

Synergy Services, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2017 and 2016



Synergy Services, Inc.
December 31, 2017 and 2016

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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 consolidated financial statements of Synergy Services, Inc., which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Synergy Services, Inc. as of December 31, 2017 and 2016, 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations (CFR) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

The supplemental consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, 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 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 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 3, 2018

Synergy Services, Inc.
Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	\$ 488,294	\$ 718,119
Accounts and grants receivable	380,703	305,741
Prepaid expenses	78,561	90,430
Contributions receivable, net of allowance; 2017 - \$148,617, 2016 - \$29,818	70,451	460,653
Notes receivable	-	5,657,356
Property and equipment, at cost		
Land	750,000	750,000
Building and improvements	12,142,250	12,111,125
Leasehold improvements	279,800	279,800
Furniture and equipment	1,362,789	1,293,340
Vehicles	184,309	193,709
	14,719,148	14,627,974
Less accumulated depreciation	4,972,937	4,472,734
	9,746,211	10,155,240
Total assets	\$ 10,764,220	\$ 17,387,539

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 87,546	\$ 504,643
Accrued expenses	360,131	365,923
Line of credit	-	405,193
Notes payable	1,857,717	7,962,426
	2,305,394	9,238,185
Total liabilities	2,305,394	9,238,185

Net Assets

Unrestricted	7,415,897	6,695,038
Temporarily restricted	1,024,541	1,435,928
Permanently restricted	18,388	18,388
	8,458,826	8,149,354
Total net assets	8,458,826	8,149,354
Total liabilities and net assets	\$ 10,764,220	\$ 17,387,539

Synergy Services, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Revenues, gains and other support		
Contributions and gifts	\$ 2,280,851	\$ 3,021,737
Grants and contracts	5,387,831	4,773,762
United Way allocation	157,207	179,350
Program income	221,781	319,104
Interest income	125,197	113,974
Gain from New Market Tax Credit closing <i>(Note 12)</i>	1,120,095	-
Other	17,956	14,110
Net asset reclassification	-	272,974
Net assets released from restrictions	447,918	2,818,562
	<u>9,758,836</u>	<u>11,513,573</u>
Expenses and losses		
Program services		
Domestic Violence Center	1,254,505	1,002,105
Children's Center	1,048,573	635,113
Synergy House	1,022,015	956,348
Youth Resiliency Center and Street Outreach	1,011,678	994,110
Children's Advocacy Center	254,195	209,132
Community Education	196,279	148,462
Family Care	1,490,720	1,349,057
Thrift Store	-	268,157
Transitional Living	634,504	605,147
Permanent Housing	524,580	488,933
Total program expenses	<u>7,437,049</u>	<u>6,656,564</u>
Administration	886,485	853,979
Fundraising	714,443	676,956
Total expenses and losses	<u>9,037,977</u>	<u>8,187,499</u>
Change in unrestricted net assets	<u>720,859</u>	<u>3,326,074</u>
Temporarily Restricted Net Assets		
Contributions and gifts	159,830	916,953
Investment loss	-	(4,455)
Net asset reclassification	-	(150,223)
Bad debt expense	(123,299)	-
Net assets released from restrictions	(447,918)	(2,818,562)
Change in temporarily restricted net assets	<u>(411,387)</u>	<u>(2,056,287)</u>
Permanently Restricted Net Assets		
Net asset reclassification	-	(122,751)
Change in permanently restricted net assets	<u>-</u>	<u>(122,751)</u>
Change in Net Assets	309,472	1,147,036
Net Assets, Beginning of Year	<u>8,149,354</u>	<u>7,002,318</u>
Net Assets, End of Year	<u>\$ 8,458,826</u>	<u>\$ 8,149,354</u>

