

Synergy Services, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019



Synergy Services, Inc.

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Synergy Services, Inc.
Parkville, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Synergy Services, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Synergy Services, Inc. as of December 31, 2020 and 2019, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2021, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Synergy Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Synergy Services, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
May 27, 2021

Synergy Services, Inc.
Statements of Financial Position
December 31, 2020 and 2019

Assets

	2020	2019
Cash and cash equivalents	\$ 1,879,357	\$ 145,134
Grants and contracts receivable	1,398,705	796,512
Prepaid expenses and other assets	94,926	59,638
Contributions receivable, net of allowance; 2020 - \$0 and 2019 - \$86,117	100,000	394,038
Property and equipment, at cost		
Land	750,000	750,000
Building and improvements	12,428,896	12,381,157
Leasehold improvements	239,820	247,351
Furniture and equipment	907,535	1,267,532
Vehicles	313,504	232,363
Construction in process	258	-
	<u>14,640,013</u>	<u>14,878,403</u>
Less accumulated depreciation	<u>(5,863,147)</u>	<u>(5,748,979)</u>
Property and equipment, net	<u>8,776,866</u>	<u>9,129,424</u>
Total assets	<u><u>\$ 12,249,854</u></u>	<u><u>\$ 10,524,746</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 87,087	\$ 150,867
Accrued expenses	718,173	550,258
Deferred revenue	858,903	195,491
Line of credit	-	546,000
Paycheck Protection Program loan	1,444,200	-
Notes payable	<u>1,537,109</u>	<u>1,645,125</u>
Total liabilities	<u>4,645,472</u>	<u>3,087,741</u>

Net Assets

Without donor restrictions	6,887,775	6,819,544
With donor restrictions	<u>716,607</u>	<u>617,461</u>
Total net assets	<u>7,604,382</u>	<u>7,437,005</u>
Total liabilities and net assets	<u><u>\$ 12,249,854</u></u>	<u><u>\$ 10,524,746</u></u>

Synergy Services, Inc.
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 1,885,627	\$ 353,563	\$ 2,239,190	\$ 2,370,235	\$ 218,843	\$ 2,589,078
Grants and contracts	10,509,468	-	10,509,468	6,935,241	-	6,935,241
Program revenue	160,084	-	160,084	207,091	-	207,091
Other	34,569	-	34,569	23,681	-	23,681
Net assets released from restrictions	254,417	(254,417)	-	236,652	(236,652)	-
	<u>12,844,165</u>	<u>99,146</u>	<u>12,943,311</u>	<u>9,772,900</u>	<u>(17,809)</u>	<u>9,755,091</u>
Total revenues, gains and other support						
Expenses and Losses						
Program services						
Family Care	1,949,744	-	1,949,744	1,692,207	-	1,692,207
Domestic Violence Center	2,159,167	-	2,159,167	1,620,903	-	1,620,903
Children's Center	1,461,604	-	1,461,604	1,218,114	-	1,218,114
Synergy House	1,456,954	-	1,456,954	1,216,206	-	1,216,206
Youth Resiliency Center and Street Outreach	1,290,383	-	1,290,383	1,142,366	-	1,142,366
Children's Advocacy Center	381,703	-	381,703	262,036	-	262,036
School-Based Integrated Services	1,285,756	-	1,285,756	856,388	-	856,388
Transitional Living	742,862	-	742,862	608,842	-	608,842
Total program services	<u>10,728,173</u>	<u>-</u>	<u>10,728,173</u>	<u>8,617,062</u>	<u>-</u>	<u>8,617,062</u>
Management and general	1,438,673	-	1,438,673	1,160,246	-	1,160,246
Fundraising	609,088	-	609,088	673,158	-	673,158
Total support services	<u>2,047,761</u>	<u>-</u>	<u>2,047,761</u>	<u>1,833,404</u>	<u>-</u>	<u>1,833,404</u>
	<u>12,775,934</u>	<u>-</u>	<u>12,775,934</u>	<u>10,450,466</u>	<u>-</u>	<u>10,450,466</u>
Total expenses and losses						
Change in Net Assets	68,231	99,146	167,377	(677,566)	(17,809)	(695,375)
Net Assets, Beginning of Year	6,819,544	617,461	7,437,005	7,497,110	635,270	8,132,380
Net Assets, End of Year	<u>\$ 6,887,775</u>	<u>\$ 716,607</u>	<u>\$ 7,604,382</u>	<u>\$ 6,819,544</u>	<u>\$ 617,461</u>	<u>\$ 7,437,005</u>

