncontrolling interest</u>
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%.

<u>Adoption of new accounting standards</u>
On January 1, 2023, BRAF and its supporting organizations adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments,* and all subsequently issued related amendments, which changed the methodology used to recognize impairment of the Foundation's accounts receivable. Under this ASU, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over

the asset's remaining life. This is in contrast to previous U.S. GAAP, under which credit losses were not recognized until it was probable that a loss had been incurred. BRAF and its supporting organizations performed its expected credit loss calculation based on historical accounts receivable write-offs, including consideration of then-existing economic conditions and expected future conditions. BRAF and its supporting organizations deemed that the adoption of ASU 2016-13 was not material to the financial statements; therefore, a cumulative-effect adjustment to record its estimate of the allowance for credit losses upon adoption was not recorded.

On January 1, 2022, BRAF and its supporting organizations adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) and all subsequent ASUs that modified Topic 842. Topic 842 establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the consolidated statements of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities. Key information about leasing arrangements is also required to be disclosed under the new accounting standard. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The practical expedient available under ASU 2018-11, *Leases: Targeted Improvements,* was elected which allows the application of transition provisions for Topic 842 as of the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets.

Comparative information continues to be presented under the guidance of the previous standard, ASC 840. BRAF and its supporting organizations have elected the 'package of practical expedients' which approves no reassessment of the prior conclusions about lease identification, lease classification, and initial direct costs under the new standard.

BRAF and its supporting organizations have also elected the practical expedient to not separate lease and non-lease components for leases of residential and commercial real estate. The short-term lease recognition exemption has been applied for all leases that qualify. This means, for those leases that qualify, the ROU assets and lease liabilities will not be recognized, including not recognized ROU assets or lease liabilities for existing short-term leases of those assets in transition. See Note 19 for further discussion.

During the year ended December 31, 2022, BRAF and its supporting organizations adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present and disclose material contributed nonfinancial assets. The adoption of this standard did not have a material impact on the consolidated financial statements.

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

Reclassifications
Certain amounts in the prior year consolidated financial statements may 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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 41,231,304	$ 38,755,327
Accounts and other receivables	3,744,411	5,430,193
Portion of BRAF investment pool held in money-market accounts and available for liquidity	19,450,945	23,050,004
	$ 64,426,660	$ 67,235,524

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, 2023 and 2022 of $54,541,454 and $51,576,443, 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. BRAF and its supporting organizations goal is to maintain liquid financial assets to meet obligations as they become due.

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

Note 3 – Spending Policy (Continued)

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 2023 and 2022 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 $100,321 and $269,931 at December 31, 2023 and 2022, respectively, is related to certain construction and other agreements. Under the terms of the construction and other agreements, 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, 2023 and 2022, activity in real estate investments held for sale was as follows:

	2023	2022
Beginning of year	$ 7,285,180	$ 6,305,860
Impairment of real estate held for sale	(1,100,000)	-
Transfers from real estate investments	23,504,840	1,785,180
Sales	(1,785,180)	(805,860)
End of year	$ 27,904,840	$ 7,285,180

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, 2023 and 2022 are as follows:

	2023	2022
Various notes donated to NCF payable over 1 to 3 years with annual payments of $5,000 to $20,000, with a final payment due on December 31, 2025, bearing interest at 3%.	$ 100,000	$ 80,000
A non-interest bearing note received from an estate dated June 3, 2021 with monthly payments of $450.	2,700	8,100

Note 6 – Notes Receivable (Continued)

		2023		2022
An unsecured note with interest at 3% from a prior tenant.		-		1,030
Various unsecured notes payable over 2 to 10 years with an annual payments of $4,500 to $18,700, maturing from June 2025 to November 2033, bearing interest at .01% to 2%.		243,609		-
	$	346,309	$	89,130

The maturities on notes receivable as of December 31, 2023 and 2022 are as follows:

		2023		2022
Due in less than one year	$	139,612	$	81,430
Due in one to five years		115,669		7,700
Due in six to ten years		91,028		-
	$	346,309	$	89,130

Note 7 – Investments

Investments as of December 31, 2023 and 2022 are presented below:

		2023		2022
Debt and equity securities				
Common and preferred stocks	$	14,603,215	$	29,308,193
Closely-held stocks		175,800		175,800
Government agency obligations		-		305,619
Corporate and other fixed income obligations		32,320,794		15,317,506
Mutual funds		211,279,831		189,231,661
Unit investment trusts		197,491		210,303
Private equity		61,749,046		63,418,979
Hedge funds		10,323,003		10,048,456
Partnership and LLC interests		16,743,892		17,647,570
Other alternatives		7,673,168		5,807,227
Venture capital partnerships		23,966,493		20,316,709
Other		2		2
		379,032,735		351,788,025

Note 7 – Investments (Continued)

	2023	2022
Other investments and affiliate		
Other cash and cash equivalents	17,371,104	15,907,735
Other	713,204	876,042
Affiliate	9,474,259	10,006,339
	27,558,567	26,790,116
	$ 406,591,302	$ 378,578,141

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, 2023 and 2022 was $9,474,259 and $10,006,339, respectively. The summarized unaudited financial information as of and for the years ended December 31, 2023 and 2022 of the Shaw Center for the Arts, L.L.C. is as follows:

	2023	2022
Total assets	$ 23,224,823	$ 24,338,266
Total liabilites	$ 150,413	$ 199,696
Net loss	$ (1,064,160)	$ (1,147,406)

Note 8 – Real Estate

Real estate investments consist of the following as of December 31, 2023 and 2022:

	2023	2022
Oil and gas properties	$ 5,657,612	$ 5,657,612
Less accumulated depletion	(1,468,130)	(1,377,685)
	4,189,482	4,279,927
Land	46,670,131	46,888,817
Leasehold improvements and other	7,618,861	7,954,306
Building and improvements	200,066,306	209,378,188
Construction in progress	10,888,123	11,434,766
Tenant improvements	14,784,698	6,993,261
Total real estate investments	284,217,601	286,929,265
Less accumulated depreciation and amortization	(36,139,269)	(33,556,105)
Real estate investments, net	$ 248,078,332	$ 253,373,160

Real estate investments, net includes $44,812,956 and $26,227,833 as of December 31, 2023 and 2022, respectively, associated with properties under development. During 2023 and 2022,

Note 8 – Real Estate (Continued)

TWMF capitalized $1,448,426 and $525,586, respectively, of interest on development projects. Total depreciation expense of real estate investments for 2023 and 2022 was $6,596,188 and $5,776,986, 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.

