

Bayaud Enterprises, Inc.

FINANCIAL STATEMENTS
June 30, 2017 and 2016

With Independent Auditor's Report Thereon

TABLE OF CONTENTS

| | |
|----------------------------------|------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| STATEMENT OF FINANCIAL POSITION | 2 |
| STATEMENT OF ACTIVITIES | 3-4 |
| STATEMENT OF FUNCTIONAL EXPENSES | 5-6 |
| STATEMENT OF CASH FLOWS | 7 |
| NOTES TO FINANCIAL STATEMENTS | 8-13 |



HEIDER, TANNER & DIRKS, INC.
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD P. HEIDER, CPA
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Bayaud Enterprises, Inc.
Denver, Colorado

We have audited the accompanying statements of financial position of Bayaud Enterprises, Inc. (a Colorado nonprofit corporation) as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayaud Enterprises, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Heider, Tanner & Dirks, Inc.

HEIDER, TANNER & DIRKS, INC.
Denver, Colorado

October 31, 2017

BAYAUD ENTERPRISES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017 and 2016

| | 2017 | 2016 |
|---|--------------|--------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 375,925 | \$ 480,451 |
| Accounts receivable | 913,350 | 870,504 |
| Contributions receivable | 208,000 | 110,000 |
| Prepaid expenses | 48,637 | 49,407 |
| Investments | 4,755 | 4,703 |
| Total current assets | 1,550,667 | 1,515,065 |
| Property and equipment, net of accumulated depreciation of \$2,222,247 and \$2,055,307 | 1,904,505 | 1,850,718 |
| Total assets | \$ 3,455,172 | \$ 3,365,783 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ 75,601 | \$ 63,238 |
| Accrued expenses and payroll withholdings | 309,000 | 251,644 |
| Deferred revenue | 22,500 | 22,500 |
| Notes payable - current portion | 114,655 | 75,752 |
| Total current liabilities | 521,756 | 413,134 |
| Long-term Liabilities: | | |
| Notes payable | 527,282 | 557,156 |
| Total long-term liabilities | 527,282 | 557,156 |
| Total liabilities | 1,049,038 | 970,290 |
| Net Assets: | | |
| Unrestricted | 2,097,719 | 2,147,124 |
| Temporarily restricted | 307,915 | 247,869 |
| Permanently restricted | 500 | 500 |
| Total net assets | 2,406,134 | 2,395,493 |
| Total liabilities and net assets | \$ 3,455,172 | \$ 3,365,783 |

The accompanying notes are an integral part of the financial statements.

BAYAUD ENTERPRISES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES, GAINS AND OTHER SUPPORT | | | | |
| Grants and donations | \$ 1,378,212 | \$ 429,055 | \$ - | \$ 1,807,267 |
| Production revenue | 1,245,920 | - | - | 1,245,920 |
| Service revenue | 5,233,935 | - | - | 5,233,935 |
| Consumer services revenue | 427,536 | - | - | 427,536 |
| Unrealized investment gain | 52 | - | - | 52 |
| Net assets released from restrictions | 369,009 | (369,009) | - | - |
| | <u>8,654,664</u> | <u>60,046</u> | <u>-</u> | <u>8,714,710</u> |
| EXPENSES | | | | |
| Program services | | | | |
| Production | 1,140,150 | - | - | 1,140,150 |
| Rehabilitation | 1,846,703 | - | - | 1,846,703 |
| Services | 4,669,135 | - | - | 4,669,135 |
| | <u>7,655,988</u> | <u>-</u> | <u>-</u> | <u>7,655,988</u> |
| Supporting services | | | | |
| General and administrative | 629,767 | - | - | 629,767 |
| Fundraising | 418,314 | - | - | 418,314 |
| | <u>1,048,081</u> | <u>-</u> | <u>-</u> | <u>1,048,081</u> |
| | <u>8,704,069</u> | <u>-</u> | <u>-</u> | <u>8,704,069</u> |
| CHANGE IN NET ASSETS | (49,405) | 60,046 | - | 10,641 |
| NET ASSETS, BEGINNING OF PERIOD | <u>2,147,124</u> | <u>247,869</u> | <u>500</u> | <u>2,395,493</u> |
| NET ASSETS, END OF PERIOD | <u>\$ 2,097,719</u> | <u>\$ 307,915</u> | <u>\$ 500</u> | <u>\$ 2,406,134</u> |

The accompanying notes are an integral part of the financial statements.

