

Bayaud Enterprises, Inc

**Financial Statements and Report
of
Independent Certified Public Accountants**

As of June 30, 2021





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Board of Directors and Management
Bayaud Enterprises

Opinions

We have audited the accompanying consolidated financial statements of Bayaud Enterprises, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bayaud Enterprises, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bayaud Enterprises, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

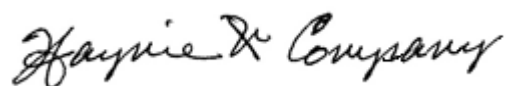
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bayaud Enterprises, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bayaud Enterprises, Inc.'s ability to continue as a going concern for a reasonable period of time.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado
December 1, 2021

Bayaud Enterprises, Inc
Statement of Financial Position
June 30, 2021

Assets

Cash and cash equivalents	\$ 1,675,171
Accounts receivable	2,034,650
Grants receivable	89,117
Prepaid expenses and other assets	323,724
Property and equipment, net	<u>1,604,401</u>
Total Assets	<u><u>\$ 5,727,063</u></u>

Liabilities

Accounts payable	\$ 277,049
Accrued expenses and other liabilities	766,334
Notes payable	<u>330,185</u>
Total liabilities	<u>1,373,568</u>

Net assets

Without donor restrictions	
Undesignated	2,367,314
Invested in property and equipment, net of related debt	1,423,919
With donor restrictions	<u>562,262</u>
Total net assets	<u>4,353,495</u>
Total Liabilities and Net assets	<u><u>\$ 5,727,063</u></u>

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

Bayaud Enterprises, Inc
Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Service revenue	\$ 12,078,494	\$ -	\$ 12,078,494
Production revenue	1,187,137	-	1,187,137
Rehabilitation revenue	<u>177,227</u>	<u>-</u>	<u>177,227</u>
	13,442,858	-	13,442,858
Grants and contributions	2,444,662	1,008,698	3,453,360
Interest and other income	6,853	-	6,853
Net assets released from restrictions	<u>866,843</u>	<u>(866,843)</u>	<u>-</u>
Total support and revenue	<u>16,761,216</u>	<u>141,855</u>	<u>16,903,071</u>
Expenses:			
Program Services			
Services	8,522,156	-	8,522,156
Production	1,214,759	-	1,214,759
Rehabilitation	<u>3,086,698</u>	<u>-</u>	<u>3,086,698</u>
Total program services	<u>12,823,613</u>	<u>-</u>	<u>12,823,613</u>
Supporting Services			
General and administrative	2,162,597	-	2,162,597
Fundraising	<u>7,819</u>	<u>-</u>	<u>7,819</u>
Total Supporting Services	<u>2,170,416</u>	<u>-</u>	<u>2,170,416</u>
Total Expenses	<u>14,994,029</u>	<u>-</u>	<u>14,994,029</u>
Change in Net Assets	1,767,187	141,855	1,909,042
Net Assets Beginning of Year	<u>2,024,046</u>	<u>420,407</u>	<u>2,444,453</u>
Net Assets End of Year	<u>\$ 3,791,233</u>	<u>\$ 562,262</u>	<u>\$ 4,353,495</u>

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

Bayaud Enterprises, Inc

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services			Supporting Services		Total
	Services	Production	Rehabilitation	General and Administrative	Fundraising	
Staff salaries	\$ 4,058,483	\$ 665,640	\$ 1,747,705	\$ 1,160,374	\$ -	\$ 7,632,202
Consumer wages	2,822,616	53,428	490,515	-	-	3,366,559
Payroll taxes and employee benefits	1,008,341	107,696	310,208	69,458	-	1,495,703
Total personnel	<u>7,889,440</u>	<u>826,764</u>	<u>2,548,428</u>	<u>1,229,832</u>	<u>-</u>	<u>12,494,464</u>
Professional and outside services	73,943	7,796	25,667	282,919	5,393	395,718
Program supplies	193,549	85,447	54,443	119,125	-	452,564
Auto expenses and transportation	57,130	60,209	49,272	133,175	-	299,786
SourceAmerica Fee	167,587	-	161	-	-	167,748
Depreciation	1,029	108,367	20,211	35,077	-	164,684
Participant assistance	20,684	-	178,501	29,832	-	229,017
Utilities and other occupancy	37,290	27,599	91,913	21,383	-	178,185
Other	47,759	15,992	53,218	16,184	-	133,153
Office supplies and postage	5,913	5,581	15,563	157,846	804	185,707
Insurance	400	39,749	7,863	35,942	-	83,954
Telephone	7,949	2,335	10,617	53,889	-	74,790
Travel	8,194	1,592	19,280	(845)	-	28,221
Interest	-	228	-	8,865	-	9,093
Marketing and advertising	3,748	3,335	844	4,724	1,619	14,270
Conferences and meetings	2,212	267	2,476	11,132	-	16,087
Information technology	-	-	2,520	9,977	3	12,500
Equipment rental and maintenance	5,329	29,498	5,721	13,540	-	54,088
Total Expenses	<u>\$ 8,522,156</u>	<u>\$ 1,214,759</u>	<u>\$ 3,086,698</u>	<u>\$ 2,162,597</u>	<u>\$ 7,819</u>	<u>\$ 14,994,029</u>