Synergy Services, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Programs										Administration	Fund-Raising	Total Expenses and Losses
	Domestic Violence Center	Children's Center	Synergy House	Youth Resiliency Center and Street Outreach	Children's Advocacy Center	Community Education	Family Care	Transitional Living	Permanent Housing	Total Program Expenses			
Compensation and benefits	\$ 955,916	\$ 744,753	\$ 783,900	\$ 576,051	\$ 211,582	\$ 175,211	\$ 1,286,405	\$ 385,011	\$ 296,738	\$ 5,415,567	\$ 435,636	\$ 451,537	\$ 6,302,740
Professional and contract fees	-	1,150	-	148,612	115	-	12,562	1,990	375	164,804	77,969	65,205	307,978
Training and development	11,647	12,016	15,290	5,089	11,120	3,892	21,827	4,694	7,443	93,018	18,880	4,846	116,744
Occupancy	92,112	51,041	47,922	38,596	15,030	9,071	63,515	24,452	20,676	362,415	34,051	7,818	404,284
Office expense	21,852	7,556	7,472	22,500	5,839	3,676	23,679	9,196	386	102,156	21,008	8,959	132,123
Program expense	81,968	34,318	49,867	24,486	562	250	3,254	197,758	188,616	581,079	1,122	279	582,480
Corporate insurance	26,317	19,738	26,317	16,448	4,934	3,290	32,897	9,869	8,224	148,034	19,737	9,869	177,640
Interest expense	-	-	20,287	41,706	-	-	-	-	-	61,993	104,942	-	166,935
Fundraising events	-	-	-	-	-	-	-	-	-	-	59	125,925	125,984
Other miscellaneous	3,376	4,372	3,369	2,023	800	431	5,425	1,534	1,461	22,791	150,942	19,977	193,710
Total operating expenses	1,193,188	874,944	954,424	875,511	249,982	195,821	1,449,564	634,504	523,919	6,951,857	864,346	694,415	8,510,618
Other expenses													
Bad debt expense	-	-	-	-	-	-	-	-	-	-	25	17,734	17,759
Depreciation	61,317	173,629	67,591	136,167	4,213	458	41,156	-	661	485,192	22,114	2,294	509,600
Total other expenses	61,317	173,629	67,591	136,167	4,213	458	41,156	-	661	485,192	22,139	20,028	527,359
Total expenses	\$ 1,254,505	\$ 1,048,573	\$ 1,022,015	\$ 1,011,678	\$ 254,195	\$ 196,279	\$ 1,490,720	\$ 634,504	\$ 524,580	\$ 7,437,049	\$ 886,485	\$ 714,443	\$ 9,037,977

Synergy Services, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	Programs											Administration	Fund-Raising	Total Expenses and Losses
	Domestic Violence Center	Children's Center	Synergy House	Youth Resiliency Center and Street Outreach	Children's Advocacy Center	Community Education	Family Care	Thrift Store	Transitional Living	Permanent Housing	Total Program Expenses			
Compensation and benefits	\$ 814,838	\$ 501,782	\$ 704,886	\$ 526,505	\$ 176,231	\$ 133,589	\$ 1,126,269	\$ 165,530	\$ 350,941	\$ 251,904	\$ 4,752,475	\$ 441,833	\$ 406,540	\$ 5,600,848
Professional and contract fees	164	139	164	142,178	27	12	9,551	986	238	5,070	158,529	83,946	21,710	264,185
Training and development	12,548	9,371	13,573	10,337	9,678	4,673	37,379	135	6,827	6,989	111,510	22,220	8,866	142,596
Occupancy	68,722	29,761	49,149	45,016	12,364	950	66,939	87,194	24,980	22,523	407,598	10,771	7,709	426,078
Office expense	15,211	8,242	8,673	18,141	2,623	5,650	19,822	5,541	6,608	794	91,305	15,104	10,475	116,884
Program expense	45,874	22,219	48,817	23,479	1,985	45	10,903	425	205,641	193,453	552,841	240	214	553,295
Corporate insurance	21,183	14,563	21,183	13,239	3,972	2,648	22,506	5,296	9,267	6,701	120,558	16,433	6,620	143,611
Interest expense	-	-	37,383	75,898	-	-	-	-	-	-	113,281	70,601	-	183,882
Fundraising events	-	-	-	-	-	-	-	-	-	-	-	-	204,789	204,789
Other miscellaneous	2,829	2,462	3,305	1,688	744	158	5,045	3,040	569	1,097	20,937	155,873	7,628	184,438
Total operating expenses	981,369	588,539	887,133	856,481	207,624	147,725	1,298,414	268,147	605,071	488,531	6,329,034	817,021	674,551	7,820,606
Other expenses														
Bad debt expense	-	-	482	85	-	-	-	-	10	-	577	-	-	577
Depreciation	20,736	46,574	68,733	137,544	1,508	737	50,643	10	66	402	326,953	36,958	2,405	366,316
Total other expenses	20,736	46,574	69,215	137,629	1,508	737	50,643	10	76	402	327,530	36,958	2,405	366,893
Total expenses	\$ 1,002,105	\$ 635,113	\$ 956,348	\$ 994,110	\$ 209,132	\$ 148,462	\$ 1,349,057	\$ 268,157	\$ 605,147	\$ 488,933	\$ 6,656,564	\$ 853,979	\$ 676,956	\$ 8,187,499