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

Note 9 – Fair Value Measurements and Disclosures (Continued)

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 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, 2023.

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 organizations believe the valuation methods are appropriate and

Note 9 – Fair Value Measurements and Disclosures (Continued)

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, 2023 and 2022:

	Assets at Fair Value as of December 31, 2023 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV*
Common and Preferred Stocks					
US Equity	$ 11,723	$ 11,723	$ -	$ -	$ -
Closely-held	176	-	-	176	-
Non-US Equity	-	-	-	-	-
Concentrated and Other Equity	1,592	1,592	-	-	-
Global Equity	1,288	1,288	-	-	-
Fixed Income					
Fixed Income - Unclassified	32,321	-	32,321	-	-
Mutual Funds					
Equity					
US Equity	118,952	118,952	-	-	-
Non US Equity	40,213	40,213	-	-	-
Global Equity	646	646	-	-	-
Equity - Unclassified	4,171	4,171	-	-	-
Fixed Income					
US Fixed Income	9,365	9,365	-	-	-
Non US Fixed Income	2,157	2,157	-	-	-
Fixed Income - Unclassified	19,294	19,294	-	-	-
GS Tactical Tilt	11,610	11,610	-	-	-
Real Estate and Infrastructure	4,872	2,338	-	2,534	-
Unit Investment Trusts	197	197	-	-	-
Private Equity	61,749	-	-	-	61,749
Partnership Interests	16,744	-	-	16,744	-
Hedge Funds	10,323	-	-	-	10,323
Other Alternatives	7,673	-	-	7,673	-
Venture Capital Partnerships	23,967	-	-	23,967	-
	$ 379,033	$ 223,546	$ 32,321	$ 51,094	$ 72,072

Note 9 – Fair Value Measurements and Disclosures (Continued)

	Assets at Fair Value as of December 31, 2022 (in thousands)				
	Total	Level 1	Level 2	Level 3	NAV*
Common and Preferred Stocks					
US Equity	$ 12,493	$ 12,493	$ -	$ -	$ -
Closely-held	176	-	-	176	-
Non-US Equity	13,810	13,810	-	-	-
Concentrated and Other Equity	1,783	1,783	-	-	-
Global Equity	1,221	1,221	-	-	-
Fixed Income					
Fixed Income - Unclassified	15,624	-	15,624	-	-
Mutual Funds					
Equity					
US Equity	107,126	107,126	-	-	-
Non US Equity	21,357	21,357	-	-	-
Global Equity	624	624	-	-	-
Equity - Unclassified	3,824	3,824	-	-	-
Fixed Income					
US Fixed Income	30,861	30,861	-	-	-
Non US Fixed Income	4,263	4,263	-	-	-
Fixed Income - Unclassified	10,123	10,123	-	-	-
GS Tactical Tilt	6,024	6,024	-	-	-
Real Estate and Infrastructure	5,030	2,184	-	2,846	-
Unit Investment Trusts	210	210	-	-	-
Private Equity	63,419	-	-	-	63,419
Partnership Interests	17,648	-	-	17,648	-
Hedge Funds	10,048	-	-	-	10,048
Other Alternatives	5,807	-	-	5,807	-
Venture Capital Partnerships	20,317	-	-	20,317	-
	$ 351,788	$ 215,903	$ 15,624	$ 46,794	$ 73,467

* 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.

Also included in these financial statements under the caption "Beneficial interest in estates, trusts, and annuities" are various charitable remainder trusts that BRAF is the 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 $9,838,310 and $9,353,599 as of December 31, 2023 and 2022, respectively.

Note 9 – Fair Value Measurements and Disclosures (Continued)

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, 2023 and 2022 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, 2021	$ 176	$ 2,549	$ 19,362	$ 20,951	$ 3,820	$ 11,531
Total realized and unrealized gains (losses) included in change in net assets	-	297	(342)	(1,825)	388	(756)
Purchases	-	29	1,600	336	2,091	-
Sales and Withdrawals	-	-	(196)	(229)	-	(1,482)
Other Earnings, Distributions and Expenses	-	(29)	(107)	(1,585)	(492)	61
Balance, December 31, 2022	176	2,846	20,317	17,648	5,807	9,354
Total realized and unrealized gains (losses) included in change in net assets	-	(312)	2,551	1,755	313	519
Purchases	-	24	1,500	5,227	1,938	-
Sales and Withdrawals	-	-	(68)	(393)	(8)	(92)
Other Earnings, Distributions and Expenses	-	(24)	(333)	(7,493)	(377)	57
Balance, December 31, 2023	$ 176	$ 2,534	$ 23,967	$ 16,744	$ 7,673	$ 9,838

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:

	(in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency +	Redemption Notice
December 31, 2023				
Private Equity	$ 61,749	$ 36,389	see below	see below
Hedge Funds	127	-	unknown	unknown
Hedge Funds	7,356	-	quarterly	65 - 70 days
Hedge Funds	79	-	semi-annually	65 days
Hedge Funds	2,761	-	annually	65 - 90 days
	10,323	-		
	$ 72,072	$ 36,389		

