

BAYAUD ENTERPRISES, INC.  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2023 and 2022

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



6025 SOUTH QUEBEC STREET, SUITE 260  
CENTENNIAL, COLORADO 80111  
303-792-3020 (o) | 303-232-7237 (f)  
WWW.WCRCPA.COM

---

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Bayaud Enterprises, Inc.  
Denver, Colorado

### *Opinion*

We have audited the financial statements of Bayaud Enterprises, Inc., which comprise the statements of financial position as of June 30, 2023 and June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bayaud Enterprises, Inc. as of June 30, 2023 and June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Watson Coon Ryan, LLC*

Centennial, Colorado  
December 26, 2023

Bayaud Enterprises, Inc.  
Statements of Financial Position  
June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 369,412	\$ 1,076,422
Accounts and grants receivable, net	2,426,308	2,131,231
Prepaid expenses	97,370	82,877
Property and equipment, net	3,602,977	3,572,852
<b>Total Assets</b>	<b>\$ 6,496,067</b>	<b>\$ 6,863,382</b>
<b>Liabilities</b>		
Accounts payable	\$ 122,578	\$ 95,386
Accrued expenses	684,552	446,245
Notes payable	2,032,365	2,100,288
Total liabilities	2,839,495	2,641,919
<b>Net Assets</b>		
Without donor restrictions	3,167,873	3,781,221
With donor restrictions	488,699	440,242
Total net assets	3,656,572	4,221,463
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,496,067</b>	<b>\$ 6,863,382</b>

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

Bayaud Enterprises, Inc.  
Statements of Activities  
For the years ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenue, support and gains</b>						
Earned revenue:						
Service revenue	\$ 10,726,098	\$ -	\$ 10,726,098	\$ 11,740,415	\$ -	\$ 11,740,415
Production revenue	1,504,633	-	1,504,633	1,361,978	-	1,361,978
Rehabilitation revenue	203,169	-	203,169	222,750	-	222,750
Support and contributions:						
Government grants	1,133,776		1,133,776	932,667	-	932,667
Other support and contributions	992,423	542,389	1,534,812	554,790	494,408	1,049,198
Net assets released from restrictions	493,932	(493,932)	-	616,428	(616,428)	-
Total revenue and support	15,054,031	48,457	15,102,488	15,429,028	(122,020)	15,307,008
<b>Expenses</b>						
Program services						
Services	9,095,055	-	9,095,055	9,452,928	-	9,452,928
Production	1,116,688	-	1,116,688	1,001,763	-	1,001,763
Rehabilitation	2,411,064	-	2,411,064	2,334,881	-	2,334,881
Total program services	12,622,807	-	12,622,807	12,789,572	-	12,789,572
Supporting services						
General and administrative	3,044,572	-	3,044,572	2,649,468	-	2,649,468
Total expenses	15,667,379	-	15,667,379	15,439,040	-	15,439,040
<b>Change in Net Assets</b>	(613,348)	48,457	(564,891)	(10,012)	(122,020)	(132,032)
Net Assets Beginning of Year	3,781,221	440,242	4,221,463	3,791,233	562,262	4,353,495
Net Assets End of Year	<u>\$ 3,167,873</u>	<u>\$ 488,699</u>	<u>\$ 3,656,572</u>	<u>\$ 3,781,221</u>	<u>\$ 440,242</u>	<u>\$ 4,221,463</u>

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

Bayaud Enterprises, Inc.  
Statements of Functional Expenses  
For the years ended June 30, 2023 and 2022

