



Financial Statements
June 30, 2020

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, 2020, 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, 2020 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.

Eide Sallee LLP

Denver, Colorado
November 17, 2020

Bayaud Enterprises, Inc.
Statement of Financial Position
June 30, 2020

Assets	
Cash and cash equivalents	\$ 1,474,488
Accounts receivable	2,071,741
Grants receivable	226,299
Prepaid expenses and other assets	114,359
Property and equipment, net	<u>1,611,607</u>
Total assets	<u><u>\$ 5,498,494</u></u>
Liabilities	
Accounts payable	\$ 110,531
Accrued expenses and other liabilities	730,494
Refundable advance - PPP Loan	1,742,400
Notes payable	<u>470,616</u>
Total liabilities	<u>3,054,041</u>
Net Assets	
Without donor restrictions	
Undesignated	691,753
Invested in property and equipment, net of related debt	<u>1,332,293</u>
	2,024,046
With donor restrictions	<u>420,407</u>
Total net assets	<u>2,444,453</u>
Total liabilities and net assets	<u><u>\$ 5,498,494</u></u>

Bayaud Enterprises, Inc.
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Service revenue	\$ 8,533,368	\$ -	\$ 8,533,368
Production revenue	1,210,663	-	1,210,663
Rehabilitation revenue	253,659	-	253,659
	<u>9,997,690</u>	<u>-</u>	<u>9,997,690</u>
Grants and contributions	1,514,102	694,964	2,209,066
Interest and other income	20,755	-	20,755
Net assets released from restrictions	402,255	(402,255)	-
	<u>11,934,802</u>	<u>292,709</u>	<u>12,227,511</u>
Expenses and Losses			
Program services expense			
Services	5,799,733	-	5,799,733
Production	1,107,643	-	1,107,643
Rehabilitation	3,185,807	-	3,185,807
	<u>10,093,183</u>	<u>-</u>	<u>10,093,183</u>
Supporting services expense			
General and administrative	1,921,852	-	1,921,852
Fundraising	179,904	-	179,904
	<u>2,101,756</u>	<u>-</u>	<u>2,101,756</u>
	<u>12,194,939</u>	<u>-</u>	<u>12,194,939</u>
Loss on disposal of property and equipment	24,599	-	24,599
	<u>12,219,538</u>	<u>-</u>	<u>12,219,538</u>
Change in Net Assets	(284,736)	292,709	7,973
Net Assets, Beginning of Year	2,308,782	127,698	2,436,480
Net Assets, End of Year	<u>\$ 2,024,046</u>	<u>\$ 420,407</u>	<u>\$ 2,444,453</u>

Bayaud Enterprises, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Supporting Services		Total
	Services	Production	Rehabilitation	General and Administrative	Fundraising	
Staff salaries	\$ 1,414,153	\$ 420,912	\$ 2,110,271	\$ 882,649	\$ 133,349	\$ 4,961,334
Consumer wages	3,364,044	332,576	351,606	9,315	-	4,057,541
Employee benefits and payroll taxes	495,606	92,703	270,979	420,698	18,950	1,298,936
Total personnel	5,273,803	846,191	2,732,856	1,312,662	152,299	10,317,811
Professional and outside services	61,889	12,478	27,284	146,625	5,846	254,122
Program supplies	136,472	54,033	23,462	22,004	-	235,971
Auto expenses and transportation	8,989	35,934	36,687	105,365	11,187	198,162
SourceAmerica Fee	197,243	-	-	-	-	197,243
Depreciation	71,339	49,198	41,873	23,263	4,653	190,326
Participant assistance	1,347	1,950	129,147	13,790	-	146,234
Utilities and other occupancy	5,129	19,814	101,293	16,517	-	142,753
Other	18,223	18,068	29,703	73,373	1,812	141,179
Office supplies and postage	4,370	23,813	20,191	65,359	3,641	117,374
Insurance	184	-	744	83,677	-	84,605
Telephone	3,077	25,227	10,497	11,656	100	50,557
Travel	14,444	5,489	11,799	5,603	-	37,335
Interest	1,751	12,228	3,509	9,812	-	27,300
Marketing and advertising	139	1,081	2,106	15,776	208	19,310
Conferences and meetings	823	32	3,550	9,515	158	14,078
Information technology	-	-	5,923	6,855	-	12,778
Equipment rental and maintenance	511	2,107	5,183	-	-	7,801
Total expenses	<u>\$ 5,799,733</u>	<u>\$ 1,107,643</u>	<u>\$ 3,185,807</u>	<u>\$ 1,921,852</u>	<u>\$ 179,904</u>	<u>\$ 12,194,939</u>

Bayaud Enterprises, Inc.
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities	
Cash receipts from services	\$ 9,590,133
Cash receipts from grants and contributions	2,025,370
Refundable advance - PPP loan proceeds	1,742,400
Interest and other cash receipts	20,755
Cash paid for personnel costs	(10,148,479)
Cash paid to vendors	(1,956,735)
Interest paid	(27,300)
	<hr/>
Net Cash from Operating Activities	1,246,144
	<hr/>
Cash Flows used for Investing Activities	
Purchases of property and equipment	(95,238)
	<hr/>
Cash Flows from Financing Activities	
Issuance of new debt	150,000
Debt extinguishment	(100,107)
Principal payments on notes payable	(87,545)
	<hr/>
Net Cash used for Financing Activities	(37,652)
	<hr/>
Net Change in Cash and Cash Equivalents	1,113,254
Cash and Cash Equivalents, Beginning of year	361,234
	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 1,474,488</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 22 people in paid positions on a daily basis and has served over 11,500 customers since it began in 2003. The program is located in the building owned by Bayaud on West Bayaud Avenue in Denver, Colorado.

