



Financial Statements
June 30, 2019

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, 2019, 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 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, 2019 and the changes in net assets 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 – Restatement

As discussed in Note 10 to the financial statements, net assets as of June 30, 2018 have been restated to correct the accrual for unused employee vacation. Our opinion is not modified with respect to this matter.

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

Denver, Colorado
November 6, 2019

Bayaud Enterprises, Inc.
Statement of Financial Position
June 30, 2019

Assets	
Cash and cash equivalents	\$ 361,234
Accounts receivable, net	1,664,184
Grants receivable, net	42,603
Prepaid expenses and other assets	43,483
Property and equipment, net	<u>1,731,294</u>
Total assets	<u><u>\$ 3,842,798</u></u>
Liabilities	
Accounts payable	\$ 336,888
Accrued expenses and other liabilities	561,162
Notes payable	<u>508,268</u>
Total liabilities	<u>1,406,318</u>
Net Assets	
Without donor restrictions	
Undesignated	1,085,756
Invested in property and equipment, net of related debt	<u>1,223,026</u>
	2,308,782
With donor restrictions	<u>127,698</u>
Total net assets	<u>2,436,480</u>
Total liabilities and net assets	<u><u>\$ 3,842,798</u></u>

Bayaud Enterprises, Inc.
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Service revenue	\$ 8,702,819	\$ -	\$ 8,702,819
Production revenue	1,463,979	-	1,463,979
Rehabilitation revenue	383,954	-	383,954
	<u>10,550,752</u>	<u>-</u>	<u>10,550,752</u>
Grants and contributions	346,219	991,030	1,337,249
Interest income	20,376	-	20,376
Net assets released from restrictions	1,221,323	(1,221,323)	-
	<u>12,138,670</u>	<u>(230,293)</u>	<u>11,908,377</u>
Expenses			
Program services expense			
Services	5,421,254	-	5,421,254
Production	1,139,790	-	1,139,790
Rehabilitation	3,305,466	-	3,305,466
	<u>9,866,510</u>	<u>-</u>	<u>9,866,510</u>
Supporting services expense			
General and administrative	1,582,379	-	1,582,379
Fundraising	430,175	-	430,175
	<u>2,012,554</u>	<u>-</u>	<u>2,012,554</u>
	<u>11,879,064</u>	<u>-</u>	<u>11,879,064</u>
Change in Net Assets	259,606	(230,293)	29,313
Net Assets, Beginning of Year (Restated)	<u>2,049,176</u>	<u>357,991</u>	<u>2,407,167</u>
Net Assets, End of Year	<u>\$ 2,308,782</u>	<u>\$ 127,698</u>	<u>\$ 2,436,480</u>

Bayaud Enterprises, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services		Total
	Services	Production	Rehabilitation	General and Administrative	Fundraising	
Staff salaries	\$ 608,624	\$ 520,877	\$ 1,881,406	\$ 798,806	\$ 278,785	\$ 4,088,498
Consumer wages	3,646,312	274,382	380,859	-	-	4,301,553
Employee benefits and payroll taxes	680,917	127,768	363,485	169,310	45,384	1,386,864
Total personnel	4,935,853	923,027	2,625,750	968,116	324,169	9,776,915
Supplies	133,753	43,511	130,637	473	180	308,554
SourceAmerica Fee	223,164	-	-	-	-	223,164
Participant assistance	1,357	-	190,646	28,691	-	220,694
Professional and outside services	67,183	16,836	22,133	92,341	15,497	213,990
Insurance	17,266	10,102	7,827	162,993	-	198,188
Depreciation	6,838	53,911	75,214	44,445	17,093	197,501
Office supplies and postage	8,306	6,302	54,523	107,988	3,346	180,465
Utilities and other occupancy	1,365	-	93,960	36,491	-	131,816
Auto expenses and transportation	713	38,348	30,573	36,288	8,149	114,071
Conferences and meetings	1,683	696	4,799	13,639	44,914	65,731
Telephone	7,451	4,331	10,669	30,864	960	54,275
Other	8,863	1,575	13,000	26,433	639	50,510
Travel	6,207	3,111	22,985	2,995	27	35,325
Equipment rental and maintenance	-	22,167	12,464	151	-	34,782
Marketing and advertising	159	15,703	4,619	-	11,271	31,752
Information technology	1,093	-	5,432	11,102	3,930	21,557
Interest	-	170	235	19,369	-	19,774
Total expenses	<u>\$ 5,421,254</u>	<u>\$ 1,139,790</u>	<u>\$ 3,305,466</u>	<u>\$ 1,582,379</u>	<u>\$ 430,175</u>	<u>\$ 11,879,064</u>

Bayaud Enterprises, Inc.
Statement of Cash Flows
June 30, 2019

Cash Flows from Operating Activities	
Cash receipts from services	\$ 10,185,852
Cash receipts from grants and contributions	1,381,346
Interest received	20,376
Cash paid for personnel costs	(9,708,326)
Cash paid to vendors	(1,618,444)
Interest paid	(19,774)
	<u>241,030</u>
Net Cash from Operating Activities	
Cash Flows used for Investing Activities	
Purchases of property and equipment	(63,235)
	<u>(63,235)</u>
Cash Flows from Financing Activities	
Principal payments on notes payable	(150,188)
Borrowings from line of credit	1,245,000
Payments to line of credit	(1,345,000)
	<u>(250,188)</u>
Net Cash (used for) Financing Activities	
Net Change in Cash and Cash Equivalents	(72,393)
Cash and Cash Equivalents, Beginning of year	433,627
Cash and Cash Equivalents, End of Year	<u>\$ 361,234</u>
Supplemental Disclosure of Cash Flow Information	
Property and equipment acquired with note payable	<u>\$ 16,032</u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Bayaud Enterprises, Inc. (Bayaud) is a social enterprise providing vocational rehabilitation and job services that serve people with disabilities and/or economic challenges. Its objectives are to:

- 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.
- Provide long-term employment for those individuals unable to move into competitive employment.