	2023				
	Program services			Supporting services	
	Services	Production	Rehabilitation	General and administrative	Total
Salaries and wages	\$ 6,892,793	\$ 676,391	\$ 1,392,842	\$ 1,297,535	\$ 10,259,561
Payroll taxes and employee benefits	1,361,965	117,776	230,220	211,721	1,921,682
Total personnel	<u>8,254,758</u>	<u>794,167</u>	<u>1,623,062</u>	<u>1,509,256</u>	<u>12,181,243</u>
Supplies	128,252	31,792	101,694	136,203	397,941
SourceAmerica fee	225,904	-	-	-	225,904
Participant assistance	53,764	1,662	418,102	36,934	510,462
Professional and outside services	169,438	13,226	40,720	492,815	716,199
Insurance	-	-	-	197,091	197,091
Utilities and occupancy	65,009	15,720	38,119	218,912	337,760
Automobile and transportation	105,627	76,563	72,396	7,715	262,301
Depreciation	58,542	163,233	64,747	66,588	353,110
Bad debt	-	-	12,224	50,000	62,224
Interest	4,009	-	-	85,297	89,306
Other	29,752	20,325	40,000	243,761	333,838
Total expenses	<u>\$ 9,095,055</u>	<u>\$ 1,116,688</u>	<u>\$ 2,411,064</u>	<u>\$ 3,044,572</u>	<u>\$ 15,667,379</u>
	2022				
	Program services			Supporting services	
	Services	Production	Rehabilitation	General and administrative	Total
Salaries and wages	\$ 7,390,451	\$ 653,233	\$ 1,704,865	\$ 1,199,091	\$ 10,947,640
Payroll taxes and employee benefits	1,349,699	117,838	223,705	200,415	1,891,657
Total personnel	<u>8,740,150</u>	<u>771,071</u>	<u>1,928,570</u>	<u>1,399,506</u>	<u>12,839,297</u>
Supplies	113,516	21,834	127,379	182,078	444,807
SourceAmerica fee	213,309	-	-	-	213,309
Participant assistance	83,834	317	93,962	69,821	247,934
Professional and outside services	129,428	11,368	28,380	433,902	603,078
Insurance	-	-	-	135,516	135,516
Utilities and occupancy	37,006	4,472	17,333	238,407	297,218
Automobile and transportation	67,778	54,745	69,404	3,463	195,390
Depreciation	41,503	116,258	43,296	32,759	233,816
Bad debt	-	-	-	-	-
Interest	4,071	-	-	48,928	52,999
Other	22,333	21,698	26,557	105,088	175,676
Total expenses	<u>\$ 9,452,928</u>	<u>\$ 1,001,763</u>	<u>\$ 2,334,881</u>	<u>\$ 2,649,468</u>	<u>\$ 15,439,040</u>

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

Bayaud Enterprises, Inc.  
Statements of Cash Flows  
For the years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Changes in net assets from operations	\$ (564,891)	\$ (132,032)
Adjustments to reconcile changes in net assets from operations to net cash provided by (used in ) operating activities:		
Depreciation	353,110	232,945
Bad debt expense	50,000	-
Interest expense attributable to amortization of debt issuance cost	1,744	871
Changes in operating assets and liabilities:		
Accounts receivable	(345,077)	(14,012)
Prepays	(14,493)	221,134
Accounts payable	27,192	(181,172)
Accrued liabilities	238,307	(314,360)
Net cash used in operating activities	(254,108)	(186,626)
Cash flows from investing activities:		
Purchases of property and equipment	(383,235)	(621,192)
Net cash used in investing activities	(383,235)	(621,192)
Cash flows from financing activities:		
Loan fees paid	-	(17,427)
Principal payment on note payable	(69,667)	(63,881)
Additions to notes payable	-	270,335
Net cash provided by (used in) financing activities	(69,667)	189,027
Net change in cash and cash equivalents	(707,010)	(618,791)
Cash and cash equivalents, beginning of year	1,076,422	1,695,213
Cash and cash equivalents, end of year	\$ 369,412	\$ 1,076,422
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 87,562	\$ 52,999
Noncash Transactions		
Purchase of building with note payable	\$ -	\$ 1,580,204
Payoff existing debt with proceeds from new debt	-	142,034

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



Bayaud Enterprise, Inc  
Notes to Financial Statements  
June 30, 2023 and 2022

**Note 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 19 people in paid positions on a daily basis and has served over 11,500 customers since it began in 2003 (unaudited). 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, 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.