See Notes to Financial Statements

Synergy Services, Inc.

Statements of Functional Expenses

Years Ended December 31, 2020 and 2019

	Program Services									Support Services			
	Family Care	Domestic Violence Center	Children's Center	Synergy House	Youth				Total Program Services	Management and General	Fund- Raising	Total	
					Resiliency Center and Street Outreach	Children's Advocacy Center	School-Based Integrated Services	Transitional Living					
2020													
Compensation and benefits	\$ 1,724,731	\$ 1,368,601	\$ 1,119,627	\$ 1,175,928	\$ 752,790	\$ 328,433	\$ 1,209,184	\$ 435,633	\$ 8,114,927	\$ 910,380	\$ 406,102	\$ 9,431,409	
Professional and contract fees	9,534	26,924	6,113	6,006	176,111	738	1,129	2,684	229,239	236,348	12,754	478,341	
Training and development	21,901	24,995	16,377	6,795	4,148	15,910	7,470	2,401	99,997	38,812	5,224	144,033	
Occupancy	63,586	156,039	67,676	90,491	50,556	19,510	7,413	39,413	494,684	53,361	3,069	551,114	
Office expense	41,525	28,606	8,300	30,329	27,814	7,508	35,481	21,345	200,908	41,438	13,658	256,004	
Program expense	4,631	436,846	41,537	55,647	110,310	1,617	1,995	229,483	882,066	16,087	1,238	899,391	
Corporate insurance	41,164	26,195	26,195	24,324	15,130	5,613	20,582	9,355	168,558	13,098	5,613	187,269	
Interest expense	19	322	180	20	32	-	2	125	700	99,148	30	99,878	
Fundraising events	-	-	-	-	-	-	-	-	-	45	151,731	151,776	
Depreciation	35,713	84,724	171,804	64,390	148,208	1,517	-	-	506,356	7,326	-	513,682	
Other miscellaneous	6,940	5,915	3,795	3,024	5,284	857	2,500	2,423	30,738	22,630	9,669	63,037	
Total expenses	\$ 1,949,744	\$ 2,159,167	\$ 1,461,604	\$ 1,456,954	\$ 1,290,383	\$ 381,703	\$ 1,285,756	\$ 742,862	\$ 10,728,173	\$ 1,438,673	\$ 609,088	\$ 12,775,934	
2019													
Compensation and benefits	\$ 1,461,125	\$ 1,201,508	\$ 880,598	\$ 983,842	\$ 700,335	\$ 206,010	\$ 805,278	\$ 376,520	\$ 6,615,216	\$ 743,848	\$ 379,480	\$ 7,738,544	
Professional and contract fees	27,638	7,900	9,279	4,944	124,197	1,561	3,965	3,375	182,859	151,477	17,311	351,647	
Training and development	29,140	14,081	13,340	16,238	15,113	16,309	9,173	8,360	121,754	36,259	3,809	161,822	
Occupancy	53,631	133,464	55,507	48,191	55,364	18,371	6,991	27,087	398,606	9,585	5,763	413,954	
Office expense	37,042	36,742	7,602	9,976	44,107	7,504	7,188	9,456	159,617	32,812	19,587	212,016	
Program expense	7,072	117,802	46,702	57,970	34,046	2,501	1,775	172,406	440,274	1,466	935	442,675	
Corporate insurance	33,496	28,207	24,716	24,681	17,630	3,526	19,393	8,815	160,464	10,604	5,288	176,356	
Interest expense	22	434	344	621	71	3	1	29	1,525	131,534	80	133,139	
Fundraising events	-	-	-	-	-	-	-	-	-	-	229,926	229,926	
Depreciation	36,428	76,788	176,362	66,430	149,128	5,618	48	-	510,802	15,724	1,803	528,329	
Other miscellaneous	6,613	3,977	3,664	3,313	2,375	633	2,576	2,794	25,945	26,937	9,176	62,058	
Total expenses	\$ 1,692,207	\$ 1,620,903	\$ 1,218,114	\$ 1,216,206	\$ 1,142,366	\$ 262,036	\$ 856,388	\$ 608,842	\$ 8,617,062	\$ 1,160,246	\$ 673,158	\$ 10,450,466	