Bayaud's mission is fulfilled by focusing efforts in three primary service areas:

Services

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

Production

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 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.

Rehabilitation

Assessment – To assist individuals with disabilities and referring partners in determining current functioning and specific vocational skills and interests.

Training – Work adjustment services help persons understand and adjust to general competitive work expectations.

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.

Placement – Individuals with disabilities and/or economic challengers are assisted in obtaining and maintaining a competitive job.

Consumers of services 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.

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. The 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, 2019 no allowance for uncollectable accounts receivable was considered necessary.

Grants receivable consists of monies due from various agencies. The allowance for uncollectable grants receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. At June 30, 2019 no allowance for uncollectable grants receivable was considered necessary.

Property and Equipment

Property and equipment additions over \$1,000 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, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. 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 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Bayaud reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, general and administrative, and fundraising 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, 2019.

Functional Allocation of Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present 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 depreciation, which is allocated on a square-footage basis, as well as salaries, wages, benefits and payroll taxes, 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). The organization qualifies for the charitable contribution deduction and has been determined not to be a private foundation. Bayaud 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 management 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 and grants receivable 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 November 6, 2019, 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 \$127,698)	\$ 233,536
Accounts receivable, net	1,664,184
Grants receivable, net	42,603
	\$ 1,940,323
	\$ 1,940,323

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 4).

Note 3 - Property and Equipment

Property and equipment consists of the following at June 30, 2019:

Land	\$ 357,000
Buildings and improvements	1,981,089
Transportation and shop equipment	942,106
Office furniture and equipment	23,929
	3,304,124
Less accumulated depreciation	(1,572,830)
	\$ 1,731,294

Note 4 - 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 6.50% at June 30, 2019. Payments of accrued interest on any outstanding principal balance are due monthly. As a revolving line of credit, any outstanding principal and unpaid accrued interest is due on demand. As of June 30, 2019, there was no outstanding balance.

Note 5 - Notes Payable

Notes payable consist of the following at June 30, 2019:

Creditor	Interest Rate	Terms	Property Secured	Principal Amount
KeyBank National Association	Fixed rate 3.50%	\$6,896 monthly payments; matures November 2023	Real estate	\$ 327,641
Hitachi Capital America Corp	1.90% - 2.60%	\$1,074 - \$1,160 monthly payments; maturity dates from April 2020 to March 2022	Vehicles	69,250
H.M. Brown & Associates	4.49%	\$299 monthly payments; matures January 2024	Vehicle	14,862
SourceAmerica	0.00% - 1.625%	\$1,087 - \$4,016 quarterly payments; maturity dates from August 2021 to December 2021	Equipment	40,524
John Deere Financial	0.00%	\$526 monthly payments; matures January 2021	Equipment	9,988
Dakota Foundation	1.50%	\$727 monthly payments; matures November 2024	Unsecured	46,003
				<u>\$ 508,268</u>

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 145,676
2021	132,867
2022	104,019
2023	87,206
2024	34,212
Thereafter	4,288
	<u>\$ 508,268</u>

The promissory note with KeyBank requires Bayaud to comply with certain financial and non-financial covenants.

Note 6 - Leases

Office and storage space are leased under an operating lease agreement expiring in 2024. Future minimum lease payments are as follows:

Years Ending June 30,			
2020		\$	92,076
2021			94,247
2022			96,418
2023			98,589
2024			8,231
			\$ 389,561

Rent expense for the year ended June 30, 2019 totaled \$92,649.

Note 7 - Net Assets With Donor Restrictions

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

Subject to expenditure for specified purpose:			
Shower truck program		\$	51,690
Woman's Circle scholarship			45,508
Navigator program			30,000
			127,198
Perpetual in nature			500
		\$	127,698

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2019:

Shower truck program		\$	28,310
Navigator program			435,652
Sustainable employment program			546,647
Laundry truck program			83,835
Workforce and job retention			79,000
Other programs			47,879
		\$	1,221,323

Note 8 - Defined Contribution Plan

Bayaud maintains a 401(k) plan covering employees under terms defined by the plan document. 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 \$76,608 during the year ended June 30, 2019.

Note 9 - Concentrations

At June 30, 2019, two customers accounted for 45% of program revenue and 40% of the accounts receivable balances, respectively. One donor accounted for 19% of grants and contribution revenue for the year ended June 30, 2019.

Members of the Board of Directors contributed \$43,489 during the year ended June 30, 2019.

Note 10 - Restatement

During the year ended June 30, 2019, management determined that the accrual for unused employee vacation in prior years had not properly included employees of all departments. The correction to this accrual for prior periods totals \$69,397 and this amount has been reflected in the net asset without donor restrictions balance as of June 30, 2018 in the accompanying statement of activities.