BAYAUD ENTERPRISES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES, GAINS AND OTHER SUPPORT | | | | |
| Grants and donations | \$ 1,539,111 | \$ 390,310 | \$ - | \$ 1,929,421 |
| Production revenue | 1,187,681 | - | - | 1,187,681 |
| Service revenue | 4,389,509 | - | - | 4,389,509 |
| Consumer services revenue | 491,157 | - | - | 491,157 |
| Unrealized investment loss | (704) | - | - | (704) |
| Net assets released from restrictions | 428,282 | (428,282) | - | - |
| | <u>8,035,036</u> | <u>(37,972)</u> | <u>-</u> | <u>7,997,064</u> |
| EXPENSES | | | | |
| Program services | | | | |
| Production | 1,044,554 | - | - | 1,044,554 |
| Rehabilitation | 1,879,796 | - | - | 1,879,796 |
| Services | 4,047,715 | - | - | 4,047,715 |
| | <u>6,972,065</u> | <u>-</u> | <u>-</u> | <u>6,972,065</u> |
| Supporting services | | | | |
| General and administrative | 592,032 | - | - | 592,032 |
| Fundraising | 377,506 | - | - | 377,506 |
| | <u>969,538</u> | <u>-</u> | <u>-</u> | <u>969,538</u> |
| | <u>7,941,603</u> | <u>-</u> | <u>-</u> | <u>7,941,603</u> |
| CHANGE IN NET ASSETS | 93,433 | (37,972) | - | 55,461 |
| NET ASSETS, BEGINNING OF PERIOD | <u>2,053,691</u> | <u>285,841</u> | <u>500</u> | <u>2,340,032</u> |
| NET ASSETS, END OF PERIOD | <u>\$ 2,147,124</u> | <u>\$ 247,869</u> | <u>\$ 500</u> | <u>\$ 2,395,493</u> |

The accompanying notes are an integral part of the financial statements.

BAYAUD ENTERPRISES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

| | Program Services | | | Supporting Services | | Total |
|-------------------------------------|---------------------|---------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Production | Rehabilitation | Services | General and Administrative | Fundraising | |
| Staff salaries | \$ 632,164 | \$ 1,138,291 | \$ 1,519,634 | \$ 429,991 | \$ 236,000 | \$ 3,956,080 |
| Consumer wages | 36,000 | 107,787 | 2,158,948 | - | - | 2,302,735 |
| Employee benefits and payroll taxes | 89,591 | 175,800 | 557,227 | 67,800 | 45,985 | 936,403 |
| Total personnel | 757,755 | 1,421,878 | 4,235,809 | 497,791 | 281,985 | 7,195,218 |
| Outside labor | 25,102 | 84,298 | 25,212 | 41,526 | 15,703 | 191,841 |
| SourceAmerica fee | - | - | 196,419 | - | - | 196,419 |
| Utilities and other occupancy | 21,900 | 33,950 | - | 12,300 | 16,637 | 84,787 |
| Telephone | 6,500 | 7,536 | 4,971 | 3,385 | 2,890 | 25,282 |
| Program supplies | 125,000 | 69,238 | 111,449 | - | - | 305,687 |
| Office supplies and postage | 372 | 6,348 | 6,431 | 15,552 | 14,088 | 42,791 |
| Equipment rental and maintenance | 38,262 | 14,863 | 1,223 | 4,458 | - | 58,806 |
| Insurance | 16,272 | 19,500 | 14,860 | 4,000 | 3,500 | 58,132 |
| Interest | - | - | - | 23,280 | - | 23,280 |
| Conferences and meetings | 1,309 | 5,830 | 6,812 | - | 29,430 | 43,381 |
| Auto expenses and transportation | 25,927 | 2,210 | 11,587 | 494 | 2,216 | 42,434 |
| Professional services | 1,895 | 2,100 | 2,205 | 12,491 | 3,655 | 22,346 |
| Dues and subscriptions | 5,081 | 19,458 | 31,232 | 8,900 | 18,600 | 83,271 |
| Participant assistance | - | 124,261 | - | - | - | 124,261 |
| Marketing and advertising | 12,875 | 3,733 | - | - | 22,585 | 39,193 |
| Total expenses before depreciation | 1,038,250 | 1,815,203 | 4,648,210 | 624,177 | 411,289 | 8,537,129 |
| Depreciation | 101,900 | 31,500 | 20,925 | 5,590 | 7,025 | 166,940 |
| Total expenses | <u>\$ 1,140,150</u> | <u>\$ 1,846,703</u> | <u>\$ 4,669,135</u> | <u>\$ 629,767</u> | <u>\$ 418,314</u> | <u>\$ 8,704,069</u> |