See Notes to Financial Statements

Synergy Services, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 167,377	\$ (695,375)
Items not requiring (providing) cash		
Depreciation	513,682	528,329
Loss on disposal of property and equipment	2,811	-
Contributions received restricted for capital purchases	(75,000)	(10,000)
Provision for losses on uncollectible contributions	9,800	-
Changes in		
Grants and contracts receivable	(602,193)	(290,363)
Prepaid expenses	(35,288)	(1,965)
Contributions receivable	284,238	(97,829)
Accounts payable and accrued expenses	104,135	97,911
Deferred revenue	663,412	195,491
	<u>1,032,974</u>	<u>(273,801)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(163,935)	(181,511)
	<u>(163,935)</u>	<u>(181,511)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from contributions restricted for capital purchases	75,000	31,000
Proceeds from issuance of notes payable	21,999	-
Proceeds from issuance of Paycheck Protection Program loan	1,444,200	-
Principal payments on notes payable	(130,015)	(108,397)
Net receipts (payments) on line of credit	(546,000)	393,161
	<u>865,184</u>	<u>315,764</u>
Net cash provided by financing activities		
Increase (Decrease) in Cash	1,734,223	(139,548)
Cash and Cash Equivalents, Beginning of Year	<u>145,134</u>	<u>284,682</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,879,357</u>	<u>\$ 145,134</u>
Supplemental Cash Flows Information		
Interest paid	\$ 94,982	\$ 133,139

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Synergy Services, Inc. (Organization or Synergy) is a lifeline for Greater Kansas City's families and individuals in crisis. For 50 years, the Organization has reached out to victims of violence, abuse and neglect and provided crisis intervention, shelter, counseling, mentoring, court services, prevention, education and advocacy. Through a series of mergers of smaller agencies, Synergy grew to become one of Kansas City's largest and most comprehensive social service agencies, providing a blend of programs and projects to overcome domestic violence, child abuse, bullying, family dysfunction and adolescent homelessness. Located largely in the Northland of Kansas City, the Organization services clients of all ages from across the metropolitan area. True to its name, Synergy Services does provide *synergy*...the integrated work of the Organization is stronger and more complete than any of the Organization's component programs could be on their own.

Client-focused and committed to quality care, Synergy Services, Inc. is accredited by the Council on Accreditation (COA), licensed by the State of Missouri, accredited by the National Children's Alliance, certified by United Way and approved by Health and Human Services and the Missouri Counties of Clay, Platte and Ray Mental Health Board of Trustees. The Organization is a member of the Metropolitan Family Violence Coalition, the Missouri Coalition Against Domestic and Sexual Violence, the Missouri Coalition of Children's Agencies and the National Network for Youth.

The Organization's revenues and other support are derived principally from contributions, government grants, and contracts.

During July 2010, Synergy Services, Inc. formed two new entities, Synergy Real Estate Holdings, Inc. (SREH), a 501(c)2 real estate holding company and Synergy Financial Support Corporation (SFSC) a 501(c)3 entity, both of which are organizations operated exclusively for the benefit of Synergy Services, Inc. These entities were dissolved on December 17, 2019.

Use of 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.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

At December 31, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$1,461,400.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Grants and Contracts Receivable

Contracts receivable resulting from exchange transactions are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. Contracts receivable are ordinarily due 30 days after the issuance of the invoice.