Synergy Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 309,472	\$ 1,147,036
Items not requiring (providing) operating activities cash flows		
Depreciation	509,600	366,316
Amortization	14,146	24,249
Net realized and unrealized losses on investments	-	6,193
Gain on disposal of property and equipment	(5,000)	(7,005)
Gain from New Market Tax Credit closing	(1,120,095)	-
Contributions received restricted for acquisition of long-lived assets	(10,000)	(2,591,422)
Changes in		
Accounts and notes receivable	(157,511)	(202,430)
Prepaid expenses	11,869	(12,977)
Contributions receivable	58,014	468,431
Accounts payable and accrued expenses	(34,966)	(6,831)
	<u>(424,471)</u>	<u>(808,440)</u>
Investing Activities		
Purchase of property and equipment	(488,494)	(2,835,466)
Proceeds from the disposition of property and equipment	5,000	7,005
Proceeds from disposition of investments	-	307,672
	<u>(483,494)</u>	<u>(2,520,789)</u>
Financing Activities		
Proceeds from contributions restricted for acquisition of long-lived assets	342,188	2,382,384
Proceeds from issuance of long-term debt	831,000	-
Principal payments on long-term debt	(89,855)	(81,905)
Net payments on line of credit	(405,193)	(533,977)
	<u>678,140</u>	<u>1,766,502</u>
Decrease in Cash and Cash Equivalents	(229,825)	(1,562,727)
Cash and Cash Equivalents, Beginning of Year	718,119	2,280,846
Cash and Cash Equivalents, End of Year	<u>\$ 488,294</u>	<u>\$ 718,119</u>
Supplemental Cash Flows Information		
Interest paid	\$ 166,935	\$ 183,882
Accounts payable for purchase of property and equipment	-	387,923

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 more than 40 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, 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 Clay, Platte and Ray Counties Mental Health Tax Levy Board. 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.

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, both of which are organizations operated exclusively for the benefit of Synergy Services, Inc. The entities were formed in conjunction with the New Market Tax Credit transaction (see *Note 12*).

Principles of Consolidation

The consolidated financial statements include the accounts of Synergy, SREH and SFSC. All significant intercompany accounts have been eliminated in consolidation.

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.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted primarily of money market accounts. At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$84,000.

Accounts and Notes Receivable

Accounts receivable primarily consist of amounts billed to federal, state and local contracting agencies based on amounts defined in the contracts or grant. Notes receivable are stated at the amounts loaned to other organizations plus any accrued and unpaid interest. Accounts receivable are typically paid by the contracting or granting agency in their normal course of business (usually within 60 days). Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

Property and Equipment

Property and equipment 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 their 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	3-10 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, 2017 and 2016.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Approximately 7 percent and 25 percent of contributions received during the years ended December 31, 2017 and 2016, respectively, were from Board members and employees of the Organization.

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. Contributions of services also include services received from personnel of an affiliate. Contribution revenue recognized from contributed services was \$13,515 and \$11,618 for the years ended December 31, 2017 and 2016, respectively.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2017 and 2016, \$2,402 and \$424,974, respectively, was received in in-kind contributions.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. 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 consolidated statements of activities. Certain costs have been allocated among the program, administration and fundraising categories based on time studies or management's estimate of usage.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through May 3, 2018, which is the date the consolidated financial statements were available to be issued.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 2: Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2017, have been recorded as receivables. Following are the significant grant commitments that extend beyond December 31, 2017:

Grant	Term	Grant Amount	Earned as of December 31, 2017	Funding Available
Transitional Living Program	9/30/2017 - 9/29/2018	\$ 194,726	\$ 45,767	\$ 148,959
Maternity Group Home	5/1/2017 - 4/30/2018	200,000	135,134	64,866
Basic Center	9/30/2017 - 9/29/2018	200,000	48,272	151,728
Supportive Housing Program	11/1/2017 - 10/31/2018	295,442	57,959	237,483
Emergency Solutions Grant	1/1/2017 - 3/31/2018	111,000	100,775	10,225
Victim Services	7/1/2017 - 6/30/2018	160,611	86,686	73,925
Victim of Crime Act	10/1/2017 - 9/30/2019	2,569,344	236,252	2,333,092
		<u>\$ 3,731,123</u>	<u>\$ 710,845</u>	<u>\$ 3,020,278</u>