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.

Impact of COVID-19

The outbreak of the 2019 coronavirus disease (COVID-19), which was declared a global pandemic by the World Health Organization on March 11, 2020, and the related responses by public health and governmental authorities to contain and combat its outbreak and spread, adversely affected workforces, economies, and financial markets globally. After a delay in operations due to stay at home orders, Bayaud was able to continue to conduct programs under active service contracts and grant agreements. Bayaud was also able to secure and conduct cleaning service operations for various customers due to increase in health and safety protocols businesses needed to implement.

Adoption of FASB Accounting Standards Updates

As of July 1, 2019, FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Bayaud has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of July 1, 2019, FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists us in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Bayaud has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Cash, Cash Equivalents, and Restricted Cash

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. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. As of June 30, 2020, there was no restricted cash.

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, 2020 no allowance for uncollectable accounts receivable was considered necessary.

Grants receivable consist primarily of noninterest-bearing amounts due from cost-reimbursable contracts and grants. 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, 2020 no allowance for uncollectable grants receivable was considered necessary.

Receivables from contracts with customers are reported as accounts receivable in the statement of financial position. Contract liabilities are reported as deferred revenue in the statement of financial position and consist of program service fees received in advance of the performance obligation being met.

Property and Equipment

Property and equipment additions over \$5,000 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, 2020.

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

Program revenue is comprised of revenue from service, production and rehabilitation programs. Bayaud recognizes program revenue at the point in time Bayaud's performance obligation to provide the program services is met.

A portion of Bayaud's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Bayaud has incurred expenditures in compliance with specific contract grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Bayaud received cost reimbursable grants of \$527,444 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. Claims for reimbursement filed by Bayaud are subject to audit and possible retroactive adjustment or disallowance. To date, no claims for reimbursement have been adjusted or disallowed, and we do not anticipate this happening in the future. In addition, Bayaud has received advance payment under the Paycheck Protection Program (PPP) of \$1,742,400 that has not been recognized at June 30, 2020 because qualifying expenditures have not yet been submitted for forgiveness (Note 7).

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, 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, 2020.

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 17, 2020, the date the financial statements were available to be issued.

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:

Cash and cash equivalents excluding donor restricted funds of \$420,407	\$ 1,054,081
Accounts receivable	2,071,741
Grants receivable	226,299
	<u>\$ 3,352,121</u>

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, 2020:

Land	\$ 357,000
Buildings and improvements	1,955,852
Transportation and shop equipment	957,683
Office furniture and equipment	47,493
	3,318,028
Less accumulated depreciation	(1,706,421)
	\$ 1,611,607

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 4.25% at June 30, 2020. 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, 2020, there was no outstanding balance.

Note 5 - Notes Payable

Notes payable consist of the following at June 30, 2020:

Creditor	Interest Rate	Terms	Property Secured	Principal Amount
Hitachi Capital America Corp	1.90%	\$2,160 monthly payments; matures March 2022	Vehicles	\$ 23,936
KeyBank National Association	Fixed rate 3.50%	\$6,896 monthly payments; matures November 2023	Real estate	255,378
Dakota Foundation	1.50%	\$727 monthly payments; matures November 2025	Unsecured	41,302
SBA Loan	2.75%	\$641 monthly payments; matures November 2025	All tangible and intangible property	150,000
				\$ 470,616

Future maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 92,286
2022	96,516
2023	96,089
2024	39,536
2025	16,287
Thereafter	129,902
	<u>\$ 470,616</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:

<u>Years Ending June 30,</u>	
2021	\$ 94,247
2022	96,418
2023	98,589
2024	16,462
	<u>\$ 305,715</u>

Rent expense for the year ended June 30, 2020 totaled \$98,720.

Note 7 - Refundable Advance – Paycheck Protection Program (PPP) Loan

Bayaud was granted a \$1,742,400 loan under the Paycheck Protection Program (PPP), administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Bayaud is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Bayaud has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses and certain other requirements are met. No contribution revenue has been recorded for the year ended June 30, 2020. Bayaud will be required to repay any portion of the loan not forgiven, plus interest accrued at 1%, in monthly payments in accordance with the terms of the PPP loan. As of issuance of these financial statements, management believes at least the substantial majority, and potentially all, of this advance will be forgiven.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods for the year ended June 30, 2020:

Subject to expenditure for specified purpose:

Pest control	\$ 200,000
Navigator program	126,854
Woman's Circle scholarship	45,508
Shower truck program	43,777
Turnaround fund	4,268
	\$ 420,407

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2020:

Sustainable employment program	\$ 256,259
Navigator program	71,220
Laundry truck program	64,045
Shower truck program	8,963
Other programs	1,768
	\$ 402,255

Note 9 - 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 \$87,330 during the year ended June 30, 2020.

Note 10 - Concentrations

Two customers accounted for approximately 42% of program revenue for the year ended June 30, 2020 and approximately 61% of the accounts receivable balance at June 30, 2020. One grantor accounted for approximately 37% of grants and contribution revenue for the year ended June 30, 2020 and two grantors accounted for approximately 97% of the grants receivable balance at June 30, 2020.