Grants receivable primarily consists of amounts billed to federal, state and local agencies based on amounts defined in the contract or grant agreement. Grants receivable are typically paid by the granting agency in their normal course of business (usually within 60 days).

The Organization provides an allowance for uncollectable grants and contracts receivable, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Property and Equipment

Property and equipment acquisitions over \$2,500 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	30 years
Leasehold improvements	5-15 years
Furniture and equipment	3-10 years
Vehicles	3-5 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Deferred Revenue

Deferred revenue consists of payments received in advance from school district contracts and conditional contributions received in which a donor-imposed barrier has not been overcome. Revenue is recognized over the periods to which the fees relate or when the gift becomes unconditional.

Synergy Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions. Net assets with donor restrictions are subject to donor or 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 or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Synergy Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services was \$0 and \$13,000 for the years ended December 31, 2020 and 2019, respectively.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense or asset in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2020 and 2019, \$36,000 and \$5,684, respectively, was received in in-kind contributions.

Government Grants and Contracts

Support funded by government grants and contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income, if any. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time studies, number of full-time equivalents or management's estimate of usage.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Conditional Grant Commitments

Support funded by certain grants and contracts are conditioned upon performing various requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized as these conditions are met. Conditional grants with funding commitments that extend beyond December 31, 2020 and 2019 are as follows:

Grant	2020		
	Conditional Grant Amount	Recognized as of December 31	Funding Available
Conditional upon incurrence of allowable qualifying expenses	\$ 3,854,302	\$ 1,903,810	\$ 1,950,492
Conditional upon specific individuals serviced	1,663,866	568,966	1,094,900
Conditional upon availability of funds	40,000	14,179	25,821
	<u>\$ 5,558,168</u>	<u>\$ 2,486,955</u>	<u>\$ 3,071,213</u>
	2019		
	Conditional Grant Amount	Recognized as of December 31	Funding Available
Conditional upon incurrence of allowable qualifying expenses	\$ 3,741,692	\$ 626,959	\$ 3,114,733
Conditional upon specific individuals serviced	1,561,869	526,058	1,035,811
Conditional upon availability of funds	40,000	18,344	21,656
	<u>\$ 5,343,561</u>	<u>\$ 1,171,361</u>	<u>\$ 4,172,200</u>

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 3: Contributions Receivable

Contributions receivable at December 31, 2020 and 2019, consisted of the following unconditional promises to give, and those due beyond one year are discounted at a rate of 5 percent:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 100,000	\$ 386,697
Due in one to five years	-	100,000
	<u>100,000</u>	<u>486,697</u>
Less		
Allowance for uncollectible contributions	-	(86,117)
Unamortized discount	-	(6,542)
	<u>\$ 100,000</u>	<u>\$ 394,038</u>

Note 4: Line-of-Credit Agreement

The Organization has a \$1,000,000 revolving bank line of credit that expires in September 2021. At December 31, 2020 and 2019, there was \$0 and \$546,000 borrowed against this line, respectively. The line is secured by a building, accounts receivable and investments, if any. Interest is calculated at 1.75 percent above the bank's prime rate and is payable monthly. At December 31, 2020 and 2019, the interest rate was 5.00 percent and 6.50 percent, respectively.

Note 5: Paycheck Protection Program (PPP) Loan

In April 2020, the Organization received a PPP loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender. As a result of such audit, adjustments could be required to any gain recognized.

