



Financial Statements
June 30, 2018

Bayaud Enterprises, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bayaud Enterprises, Inc. which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, Bayaud Enterprises, Inc. has adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets at June 30, 2017 have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado
December 12, 2018

Bayaud Enterprises, Inc.
Statement of Financial Position
June 30, 2018

Assets	
Cash and cash equivalents	\$ 433,627
Accounts receivable, net	1,299,284
Promises to give, net	99,200
Prepaid expenses and other assets	71,576
Property and equipment, net	<u>1,849,528</u>
Total assets	<u><u>\$ 3,753,215</u></u>
Liabilities	
Accounts payable	\$ 98,551
Accrued expenses and other liabilities	423,176
Deferred revenue	12,500
Notes payable	642,424
Line of credit	<u>100,000</u>
Total liabilities	<u>1,276,651</u>
Net Assets	
Without donor restrictions	
Undesignated	911,469
Invested in property and equipment, net of related debt	<u>1,207,104</u>
	2,118,573
With donor restrictions	<u>357,991</u>
Total net assets	<u>2,476,564</u>
Total liabilities and net assets	<u><u>\$ 3,753,215</u></u>

Bayaud Enterprises, Inc.
Statement of Activities
June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Grants and contributions	\$ 2,110,900	\$ 311,612	\$ 2,422,512
Production revenue	1,328,487	-	1,328,487
Service revenue	5,690,810	-	5,690,810
Rehabilitation revenue	423,714	-	423,714
Interest income	2,629	-	2,629
Net assets released from restrictions	262,036	(262,036)	-
	<u>9,818,576</u>	<u>49,576</u>	<u>9,868,152</u>
Expenses			
Program services expense			
Production	1,158,322	-	1,158,322
Rehabilitation	2,580,571	-	2,580,571
Services	4,760,200	-	4,760,200
	<u>8,499,093</u>	<u>-</u>	<u>8,499,093</u>
Supporting services expense			
General and administrative	868,052	-	868,052
Fundraising	430,577	-	430,577
	<u>1,298,629</u>	<u>-</u>	<u>1,298,629</u>
	<u>9,797,722</u>	<u>-</u>	<u>9,797,722</u>
Change in Net Assets	20,854	49,576	70,430
Net Assets, Beginning of Year (Restated)	<u>2,097,719</u>	<u>308,415</u>	<u>2,406,134</u>
Net Assets, End of Year	<u>\$ 2,118,573</u>	<u>\$ 357,991</u>	<u>\$ 2,476,564</u>

Bayaud Enterprises, Inc.
Statement of Functional Expenses
June 30, 2018

	Program Services			Supporting Services		Total
	Production	Rehabilitation	Services	General and Administrative	Fundraising	
Staff salaries	\$ 727,803	\$ 1,460,090	\$ 1,378,184	\$ 566,281	\$ 253,000	\$ 4,385,358
Consumer wages	36,000	294,048	2,356,632	-	-	2,686,680
Employee benefits and payroll taxes	104,242	247,709	521,562	82,111	36,881	992,505
Total personnel	868,045	2,001,847	4,256,378	648,392	289,881	8,064,543
Program supplies	88,713	104,410	172,203	-	-	365,326
Other	36,479	110,913	23,512	44,591	24,715	240,210
SourceAmerica fee	-	-	204,534	-	-	204,534
Professional services	16,179	35,279	31,015	67,515	5,975	155,963
Participant assistance	-	139,294	-	-	-	139,294
Utilities and other occupancy	7,318	34,099	2,927	19,027	7,318	70,689
Marketing	18,322	564	566	-	45,454	64,906
Office supplies and postage	1,229	14,053	5,372	20,914	17,436	59,004
Auto expenses and transportation	24,101	12,364	11,275	-	7,183	54,923
Equipment rental and maintenance	26,059	12,260	826	14,094	-	53,239
Insurance	12,647	16,420	10,021	9,481	3,647	52,216
Telephone	4,275	17,929	8,051	10,594	4,075	44,924
Conferences and meetings	1,214	10,757	2,122	2,500	8,897	25,490
Interest	-	-	-	14,354	-	14,354
Total expenses before depreciation	1,104,581	2,510,189	4,728,802	851,462	414,581	9,609,615
Depreciation	53,741	70,382	31,398	16,590	15,996	188,107
Total expenses	<u>\$ 1,158,322</u>	<u>\$ 2,580,571</u>	<u>\$ 4,760,200</u>	<u>\$ 868,052</u>	<u>\$ 430,577</u>	<u>\$ 9,797,722</u>

Bayaud Enterprises, Inc.
Statement of Cash Flows
June 30, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ 70,430
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	188,107
Change in operating assets and liabilities	
Accounts receivable, net	(385,934)
Promises to give, net	108,800
Prepaid expenses and other assets	(18,184)
Accounts payable	22,950
Accrued expenses and other liabilities	114,176
Deferred revenue	(10,000)
	90,345
Net Cash from Operating Activities	90,345
Cash Flows used for Investing Activities	
Purchases of property and equipment	(66,516)
	(66,516)
Net Cash used for Investing Activities	(66,516)
Cash Flows from Financing Activities	
Proceeds from issuance of note payable	50,000
Principal payments on notes payable	(116,127)
Net borrowings under line of credit	100,000
	33,873
Net Cash from Financing Activities	33,873
Net Change in Cash and Cash Equivalents	57,702
Cash and Cash Equivalents, Beginning of year	375,925
Cash and Cash Equivalents, End of Year	\$ 433,627
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	\$ 14,350
Property and equipment acquired with debt	\$ 66,614

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Bayaud Enterprises, Inc. (Bayaud) was incorporated October 14, 1971, as a nonprofit corporation in the State of Colorado. 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 serve 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 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 mission is fulfilled by focusing efforts in three primary service areas:

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 challengers 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.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for production, rehabilitation, and service programs. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018 no allowance for uncollectable accounts was considered necessary.