Note 9 – Fair Value Measurements and Disclosures (Continued)

	(in thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency +	Redemption Notice
December 31, 2022				
Private Equity	$ 63,419	$ 38,669	see below	see below
Hedge Funds	334	-	unknown	unknown
Hedge Funds	7,017	-	quarterly	65 - 70 days
Hedge Funds	69	-	semi-annually	65 days
Hedge Funds	2,628	-	annually	65 - 90 days
	10,048	-		
	$ 73,467	$ 38,669		

\+ 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, 2023 and 2022, consist of the following:

	2023	2022
Buildings and improvements	$ 1,400,422	$ 1,400,422
Office furniture and equipment	1,431,735	1,222,404
Tenant improvements	810,028	833,181
	3,642,185	3,456,007
Less accumulated depreciation	(1,298,307)	(1,252,882)
	$ 2,343,878	$ 2,203,125
Depreciation Expense	$ 132,960	$ 131,535

Note 11 – Other Assets

Other assets as of December 31, 2023 and 2022 consists of the following:

	2023	2022
Deferred compensation assets	$ 1,551,163	$ 1,263,684
Deposits	343,417	1,083,824
Interest rate contracts	1,573,173	2,166,050

Note 11 – Other Assets (Continued)

		2023		2022
Employee advances		153,173		230,683
Goodwill		-		489,000
CEA land lease - St. Tammany Parish		292,691		317,082
Capitalized leasing costs		533,948		700,271
Deferred financing costs		59,491		51,501
Other		1,394,997		710,023
	$	5,902,053	$	7,012,118

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, 2023 and 2022. These transactions are scheduled as follows:

		2023		2022
Payable in less than one year	$	3,169,422	$	2,639,835
Payable in one to five years		886,810		672,900
Payable in six to ten years		54,750		13,000
		4,110,982		3,325,735
Less discounts to net present value		(80,346)		(54,333)
	$	4,030,636	$	3,271,402

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.

Note 13 – Amounts Held on Behalf of Others (Continued)

The activity in amounts held on behalf of others during 2023 and 2022 is as follows:

	2023	2022
Balance - beginning of year	$ 112,037,495	$ 128,809,220
Amounts received on behalf of others	9,346,653	5,841,538
	121,384,148	134,650,758
Earnings (losses) allocated to agency accounts	12,841,853	(11,919,371)
Less: administrative assessment	(983,847)	(1,098,318)
Net earnings (losses) allocated to agency accounts	11,858,006	(13,017,689)
Amounts remitted to others	(11,703,846)	(9,595,574)
Balance - end of year	$ 121,538,308	$ 112,037,495

Note 14 – Mortgages and Notes Payable

Mortgage notes payable as of December 31, 2023 and 2022 are as follows:

	2023	2022
Mortgage payable to Bank with an interest rate of 4.00% at December 31, 2023 and 2022. Secured by real estate investments. Due in monthly installments of $9,420. Final balloon payment due February 2025.	$ 965,605	$ 1,037,248
Mortgage payable to Bank with an interest rate of 4.00% at December 31, 2023 and 2022. Secured by real estate investments. Due in monthly installments of $8,310. Final balloon payment due February 2025.	1,002,621	915,050
Mortgage payable to Bank with an interest rate of 3.50%. Secured by real estate investments. Due in monthly installments of $63,010. Final balloon payment due July 2026.	11,068,344	11,424,537
Mortgage payable to Bank with a variable interest rate of one-month ICE LIBOR plus 2.15% (7.61% at December 31, 2023 and 6.32% at December 31, 2022). 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.	7,189,130	7,363,630

Note 14 – Mortgages and Notes Payable (Continued)

		2023		2022
Mortgage payable to Bank with a variable interest rate of one-month ICE LIBOR plus 3.15% (7.61% at December 31, 2023 and 6.32% at December 31, 2022). 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 payments of $13,000. The note matures August 2026.	$	4,940,570	$	5,232,370
Mortgage payable to Bank with varying interest rates over the term of loan, 3.85%. Secured by real estate investments. Due in 120 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.		4,930,213		5,118,308
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 of unpaid principal due in May 2023. Loan was paid off in May 2023.		-		6,214,435
Mortgage payable to Bank with an interest rates of 3.75% at December 31, 2023 and 2022. Secured by deposit accounts and real estate investments. Due in 59 monthly payments of $17,485 and one final balloon payment of unpaid principal due July 2027.		2,222,899		2,345,666
Mortgage payable to Bank with a fixed interest rate of 3.25%. Secured by deposit accounts and real estate investments. Due in four monthly payments of interest only beginning November 2017, 60 monthly payment of principal and interest totaling $24,343 and final balloon payment due in December 2025.		3,363,748		3,541,842
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.		2,114,620		2,223,820

Note 14 – Mortgages and Notes Payable (Continued)

		2023		2022
Mortgage payable to Bank with a variable interest rate of one month ICE LIBOR plus 2.25% (7.71% at December 31, 2023 and 6.42% at December 31, 2022). 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 are due October 2026.	$	13,916,600	$	14,556,000
Mortgage note payable to Bank, due on demand, with an interest rate of 3.99%. Secured by real estate. If no demand is made, the note calls for monthly principal and interest payments of $32,923 with a final balloon payment due February 2026.[2]		4,031,089		4,411,676
Mortgage payable to Bank bearing interest at 2.79%. Secured by real estate. Twelve principal and interest payments of $22,965 are due beginning January 2020. Beginning January 2021, 47 principal and interest payments are due with a calculated interest rate based on the Five Year Treasury Bond + 2.4% and one final payment of unpaid principal and interest due in December 2024.[1]		3,558,952		3,681,366
Construction loan payable to Bank, due on demand, bearing interest at 8.50% at December 31, 2023 and 7.5% at December 31, 2022. Secured by real estate. Note calls for monthly payments of accrued interest starting March 2023 with one payment of all outstanding principal plus accrued unpaid interest in December 2024.[1]		6,195,963		4,874,691
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]		3,577,020		3,675,136
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.		1,361,419		1,445,661
Construction loan payable to Bank with a variable interest rate WSJ Prime (8.50% at December 31, 2023 and 7.5% as of December 31, 2022). Secured by deposit accounts and real estate investments. The note calls for monthly interest payments and one final principal payment due at maturity, September 2024.[1]		5,299,530		5,299,530