The loan matures in two years and is payable monthly including 1.0 percent interest beginning after the applicable deferral period. The payment deferral period is defined as either a) if a forgiveness application is submitted, the date of notice from the SBA if the loan is forgiven or not entitled to forgiveness or b) if no forgiveness application is submitted, 10 months after the end of the covered period (August 2021). At December 31, 2020, the balance of the loan was \$1,444,200. In May 2021, the Organization received notice from the SBA that the loan forgiveness had been approved in full.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

The future maturities of the PPP loan are as follows:

2021	\$ 722,100
2022	<u>722,100</u>
	<u><u>\$ 1,444,200</u></u>

Note 6: Notes Payable

Notes payable at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Note payable, unrelated party (A)	\$ 763,526	\$ 856,325
Note payable, unrelated party (B)	388,095	400,000
Note payable, unrelated party (C)	367,524	388,800
Other	<u>17,964</u>	<u>-</u>
	1,537,109	1,645,125
Less current maturities	<u>(143,107)</u>	<u>(125,981)</u>
	<u><u>\$ 1,394,002</u></u>	<u><u>\$ 1,519,144</u></u>

- (A) Due September 1, 2027; interest rate of 5 percent until September 2022 when it will be changed to the greater of 5 percent or the yield for U.S. Treasury obligations with the same maturity date plus 2 percent; principal and interest payments of \$11,126 due monthly; secured by a deed of trust, assignment of leases and rents, security agreement and fixture filing.
- (B) Due April 1, 2035; interest rate of 5.25 percent (re-indexed every five years), principal and interest payments of \$3,216 due monthly, secured by a deed of trust, assignment of leases and rents, security agreement and fixture filing.
- (C) Due October 1, 2032; interest rate of 5.625 percent until October 2022 when it will change to the greater of 5 percent or the yield for U.S. Treasury obligations with the same maturity date plus 2 percent; interest rate to be recalculated again in same manner in October 2027; principal and interest payments of \$3,550 due monthly; secured by a deed of trust, assignment of leases and rents, security agreement and fixture filing.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Aggregate maturities of notes payable at December 31, 2020 are as follows:

2021	\$ 143,107
2022	147,680
2023	153,570
2024	161,787
2025	165,276
Thereafter	<u>765,689</u>
	<u>\$ 1,537,109</u>

Note 7: Operating Leases

The Organization rents facility space under noncancellable operating leases that expire at various dates. The leases generally contain renewal options and require the Organization to pay all executory costs. Rent expense for operating leases was \$277,213 and \$189,161 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments under operating leases at December 31, 2020 were:

2021	\$ 206,465
2022	30,327
2023	21,617
2024	8,182
2025	6,411
Thereafter	<u>27,715</u>
Total minimum lease payments	<u>\$ 300,717</u>

Note 8: Revenue from Contracts with Clients

Revenue from Contracts with School Districts

The Organization has entered into contracts with various school districts to provide counseling and other services to children within the district. Each service type under the contracts represents a performance obligation and each performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefit. The Organization determines the transaction price based on standard charges for services provided. The Organization's right to consideration from a customer corresponds directly with the value of the Organization's performance completed to date (a service contract in which the Organization bills a fixed amount for each hour of service provided). Therefore, the Organization recognizes revenue in the amount to which it has a right to

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

invoice for services performed. Customers are billed monthly for services provided. Revenue recognized during the years ended December 31, 2020 and 2019 from contracts with school districts was \$1,614,072 and \$531,226, respectively, and is included in the grants and contracts on the Statements of Activities. The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the service provided and payers that have different payment methodologies.

The following table provides information about the Organization's receivables and contract liabilities from contracts with school districts:

	2020	2019
Accounts receivable, beginning of year	\$ 57,688	\$ 37,425
Accounts receivable, end of year	172,327	57,688
Deferred revenue, beginning of year	163,111	-
Deferred revenue, end of year	858,903	163,111