Note 3: Contributions Receivable

Contributions receivable at December 31, 2017 and 2016, consisted of the following unconditional promises to give discounted at a rate of 5 percent:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 195,081	\$ 460,653
Due in one to five years	28,000	47,101
	<u>223,081</u>	<u>507,754</u>
Less		
Allowance for uncollectible contributions	148,617	29,818
Unamortized discount	4,013	17,283
	<u>\$ 70,451</u>	<u>\$ 460,653</u>

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 4: Note Receivable

In conjunction with the New Market Tax Credit transaction (see *Note 12*), the Organization issued an unsecured note receivable to an unrelated party. The balance of the note receivable at December 31, 2017 and 2016 was \$0 and \$5,657,356, respectively. Interest accrued monthly at a rate of 1.97 percent. Interest payments at a rate of 1.0 percent were due quarterly for seven years with the remaining accrued interest increasing the principal balance of the note receivable. The note was forgiven in July 2017 (see *Note 12*).

Note 5: Line-of-Credit Agreement

The Organization has a \$1,000,000 revolving bank line of credit that expires in July 2018. Previously, the Organization had a \$500,000 revolving bank line of credit that expired in June 2017. Borrowings against these lines as of December 31, 2017 and 2016, were \$0 and \$405,193, respectively. The lines are secured by a building, accounts receivable and investments, if any. Interest is calculated at the bank's prime rate with a minimum interest rate of 4 percent and is payable monthly. At December 31, 2017 and 2016, the interest rate was 6.25 percent and 4.0 percent, respectively.

Note 6: Notes Payable

Notes payable at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Note payable, unrelated party (A)	\$ -	\$ 5,289,918
Note payable, unrelated party (B)	-	1,570,082
Note payable, unrelated party (C)	1,028,593	1,107,637
Note payable, unrelated party (D)	400,000	-
Note payable, unrelated party (E)	427,933	-
Other	1,191	8,935
	<u>1,857,717</u>	<u>7,976,572</u>
Less unamortized debt issuance costs	-	14,146
Less current maturities	<u>104,195</u>	<u>238,487</u>
	<u>\$ 1,753,522</u>	<u>\$ 7,723,939</u>

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

- (A) Due July 31, 2045; interest rate of 1.65 percent, interest only payments were due quarterly for seven years; issued in conjunction with the New Market Tax Credit transaction; forgiven in July 2017 (see *Note 12*).
- (B) Due July 31, 2045; interest rate of 1.65 percent, interest only payments were due quarterly for seven years; issued in conjunction with the New Market Tax Credit transaction; forgiven in July 2017 (see *Note 12*).
- (C) Due September 1, 2027; interest rate of 5.25 percent until September 2017 when it changed to the greater of 5 percent or the yield for U.S. Treasury obligations with the same maturity date plus 2 percent; interest rate recalculated again in same manner in September 2022; 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.
- (D) Due April 1, 2020; interest rate of 5.625 percent; interest payments are due monthly; lump sum principal payment of \$400,000 is due at maturity; secured by a deed of trust, assignment of leases and rents, security agreement and fixture filing.
- (E) 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 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.

Aggregate maturities of notes payable at December 31, 2017 are as follows:

2018	\$ 104,195
2019	108,398
2020	514,075
2021	120,052
2022	124,233
Thereafter	<u>886,764</u>
	<u><u>\$ 1,857,717</u></u>

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Note 7: Operating Leases

The Organization rents facility space under noncancellable operating leases that expire at various dates. The main facility has been constructed on land subject to a lease through the year 2019 for an annual payment of \$1. The Organization also operates a shelter in which the land is subject to a lease through the year 2090 for an annual payment of \$1.

Future minimum lease payments under operating leases at December 31, 2017 are as follows:

2018	\$ 99,127
2019	59,660
2020	65,679
2021	65,679
2022	65,679
Later years	<u>153,322</u>
Total minimum lease payments	<u>\$ 509,146</u>

Rent expense for the operating leases was approximately \$285,800 and \$334,000 for the years ended December 31, 2017 and 2016, respectively.

Note 8: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Contributions receivable – time restriction	\$ 70,451	\$ 460,653
Long-lived assets	442,583	491,467
Pratt property	374,238	384,405
Comprehensive violence intervention, treatment and prevention	<u>137,269</u>	<u>99,403</u>
	<u>\$ 1,024,541</u>	<u>\$ 1,435,928</u>

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following purpose and time restrictions were accomplished during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restrictions expired	\$ -	\$ 130,274
Long-lived assets	339,057	2,421,980
Comprehensive violence intervention, treatment and prevention	<u>108,861</u>	<u>266,308</u>
	<u>\$ 447,918</u>	<u>\$ 2,818,562</u>

Permanently Restricted Funds

Permanently restricted net assets at December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
General endowment	<u>\$ 18,388</u>	<u>\$ 18,388</u>

Note 9: Endowment

The Organization's endowment consists of one donor-restricted fund. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the Uniform Prudent Management of Institutional Funds Act as adopted by the state of Missouri (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The endowment consists of one donor-restricted fund totaling \$18,388 at both December 31, 2017 and 2016. The entire balance of the endowment is required to be retained permanently by explicit donor stipulations or UPMIFA and is therefore classified as permanently restricted net assets. There were no changes to endowment net assets during 2017.