Note 14 – Mortgages and Notes Payable (Continued)

	2023	2022
Mortgage payable to Bank with a variable interest rate of WSJ Prime Rate +.25% (8.75% at December 31, 2023 and 7.5% at December 31, 2022). Secured by deposit accounts and real estate investments. The note calls for monthly interest payments and one final principal payment due at maturity, May 2029.[1]	$ 1,649,226	$ 1,649,226
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.	8,813,194	9,164,473
Mortgage payable to Bank with an interest rate of 6.75%. Secured by deposit accounts and real estate investments. Due in monthly installments ranging from $14,816 in year one to $19,460 in year five and one final principal payment due November 2027.[2]	4,045,122	4,452,004
Construction loan payable to Bank with a 3.25% interest rate. Secured by deposit accounts and real estate investments. The note calls for five monthly interest payments, 78 principal and interest payments of $14,309 beginning October 2022 and one final payment of unpaid principal and interest due April 2029.	2,531,051	2,174,994
Mortgage payable to Bank with a 3.70% interest rate. Secured by deposit accounts and real estate investments. The note calls for six interest only payments, monthly principal and interest payments of $76,456 beginning December 2022 and one final principal and interest payment due May 2027.	14,549,860	14,919,205
Multiple advance loan payable to Bank with an interest rate of 5.25%. Secured by deposit accounts and real estate investments. Interest only payments beginning December 2022, then 51 monthly principal and interest payments of $16,491, and one final payment of unpaid principal and interest due November 2027.	2,724,138	1,787,500
Multiple advance loan payable to Bank with an interest rate of 4.50%. Secured by deposit accounts and real estate investments. Note calls for eight interest only payments beginning October 2022, then 51 monthly principal and interest payments of $9,057 and one final payment of unpaid principal and interest due September 2027.	1,598,140	118,500

Note 14 – Mortgages and Notes Payable (Continued)

		2023		2022
Multiple advance loan payable to Bank with an interest rate of 4.50%. Secured by deposit accounts and real estate investments. Note calls for six interest only payments beginning October 2022, then 53 monthly principal and interest payments of $11,728 and one final payment of unpaid principal and interest due September 2027.	$	2,062,242	$	1,620,000
Multiple advance loan payable to Bank with an interest rate of 6.25%. Secured by deposit accounts and real estate investments. Note calls for eight interest only payments beginning December 2022, then 51 monthly principal and interest payments of $19,024 and one final payment of unpaid principal and interest due November 2027.		2,846,840		1,560,000
Mortgage payable to Bank with an interest rate of 5.65%. Secured by deposit accounts and real estate investments. Due in 59 installments of principal and interest of $8,062 and one final payment of unpaid principal and interest due December 2027.		1,259,918		1,283,750
Multiple advance loan payable to Bank with variable interest rate of Term SOFR Rate + 2.25% (5.34% at December 31, 2023 and 4.12% at December 31, 2022). Secured by deposit accounts and real estate investments. Note calls for interest only payments with one final payment of unpaid principal and interest due March 2024.[1]		2,000,000		2,000,000
Multiple advance loan payable to Bank with a variable interest rate of WSJ Prime Rate (8.5% at December 31, 2023 and 7.5% at December 31, 2022). Secured by deposit accounts and real estate investments. Note calls for interest only payments with one final payment of unpaid principal and interest due April 2024.[1]		2,135,000		2,135,000
Mortgage payable to Bank with a variable interest rate of WSJ Prime Rate (8.5% at December 31, 2023). Secured by deposit accounts and real estate investments. Due in 23 monthly installments of principal and interest of $50,790 and one final payment of unpaid principal and interest due April 2025.		3,948,603		-
Mortgage payable to Lender with an interest rate of 10%. Secured by deposit accounts and real estate investments. One payment of principal and interest due April 2024.[1]		5,350,000		-

Note 14 – Mortgages and Notes Payable (Continued)

		2023		2022
Multiple advance loan payable to Bank with an interest rate of 6.25%. Secured by deposit accounts and real estate investments. Note calls for 12 interest only payments beginning June 2023, then 47 monthly principal and interest payments of $22,356 and one final payment of unpaid principal and interest due May 2028.	$	791,023	$	-
Mortgage payable to Bank with a variable interest rate of WSJ Prime Rate + 0.25% (8.75% at December 31, 2023). Secured by deposit accounts and real estate investments. The note calls for six interest only payments beginning May 2023, then 17 monthly principal and interest payments and one final payment of unpaid principal and interest due April 2025.[1]		1,658,160		-
Mortgage payable to Lender with an interest rate of 10%. Secured by deposit accounts and real estate investments. One payment of principal and interest due December 2024.[1]		2,000,000		-
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]		3,251,498		3,251,498
Note payable in settlement of litigation. Non-interest bearing note requiring 24 monthly payments of $50,000. Final payment due September 2023.		-		400,000
Various other notes payable		19,586		110,549
Total mortgages and notes payable		138,971,924		129,987,665
Less deferred financing costs, net of amortization		794,474		696,939
Mortgages and notes payable, net of deferred financing costs	$	138,177,450	$	129,290,726

[1] See Note 33 - Subsequent Events. This loan was refinanced and/or amended subsequent to year-end.