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

Bayaud Enterprises, Inc

Statement of Cash Flows

June 30, 2021

Cash flows from operating activities	
Cash receipts from services	\$ 13,479,949
Cash receipts from grants and contributions	1,848,142
Interest and other cash receipts	6,853
Cash paid for personnel costs	(2,368,636)
Cash paid to vendors	(12,458,624)
Interest paid	<u>(9,092)</u>
Net cash from operating activities	<u>498,592</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(157,478)</u>
Cash flows from financing activities	
Debt extinguishment	(65,238)
Principal payments on notes payable	<u>(75,193)</u>
Net cash from financing activities	<u>(140,431)</u>
Net change in cash and cash equivalents	200,683
Cash and cash equivalents, beginning of year	<u>1,474,488</u>
Cash and cash equivalents, end of year	<u>\$ 1,675,171</u>

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

Bayaud Enterprises

Notes to Financial Statements

June 30, 2021

1. Organization

Bayaud Enterprises, Inc. (Bayaud) is a social enterprise providing vocational 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.

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Bayaud reports information regarding its financial position and activities into the following classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Bayaud's board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Bayaud or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2021, there was no restricted cash.

Receivables and Credit Policies

Accounts receivable consist primarily of non-interest-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, 2021 no allowance for uncollectable accounts receivable was considered necessary.

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Grants receivable consist primarily of non-interest-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, 2021 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, 2021.

Functional Allocation of Expenses

The costs of providing various programs and other 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 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.

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021 (fiscal 2022 for Bayaud). A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Bayaud is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

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. 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.

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.

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

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, 2021.

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.

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.

Subsequent Events

Bayaud has evaluated subsequent events from June 30, 2021 through December 1, 2021, the date the financial statements were available to be issued. During this period, Bayaud was not aware of any material recognizable subsequent events.

3. 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:

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

3. Liquidity and Availability (continued)

Financial assets at period end:	
Cash and cash equivalents	\$ 1,675,171
Accounts receivable	2,034,650
Grants receivable	89,117
	<u>3,798,938</u>
Donor-imposed restrictions:	
Funds subject to time and purpose restrictions	<u>(562,262)</u>
Net financial assets after donor-imposed restrictions	<u>\$ 3,236,676</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 5).

4. Property and Equipment

Property and equipment consisted of the following at June 30, 2021:

Land	\$ 357,000
Buildings and improvements	1,962,352
Transportation and shop equipment	1,050,779
Office furniture and equipment	105,375
	<u>3,475,506</u>
Less: accumulated depreciation	<u>(1,871,105)</u>
	<u>\$ 1,604,401</u>

5. Line of Credit

Bayaud has a \$1,000,000 revolving line of credit with a bank, secured by all corporate assets. Borrowings under the line bear interest at a prime rate of 3.25% at June 30, 2021. 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, 2021, there was no outstanding balance.

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

6. Notes Payable

Notes payable consist of the following at June 30, 2021:

Creditor	Interest Rate	Terms	Property Secured	Principal Amount
Keybank National Association	3.50%	\$6,896 monthly payments; matures November 2023	Real Estate	\$ 180,482
SBA Loan	2.75%	\$641 mothly payments; matures May 2050	All tangible and intangible property	<u>149,703</u>
				<u>\$ 330,185</u>

Future maturities of notes payable are as follows:

Years ending June 30,	
2022	\$ 81,218
2023	84,118
2024	26,312
2025	3,932
2026	4,041
Thereafter	<u>130,564</u>
	<u>\$ 330,185</u>

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

7. Leases

Office and storage space were leased under an operating lease agreement expiring in 2024. In early 2021, Bayaud terminated these lease agreements.

Rent expense for the year ended June 30, 2021 totaled \$72,974, of which \$50,000 went towards termination costs.

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

8. Forgivable Loan

In response to the COVID-19 pandemic in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, Bayaud was granted a PPP Loan for \$1,742,400. The PPP loan contained conditions to maintain employment levels and use the funds for certain payroll, rent, and utility expenses. Bayaud initially recorded the loan as a refundable advance. In November 2020, Bayaud received approval of its application for the loan to be forgiven, as such Bayaud recognized the loan as contribution revenue.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods for the year ended June 30, 2021:

Subject to expenditure for a specified purpose:

Pest control	\$ 139,615
Navigator program	250,247
Woman's Circle scholarship	43,072
Together We Protect	46,547
Sustainable employment program	76,567
Turnaround fund	5,268
Foodbank	946
Total net assets with donor restrictions	<u>\$ 562,262</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2021:

Sustainable employment program	\$ 195,395
Navigator program	282,623
Laundry truck program	192,453
Shower truck program	43,777
Workforce & job retention program	31,000
Woman's Circle scholarship	35,780
Pest control	60,385
Foodbank	17,007
Other pograms	8,423
Total net assest released from donor restrictions	<u>\$ 866,843</u>

Bayaud Enterprises, Inc
Notes to Financial Statements (continued)
June 30, 2021

10. 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 \$115,154 during the year ended June 30, 2021.

11. Concentrations

Three customers accounted for approximately 47% of program revenue for the year ended June 30, 2021 and approximately 49% of the accounts receivable balance at June 30, 2021. Two grantors accounted for approximately 13% of grants and contribution revenue for the year ended June 30, 2021 and two grantors accounted for approximately 95% of the grants receivable balance at June 30, 2021.

12. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact Bayaud's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. However, Bayaud believes it will be able to continue operations under current guidelines while mitigating the impact as much as possible to minimize losses.