The accompanying notes are an integral part of the financial statements.

BAYAUD ENTERPRISES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

| | Program Services | | | Supporting Services | | Total |
|-------------------------------------|---------------------|---------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Production | Rehabilitation | Services | General and Administrative | Fundraising | |
| Staff salaries | \$ 568,479 | \$ 1,081,179 | \$ 1,187,440 | \$ 414,835 | \$ 215,297 | \$ 3,467,230 |
| Consumer wages | - | 158,946 | 2,069,687 | - | - | 2,228,633 |
| Employee benefits and payroll taxes | 84,364 | 210,495 | 377,240 | 66,410 | 40,844 | 779,353 |
| Total personnel | 652,843 | 1,450,620 | 3,634,367 | 481,245 | 256,141 | 6,475,216 |
| Outside labor | 12,372 | 136,443 | 114,134 | 37,396 | 18,723 | 319,068 |
| SourceAmerica fee | - | - | 163,006 | - | - | 163,006 |
| Utilities and other occupancy | 22,464 | 32,800 | 11,150 | 6,117 | 7,375 | 79,906 |
| Telephone | 9,215 | 10,119 | 7,370 | 6,004 | 2,789 | 35,497 |
| Program supplies | 152,339 | 15,693 | 15,214 | - | - | 183,246 |
| Office supplies and postage | 1,475 | 10,387 | 9,200 | 2,917 | 7,522 | 31,501 |
| Equipment rental and maintenance | 26,556 | 991 | 2,150 | 2,572 | 6,552 | 38,821 |
| Insurance | 12,500 | 33,181 | 26,325 | 5,190 | 5,655 | 82,851 |
| Interest | - | - | - | 23,428 | - | 23,428 |
| Conferences and meetings | 5,300 | 16,022 | 12,955 | 7,685 | 23,964 | 65,926 |
| Auto expenses and transportation | 12,505 | 8,025 | 11,782 | 1,769 | 2,924 | 37,005 |
| Professional services | 1,200 | 1,500 | 2,000 | 6,600 | 2,521 | 13,821 |
| Dues and subscriptions | 13,721 | 43,315 | 34,502 | 7,529 | 5,206 | 104,273 |
| Participant assistance | - | 93,015 | - | - | - | 93,015 |
| Marketing and advertising | 25,516 | 484 | 3,560 | - | 31,534 | 61,094 |
| Total expenses before depreciation | 948,006 | 1,852,595 | 4,047,715 | 588,452 | 370,906 | 7,807,674 |
| Depreciation | 96,548 | 27,201 | - | 3,580 | 6,600 | 133,929 |
| Total expenses | <u>\$ 1,044,554</u> | <u>\$ 1,879,796</u> | <u>\$ 4,047,715</u> | <u>\$ 592,032</u> | <u>\$ 377,506</u> | <u>\$ 7,941,603</u> |

The accompanying notes are an integral part of the financial statements.