[2] This loan was paid off subsequent to year-end.

[3] No payments were made in 2023 or 2022 as the balance is currently in dispute.

The mortgages payable are collateralized with certain real estate investments with a carrying value of $229,465,897 and $214,268,287 as of December 31, 2023 and 2022, respectively.

Future principal payments for the next five years and thereafter on mortgages payable, as amended and after December 31, 2023, are as follows:

2024	$	34,866,952
2025		15,943,754
2026		49,372,730
2027		20,466,241
2028		841,120

Note 14 – Mortgages and Notes Payable (Continued)

Thereafter		17,481,127
Total	$	138,971,924

Note 15 – Notes Payable – Related Party

In 2023, TWMF entered into two loan promissory notes with related parties. The notes total $370,000 at December 31, 2023, and bear interest at 10%. The notes mature in December 2024 and June 2025.

Note 16 – Net Assets

Net assets are restricted for the following purposes or periods as of December 31, 2023 and 2022:

	2023	2022
Subject to expenditure for specified purposes		
Donor designated	$ 24,693,418	$ 22,466,233
Field of interest	15,462,373	12,357,865
Employee assistance	5,204,226	5,012,518
Scholarship	3,414,896	2,566,975
Charitable remainder trusts	6,307,516	6,203,123
Other	2,617,450	1,038,758
	$ 57,699,879	$ 49,645,472
Perpetual in nature (endowments)		
Donor advised	$ 51,359,965	$ 50,240,192
Donor designated	23,953,818	23,800,863
Field of interest	3,087,991	2,931,107
Local education funds	5,511,923	5,506,923
Scholarship	1,679,912	1,672,012
Other	4,741,395	4,370,014
	90,335,004	88,521,111
	$ 148,034,883	$ 138,166,583

During 2023 and 2022, $23,370,392 and $27,489,801, 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.

Note 16 – Net Assets (Continued)

Included in net assets without donor restrictions is $102,594,155 and $101,880,362 of donor advised funds as of December 31, 2023, and 2022, 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.

Note 17 – Endowments

BRAF and its supporting organization's net assets include 277 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 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, 2023 and 2022, 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

Note 17 – Endowments (Continued)

The endowment net asset composition by type of fund as of December 31, 2023 and 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2022			
Donor restricted endowment funds	$ -	$ 91,957,026	$ 91,957,026
Board designated endowment funds	53,240,550	-	53,240,550
	$ 53,240,550	$ 91,957,026	$ 145,197,576
December 31, 2023			
Donor restricted endowment funds	$ -	$ 95,309,886	$ 95,309,886
Board designated endowment funds	56,272,117	-	56,272,117
	$ 56,272,117	$ 95,309,886	$ 151,582,003

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.

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, 2023 and 2022, funds with deficiencies are described as follows:

	Original Value	Fair Value	Deficiency
December 31, 2022			
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	$ 3,375,747	$ 3,262,017	$ 113,730
Donors were given a variance to the endowment policy and allowed to use more than the available earnings to fulfill grant requests	36,732,126	17,569,749	19,162,377
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	1,433,148	883,972	549,176
	$ 41,541,021	$ 21,715,738	$ 19,825,283

Note 17 – Endowments (Continued)

	Original Value	Fair Value	Deficiency
December 31, 2023			
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	$ 541,706	$ 486,969	$ 54,737
Donors were given a variance to the endowment policy and allowed to use more than the available earnings to fulfill grant requests	38,375,107	19,295,816	19,079,291
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	1,618,468	961,560	656,908
	$ 40,535,281	$ 20,744,345	$ 19,790,936

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, 2023 and 2022 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets:			
Balance - December 31, 2021	$ 54,856,770	$ 91,837,670	$ 146,694,440
Contributions	1,517,091	7,580,898	9,097,989
Investment income (loss)	(920,963)	(1,935,356)	(2,856,319)
Net appreciation (depreciation)	(1,917,312)	(1,562,159)	(3,479,471)
Amounts appropriated for expenditure	(295,036)	(3,964,027)	(4,259,063)
Balance - December 31, 2022	53,240,550	91,957,026	145,197,576
Contributions	2,752,263	1,487,233	4,239,496
Investment income	5,074,922	1,546,002	6,620,924
Net appreciation (depreciation)	1,130,833	972,670	2,103,503
Amounts appropriated for expenditure	(5,926,451)	(653,045)	(6,579,496)
Balance - December 31, 2023	$ 56,272,117	$ 95,309,886	$ 151,582,003

Note 18 – Projects

Project expenses for the years ended December 31, 2023 and 2022 were:

	2023	2022
Education	$ 1,614,321	$ 119,500
New Schools for Louisiana	581,922	-
Environmental Impact	421,301	-
National Science Foundation - LIGO	371,183	204,236
Community Safety	136,521	-
Bloomberg Department of Education	131,000	88,000
Disaster / Hurricane Relief	88,176	1,196,212
Equity Cities	-	1,339,500
All other	632,082	501,779
	$ 3,976,506	$ 3,449,227

Note 19 – Leases - Lessee

Baton Rouge Area Foundation

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. The expenses associated with this lease are deducted from rent income on the consolidated statement of activities. Management has determined the effects of not recording a right-of-use asset and the corresponding liability for this lease are not material to the consolidated financial statements.

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 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. 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.

The Wilbur Marvin Foundation

TWMF leases land under non-cancelable operating ground leases related to two properties. The leases extend to various dates through 2041. Upon expiration of these leases, the properties revert to the owner. The operating lease cost and cash paid for the amount included in the measurement of lease liabilities for 2023 and 2022 was $31,200. The weighted average

Note 19 – Leases - Lessee (Continued)

remaining lease term is 17.09 years and 17.75 years as of December 31, 2023 and 2022, and the weighted discount rate is 3.75%.