## **Note 2 – Summary of Significant Accounting Policies**

### **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 non-interest-bearing amounts due for production, rehabilitation, and service programs as well as amounts due from cost-reimbursable contracts and grants. 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, 2023, Bayaud recorded an allowance for uncollectible receivables of \$50,000. As of June 30, 2022, no allowance for uncollectible accounts 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. There were no contract liabilities as of June 30, 2023 and 2022.

Unconditional contributions receivable are recognized as revenues or gains in the period received. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2023, there were unconditional promises to give receivable of \$198,478 included in accounts receivable. \$97,728 is expected to be received within one year of the balance sheet date and the remaining \$100,750 is expected to be received within five years of the balance sheet date. The discount on the long term portion of the gift is immaterial to the financial statements.

### **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 years ended June 30, 2023 and 2022.

Bayaud Enterprise, Inc  
Notes to Financial Statements, Continued  
June 30, 2023 and 2022

## 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 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 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 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 statements of activities as net assets released from restrictions. 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. Donor restricted contributions whose restrictions are met in the same reporting period are reported as increases in net assets without donor 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.

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.

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 approximately \$873,000 and \$439,000 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our federal and state contracts and grants.

Bayaud Enterprise, Inc  
Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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 management does not anticipate this happening in the future.

Accounts receivable as of July 1, 2021 was \$2,117,219. Deferred revenue is included in accrued expenses. As of July 1, 2021, deferred revenue was \$0.

### **Contributions of nonfinancial assets**

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. During the years ended June 30, 2023 and 2022, there were no contributions of nonfinancial assets.

### **Advertising Costs**

Advertising costs are expensed as incurred and approximated \$48,000 and \$25,000 during the years ended June 30, 2023 and 2022.

### **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.

### **Income Taxes**

Bayaud is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an 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. For the years ended June 30, 2023 and 2022, 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.

Bayaud Enterprise, Inc  
Notes to Financial Statements, Continued  
June 30, 2023 and 2022

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

### Subsequent Events

Bayaud evaluates subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

### Leases – Recently Adopted Accounting Guidance

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 adopted the guidance effective July 1, 2022 and there was no impact on the financial statements. Bayaud does not have any leases within the scope of the guidance.

### Note 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, at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 369,412	\$ 1,076,422
Accounts receivable	<u>2,041,308</u>	<u>2,131,231</u>
	2,410,720	3,207,653
Less donor-imposed restrictions	<u>(488,699)</u>	<u>(440,242)</u>
	<u>\$ 1,922,021</u>	<u>\$ 2,767,411</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). In addition, Bayaud has established a cash reserve fund that is intended to meet short-term cash flow needs. As of June 30, 2023 and 2022, the cash reserve fund totaled \$100,723 and \$100,003, respectively.

Bayaud Enterprise, Inc  
Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**Note 4 – Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,281,821	\$ 1,281,821
Building and improvements	2,768,982	2,763,056
Transportation and shop equipment	1,684,006	1,449,359
Office furniture and equipment	<u>323,332</u>	<u>182,667</u>
	6,058,141	5,676,903
Less accumulated depreciation	<u>(2,455,164)</u>	<u>(2,104,051)</u>
	<u>\$ 3,602,977</u>	<u>\$ 3,572,852</u>

**Note 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 an interest rate equal to the prime rate plus a 2% margin. The interest rates at June 30, 2023 and 2022 were 10.25% and 6.38%, respectively. 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, 2023 and 2022, there was no outstanding balance.