BAYAUD ENTERPRISES, INC.
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 10,641 | \$ 55,461 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 166,940 | 133,929 |
| (Increase) decrease in: | | |
| Accounts receivable | (42,846) | (80,499) |
| Contributions receivable | (98,000) | 74,397 |
| Prepaid expenses | 770 | (855) |
| Increase (decrease) in: | | |
| Accounts payable | 12,363 | (19,130) |
| Accrued expenses and payroll withholdings | 57,356 | 47,075 |
| Unrealized gain (loss) on investments | (52) | 704 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 107,172 | 211,082 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (220,728) | (108,589) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (220,728) | (108,589) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from new debt | 101,232 | 10,000 |
| Payments on debt | (92,202) | (210,378) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | 9,030 | (200,378) |
| NET INCREASE (DECREASE) IN CASH | (104,526) | (97,885) |
| CASH, BEGINNING OF YEAR | 480,451 | 578,336 |
| CASH, END OF YEAR | \$ 375,925 | \$ 480,451 |
| Supplemental disclosures: | | |
| Noncash financing activities - purchase of equipment | \$ 25,232 | \$ 63,297 |
| Interest paid | \$ 23,280 | \$ 23,428 |

The accompanying notes are an integral part of the financial statements.

BAYAUD ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – ORGANIZATION AND PURPOSE

Bayaud Enterprises, Inc. (“Bayaud”) was incorporated October 14, 1971, as a nonprofit corporation pursuant to the provisions of Article 24, Chapter 31, of the 1963 Colorado Revised Statutes. Prior to that time, Bayaud was operated by Fort Logan Mental Health Center.

Bayaud is a social enterprise providing vocational rehabilitation and job services that serves people with disabilities and/or economic challenges. Its objectives are to:

- a. Help bring people with disabilities and/or economic challenges back into the social mainstream by providing a structured environment consisting of varied paid work experiences, job training, vocational evaluation, job placement and vocational counseling services.
- b. Provide long-term employment for those individuals unable to move into competitive employment.

Consumers are referred to Bayaud from various agencies in the Denver area, notably the State of Colorado Division of Vocational Rehabilitation and the (Denver) Mayor’s Office of Workforce Development.

Bayaud’s program and support activities include:

Program Services – Production

- a. Commercial Services – This program provides a secured document shredding business that employs over 15 people in paid positions on a daily basis and has served over 4,200 customers since it began in 2003. The program is located in the building owned by Bayaud situated on West Bayaud Avenue in Denver, Colorado. In addition to document shredding services, Bayaud also provides 9News-KUSA broadcast reproduction and Cavity Free at 3 services.

Program Services – Rehabilitation

- a. Assessment – To assist individuals with disabilities and referring partners in determining current functioning and specific vocational skills and interests.
- b. Training – Work adjustment services help persons understand and adjust to general competitive work expectations.
- c. Skill training – Individuals are taught either on-the-job or in a classroom setting (clerical) how to perform jobs such as receptionist, mail clerk or other general office skills.
- d. Placement – Individuals with disabilities and/or economic challenges are assisted in obtaining and maintaining a competitive job.

Program Services – Services

- a. Community Contract Sites – Bayaud contracts with private employers and federal agencies to provide individual workers or a group with a Bayaud supervisor at a community site.

Supporting Services

- a. General and Administrative – The process of providing overall direction of Bayaud’s affairs.
- b. Fundraising – Activities to secure increased individual, private and corporate support for Bayaud’s program services.