Program Revenue

Program revenue represents fees for services and is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from individuals and third-party insurers and includes variable consideration including price concessions to third-party insurers. Revenue is recognized as the performance obligation is satisfied, which is over time as the services are provided as the customer simultaneously receives and consumes the benefit. The Organization determines the transaction price based on standard charges for services provided, reduced by discounts provided in accordance with the Organization's policy and implicit price concessions provided to clients. These contracts are generally short-term in nature (e.g. single service session), and revenue is recognized based on the output of hours of service provided in relation to total hours. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the outputs needed to satisfy the obligation. Customers are generally billed at the time of service. Program revenue for the years ended December 31, 2020 and 2019, was \$160,084 and \$207,091, respectively. The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the service provided and payers that have different reimbursement and payment methodologies.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019, are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Youth Resiliency Center and Clinic	\$ 20,000	\$ 40,701
Children's Center programs	42,749	50,950
Family Care programs	51,279	89,585
Scholarship program	150,000	-
Capital projects	75,000	-
Other program services	15,453	38,132
Contributions and grants receivable, the proceeds from which have been restricted by donors for		
Capital projects	-	15,800
Children and youth programs	-	10,000
	<u>354,481</u>	<u>245,168</u>
Subject to use for specified purpose		
Pratt property - use restricted to crisis intervention, shelter, counseling, advocacy and education	<u>343,738</u>	<u>353,905</u>
Endowment		
General use - to be held in perpetuity	<u>18,388</u>	<u>18,388</u>
	<u><u>\$ 716,607</u></u>	<u><u>\$ 617,461</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Growth campaign - capital	\$ -	\$ 86,657
Youth Resiliency Center and Clinic	40,701	71,505
Children's Center programs	50,273	33,172
Family Care programs	99,511	-
Other program services	63,932	45,318
	<u>254,417</u>	<u>236,652</u>
	<u><u>\$ 254,417</u></u>	<u><u>\$ 236,652</u></u>

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 1,879,357	\$ 145,134
Accounts and grants receivable	1,398,705	796,512
Contributions receivable	<u>100,000</u>	<u>394,038</u>
	3,378,062	1,335,684
Less amounts not available due to donor imposed restrictions	<u>(243,388)</u>	<u>(118,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,134,674</u></u>	<u><u>\$ 1,217,296</u></u>

The Organization manages its liquidity by maintaining adequate liquid assets to fund short-term operating needs and also plans for future cash flow needs based on the Organization's long range plan. The Organization monitors liquidity by forecasting its future cash flows on a monthly basis utilizing multi-year government grant allocations (see *Note 2*), current contract commitments, historical cash flow data and the Organization's secured revolving line of credit with a maximum borrowing base of \$1,000,000. The Organization considers contributions and grants restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2020 and 2019, restricted contributions of \$129,481 and \$229,368, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

Note 11: Retirement Plan

The Organization has a 401(k) plan covering substantially all employees. Employees may elect to defer a percentage of their salary, subject to IRS limitations. Additionally, the Organization matches 10 percent of the employee's deferral, not to exceed 4 percent of salary. The Organization's contributions to the Plan were \$11,366 and \$7,198 for the years ended December 31, 2020 and 2019, respectively.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 13 percent and 15 percent of all contributions were received from one donor in 2020 and 2019, respectively.

Grants and Contracts

Victims of Crime Act

The Organization received grant funding under the *Victims of Crime Act* totaling \$1,620,106 and \$1,512,539 during the years ended December 31, 2020 and 2019, respectively. This accounted for approximately 12 percent and 15 percent, respectively, of the Organization's total revenue and support. In addition, approximately 8 percent and 30 percent of grants and contracts receivable at December 31, 2020 and 2019, respectively, were related to this grant.

County Tax Levy

The Organization receives funds from the Missouri Counties of Clay, Platte and Ray Mental Health Board of Trustees. Tax levy revenue of \$3,034,600 and \$2,462,223 was recognized during the years ended December 31, 2020 and 2019, and accounted for approximately 23 percent and 25 percent, respectively, of the Organization's total revenue and support.

Note 13: Risks and Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 14: Subsequent Events

On March 26, 2021, the Organization purchased a building for \$1,000,000 of which \$800,000 was funded by a bank note. Payments of \$4,873 are due monthly and include interest at 4 percent, and a lump sum payment of \$722,038 is due on March 26, 2024, the maturity date. The note is secured by a deed of trust and assignment of rents.

Subsequent events have been evaluated through May 27, 2021, which is the date the financial statements were available to be issued.