**Note 6 – Notes Payable**

Notes payable, as further described below, consist of at June 30:

	<u>2023</u>	<u>2022</u>
Note payable to KeyBank	\$ 1,904,777	\$ 1,970,761
Note payable to SBA	<u>142,400</u>	<u>146,082</u>
Less issuance costs	<u>(14,812)</u>	<u>(16,556)</u>
	<u>\$ 2,032,365</u>	<u>\$ 2,100,288</u>

Note payable to a bank for an original amount of \$2,000,000. The note payable bears interest at 4.25% and requires monthly payments of \$12,468 including interest with a balloon payment at maturity on December 15, 2031. The note is collateralized by Bayaud's property. The promissory note with KeyBank requires Bayaud to comply with certain financial and non-financial covenants. As of June 30, 2023, Bayaud was not in compliance with financial covenants in the agreement.

Note payable to the Small Business Administration for an original amount of \$150,000. The note payable bears interest at 2.75% and requires monthly payments of \$641 including interest. The note payable matures on May 24, 2049.

Bayaud presents debt issuance costs as a reduction of the carrying amount of Bayaud's debt in accordance with U.S. GAAP. Debt issuance costs are amortized using the straight-line method over the life of the debt, which not materially different than the effective rate method. Amortization of the debt issuance costs is included in depreciation and amortization expense in the statement of

Bayaud Enterprise, Inc  
Notes to Financial Statements, Continued  
June 30, 2023 and 2022

functional expenses. Amortization expense recorded for the year ended June 30, 2023 and 2022 was \$0 and \$871. The unamortized balance of \$16,556 on June 30, 2023 is expected to be amortized \$1,743 per year for approximately nine years.

Future maturities of notes payable are as follows for the years ended June 30:

2024	\$ 73,904
2025	77,048
2026	80,325
2027	83,745
2028	87,309
Thereafter	<u>1,644,846</u>
Total long-term debt	2,047,177
Unamortized debt issuance costs	<u>(14,812)</u>
	<u>\$ 2,032,365</u>

**Note 7 – Net Assets with Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specified purpose:		
Navigator program	\$ 331,892	\$ 223,846
Sustainable employment program	103,298	96,333
Mobile services	17,500	10,000
Other programs	<u>36,009</u>	<u>110,063</u>
Total net assets with donor restrictions	\$ <u>488,699</u>	\$ <u>440,242</u>

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specified purpose:		
Navigator program	\$ 271,278	\$ 296,894
Sustainable employment program	47,137	129,554
Mobile services	37,500	107,667
Other programs	<u>138,017</u>	<u>82,313</u>
Total net assets with donor restrictions	\$ <u>493,932</u>	\$ <u>616,428</u>

**Note 8 – Functionalized Expenses**

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

Bayaud Enterprise, Inc  
Notes to Financial Statements, Continued  
June 30, 2023 and 2022

square-footage basis, as well as salaries, wages, benefits, and payroll taxes, which are allocated on the basis of time and effort.

**Note 9 - Contingent Sale and Leaseback of Property**

Effective January 1, 2023, Bayaud entered into an agreement to sell a building for \$1,648,023. The sale is contingent upon the buyer's ability to obtain an award for competitive low-income housing tax credits ("tax credits") with respect to the property. Per the agreement, the deadline to obtain the tax credits is the later of April 15, 2024 or the public release of the 2024 Colorado Housing and Finance Authority 9% Federal Credit Award Report. Upon award of the tax credits, Bayaud and the seller will proceed to closing within one year.

The agreement also calls for the buyer to develop the property into a low income housing project that includes space for Bayaud to operate. The buyer will lease back the space to Bayaud to use for \$0 per year for 20 years. The agreement also includes rights for Bayaud to repurchase the property after 15 years.

**Note 10 - Financial Instruments, Credit Risk and Concentrations**

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.

Federal, Colorado and local governments provided approximately 68% and 95% of total revenue and support for the years ended June 30, 2023 and 2022.

**Note 11 – Retirement 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 4% of the compensation contributed by employees during the plan year. Bayaud made matching contributions totaling \$246,029 and \$155,434 during the years ended June 30, 2023 and 2022.