BAYAUD ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

Bayaud's accounting records are maintained on the accrual basis. Under the accrual method of accounting, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses and the related liabilities are recognized when incurred rather than when paid.

b. Basis of Presentation

Financial statement presentation follows the standards established by the Financial Accounting Standards Board in FASB ASC 958-210. Under this pronouncement, organizations are required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions, which permit Bayaud to expend the assets only as specified, and are satisfied either by the passage of time or by actions of Bayaud. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits Bayaud to expend part or all of the income derived from the donated assets.

In addition, Bayaud recognizes support from contributions according to the standards established in FASB ASC 958-310. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction, until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

c. Fixed Assets and Depreciation

Fixed assets, consisting of furniture, equipment, buildings and improvements, are capitalized at cost or, if donated, at the fair market value at the time of receipt. Depreciation is calculated on both purchased and donated property, using the straight-line method over the useful lives of the assets. Fixed assets acquired with a cost or fair value of less than \$500 at the date of acquisition are expensed during the year acquired.

d. In-Kind Contributions

Contributions of fixed assets and materials are recorded as unrestricted donations at their fair market value at the time of donation, if restrictions on their use are not expressed by the donor. Contributions of services are recorded as unrestricted donations if they meet the criteria for recording as specified by FASB ASC 958-605.

e. Functional Allocation

All expenses have been classified by functional categories according to the activity directly benefited. Certain expenses such as rent, utilities, depreciation and various other expenses have been allocated to the various functions based on estimates of usage and time involved.

f. Cash and Cash Equivalents

For the purpose of the statement of cash flows, Bayaud considers its various checking and savings accounts to be cash equivalents.

BAYAUD ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Accounts Receivable

Accounts receivable represents amounts due from production and consumer services sales at net realizable value.

h. Promises to Give

Contributions receivable are considered unconditional promises to give which are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Bayaud had no conditional promises to give as of June 30, 2017 and 2016.

i. Investments

Investments in debt and marketable equity securities are carried at market value. Investments with an original maturity date of three months or more are not considered cash equivalents for the statement of cash flows.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

k. Income Taxes

Bayaud Enterprises, Inc. is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code as a “publicly supported” organization which is other than a private foundation.

Bayaud follows FASB ASC 740 *Income Taxes*, which requires entities to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. Bayaud has evaluated tax positions taken related to its tax-exempt status, and none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2017.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Bayaud maintains the majority of its bank accounts at various financial institutions. The balance in these accounts may occasionally exceed the \$250,000 per depositor insured limit set by the FDIC. Cash accounts therefore may not be completely insured. Significant concentrations of credit risk also exist in accounts receivable, which are due from individuals and businesses located in the Denver metropolitan area, and from several government entities.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$208,000 and \$110,000 for the years ended June 30, 2017 and 2016, respectively, consists of grants which are due within one year. Management considers contributions receivable to be fully collectible; therefore, no allowance has been recorded.

BAYAUD ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable for the years ended June 30, 2017 and 2016 of \$913,350 and \$870,504, respectively, are considered fully collectible; therefore, no allowance for uncollectible accounts has been recorded.

NOTE 6 – INVESTMENTS

Investments at June 30, 2017 and 2016 consist of securities donated to Bayaud. Bayaud does not engage in significant investment activities.

NOTE 7 – FIXED ASSETS AND DEPRECIATION

The following represents Bayaud's fixed assets and related amounts of accumulated depreciation at June 30:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Transportation and shop equipment | \$ 1,373,928 | \$ 1,154,700 |
| Office furniture and equipment | 236,761 | 235,262 |
| Buildings and improvements | 2,020,000 | 2,020,000 |
| Land | 357,000 | 357,000 |
| Fully depreciated assets, not in service | <u>139,063</u> | <u>139,063</u> |
| | 4,126,752 | 3,906,025 |
| Less: Accumulated depreciation | <u>(2,222,247)</u> | <u>(2,055,307)</u> |
| | <u>\$ 1,904,505</u> | <u>\$ 1,850,718</u> |