Synergy Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 15: Future Changes in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

Synergy Services, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture/Missouri Department of Elementary and Secondary Education/Child Nutrition Cluster	10.555	820-019	\$ -	\$ 39,595
U.S. Department of Housing and Urban Development/City of Kansas City, Missouri/CDBG Entitlement Grants Cluster	14.218	2020-0026	-	33,017
U.S. Department of Housing and Urban Development/Missouri Housing Development Commission/Emergency Solutions Grant Program	14.231	19-742-E 20-729-E 21-738-E 19-743-E	-	143,294
U.S. Department of Housing and Urban Development/City of Kansas City, Missouri/Emergency Solutions Grant Program	14.231	2019-0030 2020-0009	-	30,832
U.S. Department of Housing and Urban Development/City of Kansas City, Missouri/COVID-19 Emergency Solutions Grant Program	14.231	2020-0068	-	60,204
Subtotal	14.231		-	234,330
U.S. Department of Justice/Missouri Department of Social Services/ Crime Victim Assistance	16.575	ER130200100 ER13021DV54	-	1,620,106
U.S. Department of Justice/National Children's Alliance Missouri Kids First/ Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	PARK-MO-CFTSI-P120	-	24,860
U.S. Department of Health and Human Services/Transitional Living for Homeless Youth	93.550	90CX7087-03 90CX7087-04 90CX7230-2-01 90CX7230-3	-	353,011
U.S. Department of Health and Human Services/COVID-19 Transitional Living for Homeless Youth	93.550	90CX7087-03	-	63,226
Subtotal	93.550		-	416,237
U.S. Department of Health and Human Services/reStart/Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO2323-02-01 90YO2323-03	-	74,495
U.S. Department of Health and Human Services/reStart/COVID-19 Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO2323-02-01	-	7,500
Subtotal	93.557		-	81,995
U.S. Department of Health and Human Services/Basic Center Grant	93.623	90CY6924-03 90CY7206-01	-	194,094
U.S. Department of Health and Human Services/COVID-19 Basic Center Grant	93.623	90CY6924-03	-	40,000
Subtotal	93.623		-	234,094
U.S. Department of Health and Human Services/Missouri Department of Social Services/Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	PG941900053	-	55,449
U.S. Department of Homeland Security/United Way/Emergency Food and Shelter National Board Program	97.024	525800-037	-	3,783
U.S. Department of the Treasury/City of Kansas City, Missouri/COVID-19 Coronavirus Relief Fund	21.019	2020-0069	-	497,141
U.S. Department of the Treasury/Platte County, Missouri/COVID-19 Coronavirus Relief Fund	21.019	2020-CO-020 CARES	-	250,000
Subtotal	21.019		-	747,141
Total			\$ -	\$ 3,490,607

The accompanying notes are an integral part of this Schedule

Synergy Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Notes to Schedule

1. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Synergy Services, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Synergy Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Synergy Services, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Synergy Services, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Synergy Services, Inc.
Parkville, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Synergy Services, Inc., which comprise the statement of financial position as of December 31, 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, and have issued our report thereon dated May 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
May 27, 2021

**Report on Compliance for the Major Federal
Program and Report on Internal Control Over Compliance**

Independent Auditor's Report

Board of Directors
Synergy Services, Inc.
Parkville, Missouri

Report on Compliance for the Major Federal Program

We have audited Synergy Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Synergy Services, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, Synergy Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Synergy Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
May 27, 2021

Synergy Services, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? ☐ Yes ☒ None Reported
 Material weakness(es)? ☐ Yes ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:
 Significant deficiency(ies)? ☐ Yes ☒ None Reported
 Material weakness(es)? ☐ Yes ☒ No
5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No
7. The Organization's major program was:

Cluster/Program	CFDA Number
Crime Victim Assistance	16.575

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The Organization qualified as a low-risk auditee? ☐ Yes ☒ No

Synergy Services, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2020

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Findings Required to be Reported by Uniform Guidance

No matters are reportable.

Synergy Services, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Status
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No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Summary of Finding	Status
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No matters are reportable.