The right-of-use asset and lease liability recognized by TWMF at January 1, 2022 for operating leases was $353,433. There was no cumulative-effect adjustment related to the adoption of Topic 842.

The right-of-use assets and lease liabilities associated with these operating leases were recognized based on the present value of lease payments over the lease term at commencement date. Operating leases in effect prior to January 1, 2022, were recognized at the present value of the remaining lease payments on the remaining lease term as of January 1, 2022. TWMF used the incremental borrowing rate based on the lease term information available at commencement date in determining the present value of lease payments.

TWMF has real estate lease agreements (residential and commercial) with lease and non-lease components, which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease. TWMF generally does not include renewal or termination options in the assessment of the leases unless extension or termination is deemed to be reasonably certain.

As lessee, operating lease liabilities under non-cancellable leases as of December 31, 2023 are:

2024	$ 31,200
2025	28,400
2026	22,800
2027	22,800
2028	22,800
Thereafter	302,700
Total minimum lease payments	430,700
Less: Imputed interest	(114,480)
Operating lease liabilities	$ 316,220

The net lease obligation as of December 31, 2022, was $333,175.

<u>Community Foundation of Southwest Louisiana</u>
CFSWLA leases office space under an operating lease expiring in 2024. The lease has a remaining life of less than one year as of December 31, 2023. Management used a 7.00% discount rate to determine the lease liability.

Note 19 – Leases - Lessee (Continued)

The following is maturity analysis of annual discounted cash flows for lease liabilities as of December 31, 2023:

2024	$	12,819
Less amount representing interest		(600)
Net lease obligation	$	12,219

The net lease obligation as of December 31, 2022, was $32,076.

Northshore Community Foundation

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.

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.

For the years ended December 31, 2023 and 2022, 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, 2023:

2024	$	142,096
2025		80,151
2026		80,151
2027		44,666
2028		20,000
Total minimum lease payments	$	367,064

Note 20 – Lease Commitment – Lessor (Continued)

TWMF leases commercial space to tenants under non-cancelable operating leases with initial terms of three to ten years.

Under certain lease agreements, TWMF is entitled to receive contingent rental income generally based on a pre-determined formula primarily derived from the lessee's income. TWMF has presented these amounts on a gross basis within rental income and property expense in the consolidated statements of activities as a result of the adoption of Topic 842, without impact on net income. The rental income and tenant recoveries recognized for the years ended December 31, 2023 and 2022 are $17,029,542 and $16,598,867, respectively, and are included within the consolidated statements of activities.

Future undiscounted cash flows to be received for each of the next five years and thereafter as of December 31, 2023 are as follows:

2024	$ 13,031,369
2025	12,527,749
2026	10,580,603
2027	8,625,726
2028	7,522,648
Thereafter	26,868,652
Total minimum lease receipts	$ 79,156,747

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.

During 2023 and 2022, leasing costs of $0 and $145,091, respectively, were capitalized. Amortization of capitalized leasing costs was $148,619 and $133,867 in 2023 and 2022, respectively. Capitalized leasing costs as of December 31, 2023 and 2022 were $533,948 and $700,271, 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

Note 21 – Capital Transactions (Continued)

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, 2023 and 2022, BRAF and its supporting organizations were committed to the payment of certain grants totaling $488,450 and $430,000, respectively, contingent upon the fulfillment of certain criteria by the potential grant recipient.

Note 23 – 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 $22,500 (under 50 years of age) or $30,000 (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, 2023 and 2022 were $331,555 and $292,455, respectively.

As described in Note 1, BRAF has established deferred compensation plans for the former president and CEO, former executive vice-president, chief financial officer, and general counsel. As of December 31, 2023 and 2022, the liability under these deferred compensation plans was $1,551,163 and $1,263,684, 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 $1,551,163 and $1,263,684 as of December 31, 2023 and 2022, 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, 2023 and 2022 were $132,792 and $140,767, respectively.

As described in Note 1, TWMF had established a deferred compensation plan for certain employees. The deferred compensation agreement was terminated in October 2020 and a liability was recorded for the amounts due to the two employees. During the year ended

Note 23 – Retirement Plans (Continued)

December 31, 2022, TWMF paid out the remaining liability under the agreement which amounted to $817,193.

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 2023 and 2022, the contribution rate was 11%. Contributions of $31,522 and $43,340 were made to the plan for the years ended December 31, 2023 and 2022, 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 2023 and 2022 was 12.5%, and the employer's portion of contributions to the plan was $19,259 and $19,686 for the years ended December 31, 2023 and 2022, respectively.

Note 24 – 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 25 – Taxes

For the years ended December 31, 2023 and 2022, BRAF and its supporting organizations recognized an income tax expense of $253,055 and $765,449, respectively. The actual tax expense differed from the expected tax benefit as follows:

		2023		2022
Expected tax expense (benefit)	$	(368,406)	$	224,433
Valued entities		443,731		603,735
Unrelated Business Income Tax		10,745		-
Return to provision		166,985		(62,719)
Total tax expense (benefit)	$	253,055	$	765,449

Note 25 – 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, 2023 and 2022 are presented below.

	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 13,572,434	$ 12,471,034
Capital loss carryforward	209,172	172,860
Tax credit carryforwards	4,833,362	4,833,362
Plant and equipment, principally due to differences in depreciation, capitalized interest, and impairment	(15,628)	(52,337)
Other deductible temporary differences	344,724	294,870
Total gross deferred tax assets	18,944,064	17,719,789
Less valuation allowance	(18,944,064)	(17,719,789)
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 at December 31, 2023 and 2022 of approximately $51,700,000 and $68,100,000, respectively, which are available to offset future taxable income and expire between the years 2026 to 2043. 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 $18,944,064 and $17,719,789 as of December 31, 2023 and 2022, respectively. The fluctuation in the deferred asset's valuation allowance was an increase of $1,224,275 and $43,270 in 2023 and 2022, respectively.