NOTE 8 – NOTES PAYABLE

The following represents notes payable at June 30, 2017:

| <u>Creditor</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Terms</u> | <u>Property Secured</u> |
|------------------------------|-------------------------|----------------------|--|-------------------------------------|
| KeyBank National Association | \$ 474,105 | Fixed rate 3.50% | \$6,896 monthly payments; matures November 2, 2023 | Real estate at 333 W. Bayaud Avenue |
| Hitachi Capital America Corp | 35,311 | 2.60% | \$1,074 monthly payments; matures April 2020 | Vehicle |
| Hitachi Capital America Corp | 44,832 | 2.60% | \$1,091 monthly payments; matures February 2021 | Vehicle |
| SourceAmerica | 65,611 | 1.625% | \$3,800 plus interest per quarter; matures August 17, 2021 | Capital equipment |
| John Deere Financial | \$ <u>22,078</u> | 0.00% | \$526 monthly payments; matures January 3, 2021 | Capital equipment |
| Total | 641,937 | | | |
| Current maturities | <u>(114,655)</u> | | | |
| Long-term obligations | <u>\$ 527,282</u> | | | |

BAYAUD ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 – NOTES PAYABLE (continued)

The following represents notes payable at June 30, 2016:

| <u>Creditor</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Terms</u> | <u>Property Secured</u> |
|------------------------------|-------------------------|----------------------|--|-------------------------------------|
| KeyBank National Association | \$ 529,402 | Fixed rate 3.99% | \$6,057 monthly payments; matured May 20, 2017 but extended through November 2, 2023 | Real estate at 333 W. Bayaud Avenue |
| Hitachi Capital America Corp | 46,979 | 2.60% | \$1,074 monthly payments; matures April 2020 | Vehicle |
| Hitachi Capital America Corp | <u>56,527</u> | 2.60% | \$1,091 monthly payments; matures February 2021 | Vehicle |
| Total | 632,908 | | | |
| Current maturities | <u>(75,752)</u> | | | |
| Long-term obligations | <u>\$ 557,156</u> | | | |

NOTE 9 – LINE OF CREDIT

During the year ended June 30, 2012, Bayaud renewed a line of credit agreement with KeyBank National Association and increased the amount to \$500,000. The agreement has no stated maturity date and requires payment of interest monthly at 1% over the Wall Street Journal prime rate (initially 4.25%) on the outstanding balance. There were no amounts outstanding as of June 30, 2017 and 2016.

NOTE 10 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions receivable and other donations that are restricted by the donor for certain activities. The following is a summary of Bayaud's temporarily restricted net assets at June 30:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Contributions receivable | \$ 208,000 | \$ 110,000 |
| Unspent contributions restricted for certain activities | <u>99,915</u> | <u>137,869</u> |
| | <u>\$ 307,915</u> | <u>\$ 285,841</u> |

Permanently restricted net assets of \$500 consist of a contribution received in a prior year and required by the donor to be held in perpetuity.

NOTE 11 – DEFINED CONTRIBUTION PLAN

Bayaud formerly maintained a Section 403(b) tax-sheltered annuity plan whereby participating employees could contribute to the plan within limitations established by the Internal Revenue Service. In December 2013, the board elected to terminate the plan and established a 401(k) plan. At the discretion of the Board of Directors, Bayaud may make matching contributions equal to 100% of the first 3% of the compensation contributed by employees during the plan year. Employees are covered after meeting eligibility requirements specified in the plan document. Bayaud made matching contributions of 3% during the years ended June 30, 2017 and 2016. Matching contributions of \$71,552 and \$72,216 were made for the years ended June 30, 2017 and 2016, respectively.

BAYAUD ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 12 – SUBSEQUENT EVENTS

FASB ASC 855 *Subsequent Events*, requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. Bayaud's financial statements were available to be issued on October 31, 2017, and this is the date through which subsequent events were evaluated.