Promises to Give

Bayaud records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018 no allowance for uncollectable promises to give was considered necessary.

Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Bayaud reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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 that resources be maintained in perpetuity. Bayaud reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square-footage basis, as well as salaries, wages, benefits and payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of time and effort.

Income Taxes

Bayaud is organized as Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Sections 509(a)(1). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Bayaud is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that Bayaud is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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 those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the mission.

Subsequent Events

Bayaud has evaluated subsequent events through December 12, 2018, the date the financial statements were available to be issued.

Note 2 - Liquidity

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:

Cash and cash equivalents (excluding donor restricted funds of \$258,791)	\$ 174,836
Accounts receivable, net	1,299,284
	\$ 1,474,120

Bayaud operates on a balanced budget, and regularly monitors liquidity to meet the operating needs and other contractual commitments while also striving to maximize the investment of available funds. Bayaud also has a line of credit available to meet short-term cash flow needs (Note 6).

Note 3 - Promises to Give

Promises to give of \$99,200 for the year ended June 30, 2018, consist of unconditional promises to give which are due within one year. Management considers the amount to be fully collectable; therefore, no allowance has been recorded. At June 30, 2018 two donors accounted for 96% of total promise to give.

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2018:

Land	\$ 357,000
Buildings and improvements	2,020,000
Transportation and shop equipment	961,649
Office furniture and equipment	94,595
	3,433,244
Less accumulated depreciation	(1,583,716)
	\$ 1,849,528

Note 5 - Notes Payable

Notes payable consist of the following at June 30, 2018:

Creditor	Interest Rate	Terms	Property Secured	Principal Amount
KeyBank National Association	Fixed rate 3.50%	\$6,896 monthly payments; matures November 2023	Real estate	\$ 407,098
Hitachi Capital America Corp	2.60%	\$1,074 monthly payments; matures April 2020	Vehicles	23,052
Hitachi Capital America Corp	2.60%	\$1,091 monthly payments; matures February 2021	Vehicles	32,686
Hitachi Capital America Corp	1.90%	\$1,160 monthly payments; matures March 2022	Vehicles	50,336
SourceAmerica	1.625%	\$4,016 quarterly payments; matures August 2021	Capital equipment	49,454
SourceAmerica	0.00%	\$1,087 quarterly payments; matures December 2021	Capital equipment	13,048
John Deere Financial	0.00%	\$526 monthly payments; matures January 2021	Capital equipment	16,750
Dakota Foundation	0.00%	Principal and interest is due December 2024	Unsecured	50,000
				<u>\$ 642,424</u>

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 139,853
2020	143,184
2021	129,071
2022	95,951
2023	88,523
Thereafter	45,842
	<u>\$ 642,424</u>

The promissory note with Keybank requires Bayaud to comply with certain financial and non-financial covenants. As of June 30, 2018, Bayaud was in compliance with the stated covenants.

Note 6 - Line of Credit

Bayaud has a \$500,000 revolving line of credit with a bank, secured by all corporate assets. Borrowings under the line bear interest at the bank's prime rate of 5.00% at June 30, 2018. Accrued interest and principal are due on demand and, as a revolving line of credit, the line of credit is due on demand. Amount outstanding on the line was \$100,000 at June 30, 2018.

Note 7 - Leases

Office and storage space is leased under various operating leases expiring at various dates through 2024. Future minimum lease payments are as follows for the years ending June 30:

Years Ending June 30,		
2019	\$	75,251
2020		92,076
2021		94,247
2022		96,418
2023		98,589
Thereafter		8,231
		\$ 464,810

Rent expense for the year ended June 30, 2018 totaled \$1,900.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:		
Navigator program		214,132
Sustainable employment program		69,000
Laundry truck program		37,192
Woman's Circle scholarship		17,667
Other		19,500
		357,491
Perpetual in nature		500
		\$ 357,991

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2018:

Navigator program	125,866
Laundry truck program	110,809
Workforce and job retention	25,361
	\$ 262,036

Note 9 - 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 Services. 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% totaling \$69,266 during the year ended June 30, 2018.

Note 10 - Adoption of Accounting Standards Update 2016-14

Bayaud Enterprises early adopted the provisions of FASB Accounting Standards Update 2014-16, *Presentation of Financial Statements of Not-For-Profit Entities*, as of July 1, 2017 because management believes the standard improves the usefulness and understandability of Bayaud's financial statement reporting.

The following financial statement line items for the year ended June 30, 2017 were restated as a result of the adoption:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Temporarily restricted net assets	\$ 307,915	\$ (307,915)	\$ -
Permanently restricted net assets	\$ 500	\$ (500)	\$ -
Net assets with donor restrictions	\$ -	\$ 308,415	\$ 308,415