Note 26 – 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.

Furthermore, BRAF and its supporting organizations periodically advance funds to and receive

Note 26 – Related Parties (Continued)

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, 2023 and 2022. Cash payments for the years ended December 31, 2023 and 2022 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, 2023 and 2022, 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 27 – Fair Value of Financial Instruments

The fair values of the financial instruments as of December 31, 2023 and 2022 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. These 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:

<u>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.</u>

The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of those instruments.

<u>Interest rate contracts</u>
The fair value is determined by the third-party based on inputs including current interest rates and the present value of the future cash payments required under the terms of the loan

Note 27 – Fair Value of Financial Instruments (Continued)

agreement for which it is associated. Interest rate contracts are considered Level 2 investments within the fair value hierarchy.

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 (8.50% as of December 31, 2023), 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 $135,700,840 as of December 31, 2023.

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, 2023 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 28 – Real Estate Rental Expenses

Rental expenses for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Common area maintenance	$ 2,965,551	$ 3,259,394
Ground rents	620,897	1,078,029
Insurance	1,550,329	1,503,349
Property taxes	726,250	775,165
Repairs and maintenance	297,512	603,866
Bad debt	122,580	359,794
Miscellaneous	65,235	40,965
Sales and use tax	129,768	98,977
Leasing	46,151	49,588
Utilities	-	453
	$ 6,524,273	$ 7,769,580

Note 28 – Real Estate Rental Expenses (Continued)

Real estate administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Salary and payroll related	$ 3,843,106	$ 4,237,350
Professional fees	581,863	795,801
Legal	1,234,829	353,119
Office	531,048	475,313
Travel and entertainment	118,430	139,123
Other	60,116	81,722
Bank charges	35,449	22,643
	$ 6,404,841	$ 6,105,071

Note 29 – 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 an annual maximum benefit of $144,000 per employee. BRAF has not determined the fair value of this guarantee and no amount has been recorded in these consolidated financial statements relating to this agreement.

<u>PPP Loan Forgiveness</u>

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. BRAF and its supporting organizations received PPP loans totaling $1,547,738 which have been forgiven in previous years.

Note 30 – 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.

Since prior to December 31, 2020, BRAF and the other owners of the Albritton Mineral Servitude (Servitude Owners) have been involved in a title dispute involving the State of Louisiana with regard to the ownership of the mineral rights underlying a large tract of immovable property located in Red River and DeSoto Parishes. During 2023, the Servitude Owners entered into a settlement with the State of Louisiana. The ownership of the mineral servitude was granted to the Servitude Owners in exchange for 45% of the royalty revenue

Note 30 – Litigation (Continued)

attributable to said lands. Under this settlement, BRAF shall receive its proportionate share of the revenue obtained through the production and sale of oil and gas attributable to the lands at issue. Approximately $27,000,000 is currently deposited in the registry of the court for these matters. However, it is not clear how much of the funds on deposit in the registry of the court BRAF will receive based on ownership percentages, overpayments to the registry and outstanding issues related to the distribution of the funds. During 2023 and 2024, BRAF received funds from this settlement totaling $1,983,875 which have been recorded in 2022 as a receivable in these consolidated financial statements.

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 outstanding balance related to this claim is recorded in the consolidated financial statements at December 31, 2022.

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. In 2022, the Court rendered a ruling regarding this litigation in favor of the plaintiff. In 2023, TWMF recognized an additional $1,000,000 provision for litigation loss as a result of additional rulings in the matter. As of December 31, 2023 and 2022, the accrued liability related to this litigation was $5,200,000 and $4,200,000, respectively. TWMF is continuing to pursue legal avenues to reduce the liability.

Note 31 – Interest Rate Contracts

TMWF entered into two interest rate swap agreements with a bank as ofAugust 30, 2019, that effectively fixes the interest rates from the variable rates called for in the loans.

Note 31 – Interest Rate Contracts (Continued)

The terms as of December 31, 2023 and 2022 are as follows:

	2023	2022
Contract Date	August 30, 2019	August 30, 2019
Fixed Interest Rate	3.70%	3.70%
Variable Rate	One-month SOFR + 2.15%	One-month LIBOR + 2.15%
Notional Amount as of year end	$12,129,700	$12,596,000
Maturity	August 1, 2026	August 1, 2026
Market Value as of year end	$721,916	$996,247
Contract Date	August 30, 2019	August 30, 2019
Fixed Interest Rate	3.80%	3.80%
Variable Rate	One-month SOFR + 2.25%	One-month LIBOR + 2.25%
Notional Amount as of year end	$13,916,600	$14,556,000
Maturity	October 1, 2026	October 1, 2026
Market Value as of year end	$851,257	$1,169,803
Total Market Value at Year End	$1,573,173	$2,166,050

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 impact for the years ended December 31, 2023 and 2022 was a decrease in interest expense of $927,553 and an increase of $47,448, respectively.

The overall impact of the fair value fluctuations of the swap arrangements from the year ended December 31, 2023 was a loss of $592,877 and for the year ended December 31, 2022 was a gain of $2,637,702.

Note 32 – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Foundation will continue as a going concern. However, one of the Foundation's supporting organizations, The Wilbur Marvin Foundation, has shown certain operating concerns. At December 31, 2023, total assets exceed total liabilities by approximately $98,000,000. Liquid assets were $2,800,000 and current liabilities (excluding debt service) were approximately $12,000,000. For the years ended December 31, 2023 and 2022, TWMF has experienced losses from real estate operations before the disposal of properties and recognized approximately $5,000,000 of interest expense in both years. These circumstances, along with $34,000,000 of principal debt maturities due in 2024 initially raised substantial doubt about TWMF's ability to continue as a going concern and have prompted management to evaluate TWMF's plan to mitigate these concerns.

Management has evaluated its position noting properties sold subsequent to year-end provided debt service relief and additional cash flows. As of the date of this report, $16,800,000 of proceeds were generated from the sales of these properties. The remaining property held for sale at December 31, 2023, is expected to be developed.

TWMF, through a subsidiary, sought non-controlling investors to further develop the property and operations of a particular project. In 2024, non-controlling investors made capital contributions in the amount of $4,100,000.

TWMF has and continues to work with lenders to extend or renew loan terms as they become due and/or as necessary to meet its operating needs. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 July 8, 2025, the date which the financial statements were available to be issued.

Management has determined that the following events have occurred subsequent to December 31, 2023 and require disclosure:

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

- On February 29, 2024, a lender waived the debt service coverage covenant violation associated with a 50% owned partnership property for the years ended December 31, 2023. That waiver was conditional such that the debt agreement was modified to further collateralize the debt and increase the interest rate. In July 2024, the debt of approximately $3,900,000 was paid in full upon the sale of the associated property.

Note 33 – Subsequent Events (Continued)

- On March 15, 2024, TWMF entered into a multiple advance loan with a principal balance of $3,405,736. The loan calls for six monthly interest only payments, then 17 monthly principal and interest payments with one final payment of all unpaid principal and accrued interest at maturity, March 2026. The loan bears interest at 8.125%.
- On May 22, 2024, TWMF termed out an existing line of credit with a balance of $1,649,226. The loan calls for monthly principal and interest payments with one final payment of all unpaid principal and accrued interest through maturity, May 2029. The loan bears interest at prime +0.25% which was 8.75% on this date.
- On August 29, 2024, TWMF entered into a construction loan agreement for $5,524,000. The multiple advance loan terms out in August 2025. The agreement calls for 12 monthly interest only payments, then 23 monthly principal and interest payments with one final payment of all unpaid principal and accrued interest due at maturity, August 2027. The loan calls for interest at CME 1-Month Term SOFR + 2.8%, which was 8.142% on this date.
- In August 2024, TWMF extended an existing loan with a lender in the amount of $5,350,000 to December 30, 2024. All other terms of the agreement remain unchanged.
- In 2024, TWMF renewed three loans totaling approximately $8,670,000 in principal. The loans call for monthly interest only, principal and interest and/or final payments for all unpaid principal and accrued interest at maturity, December 2024 to July 2029. Two of the loans bear variable interest at WSJ Prime + 1.0% and CME Term SOFR + 2.75% which were 9.5% and 8.092% at loan renewal. The last loan bears a fixed interest rate of 6.5%.
- In 2024, TWMF refinanced two loans totaling approximately $7,000,000 in principal. The loans call for monthly interest only, principal and interest and/or final payments for all unpaid principal and accrued interest at maturity, August and October 2031. The loans bear interest at WSJ Prime with minimum and maximum rate limitations. Interest rates at the refinancing dates were 8.5% and 8.0% respectively.
- In December 2024, TWMF extended an existing loan with a lender in the amount of $6,200,000 to February 9, 2025. All other terms of the agreement remain unchanged.
- On February 28, 2025, TWMF entered into a convertible debt loan for $2,400,000. The loan has a five-year term with accrued simple interest at a fixed rate of 10% per annum, due and payable on the 5th anniversary of the issuance date. The loan includes a call option of no less than six months. The loan includes the option to convert the outstanding principal and accrued interest into class B units. The loan allows the holder to participate in Company profits, while any principal amount is outstanding, from the Company's membership interest in Baton Rouge Acquisitions and Kannapolis Crossing GP.
- In December 2024, TWMF entered into a promissory note for $500,000 with a related party. The note bears interest of 10% and calls for all unpaid principal and interest to be paid on or before December 31, 2025.
- In February 2025, TWMF extended an existing loan with a lender in the amount of $965,000 to April 2025. The interest rate was changed from fixed 4% to prime with an initial rate of 7.5% and the maturity date is expected to be further extended.

Note 33 – Subsequent Events (Continued)

- In February 2025, TWMF extended an existing loan with a lender in the amount of $1,000,000 to April 2025. The interest rate was updated from fixed 4% to prime with an initial rate of 7.5% and the maturity date is expected to be further extended.
- In December 2024, TWMF extended an existing loan with a lender in the amount of $3,600,000 to April 2025. The interest rate was updated from fixed 2.79% to prime with an initial rate of 7.75% and the maturity date is expected to be extended.
- In February 2025, TWMF extended an existing loan with a lender in the amount of $6,200,000 to June 2025. All other terms remain unchanged.
- In February 2025, TWMF extended an existing loan with a lender in the amount of $2,000,000 to April 2025. All other terms remained unchanged and the maturity date is expected to be extended.

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

- On March 8, 2024, TWMF sold its property in Puerto Rico for $4,400,000. As a result of the transaction, approximately $4,000,000 of mortgages payable were paid off.
- On July 11, 2024, TWMF sold approximately 2 acres in North Carolina for $6,000,000. As a result of the transaction, approximately $3,900,000 of mortgages payable were paid off.
- During 2024, TWMF purchased separate properties in Ohio and Texas for an approximate total of $4,000,000.
- On January 15, 2025, TWMF sold its property in Kannapolis, North Carolina for $6,400,000. The proceeds paid off approximately $5,300,000 of mortgages associated with the property.
- At the end of 2024, TWMF sold its property in Sherman, Texas to an outside partner for $954,000.

The following transaction occurred relating to capital transactions:

- In 2024, TWMF, through one of its subsidiaries, raised $4,100,000 of capital for future investment opportunities.