The changes in endowment net assets for the donor-restricted funds during 2016 were as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 172,726	\$ 141,139	\$ 313,865
Investment return				
Investment income	-	1,738	-	1,738
Net depreciation	-	(6,193)	-	(6,193)
Total investment return	-	(4,455)	-	(4,455)
Appropriation for expenditure	-	(18,048)	-	(18,048)
Net asset reclassification	-	(150,223)	(122,751)	(272,974)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,388</u>	<u>\$ 18,388</u>

During 2016, the Organization determined that \$122,751 of permanently restricted funds that were originally contributed to the endowment and the associated accumulated earnings of \$150,223 were never donor restricted and are therefore shown as a net asset reclassification in the schedule above and in the consolidated statements of activities.

During 2016, the Organization's Board of Directors approved a withdrawal of substantially all of the endowment investments. In accordance with UPMIFA, the Organization must maintain permanently restricted net assets to support the original gift required by the donor to be held in perpetuity. As the Organization no longer has financial assets supporting this donor restricted endowment fund, the entire amount of \$18,388 is considered to be underwater as of December 31, 2017 and 2016.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

The Organization does not have any investment or spending policies associated with this endowment.

Note 10: County Tax Levy

The Organization receives funds from the Clay, Platte and Ray Counties Mental Health Board of Trustees. The Organization recognizes this revenue as expenses are incurred for services provided. Contract revenue of \$2,111,482 and \$1,937,481 was recognized during the years ended December 31, 2017 and 2016 and accounted for approximately 23 percent and 21 percent, respectively, of the Organization's total revenue and support.

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 \$5,889 and \$5,095 for the years ended December 31, 2017 and 2016, respectively.

Note 12: New Market Tax Credit

On July 14, 2010, Synergy and its newly formed subsidiaries, SREH and SFSC, entered into a transaction which generated "New Market Tax Credits" (NMTCs) under Section 45D of Internal Revenue Code of 1986, as amended (Section 45D). The transaction was initiated by an unrelated third party who contributed \$1,856,400 to the investment fund established for the transaction. The third party also served as Synergy's "One-day" lender and contributed an additional \$5,263,600 (the One-day Loan) for a total of \$7,120,000 contributed to the investment fund.

The investment fund used this contribution to pay certain transaction fees and the remaining \$7,000,000 was contributed to another third party (Sub-CDE) as the Qualified Equity Investment (QEI) under Section 45D. The Sub-CDE then funded loans totaling \$6,860,000 to SREH, the Qualified Low-Income Business (QALICB) under Section 45D. The transaction was structured as 35-year debt financing with a 7-year NMTC compliance period, at the end of which time, Synergy has the option to acquire all membership rights of the investment fund and forgive the related debt. SREH used \$6,500,000 of these proceeds to purchase the Youth Resiliency Center and Synergy House facilities (the youth campus) from Synergy. The debt is guaranteed and secured by the assets of the youth campus. The site of the youth campus qualifies as low income property under Section 45D. As such, the financing arrangements between SREH and the lenders qualified as a "qualified low-income community investment" (QLICI) and generated NMTCs.

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Synergy used \$5,289,918 of the \$6,500,000 youth campus purchase price received, to make a contribution to SFSC that served as the leverage lender in this transaction. SFSC loaned the \$5,289,918 to the Investment Fund, which in turn, used this loan to repay the One-day Loan of \$5,263,600 and an additional One-day Loan Fee.

Synergy and SREH entered into a rental agreement in which Synergy rented the youth campus from SREH for \$300,000 per year. The rental expense and rental income are intercompany transactions that are eliminated for purposes of the consolidated financial statements.

On July 18, 2017, the NMTC compliance period concluded and SFSC executed a put purchase to acquire the membership rights of the Investment Fund, assuming the notes payable from SREH. On December 31, 2017, SFSC forgave the intercompany loans and related interest with SREH. SREH cancelled the lease with Synergy (parent) and transferred all youth campus assets back to Synergy, effectively closing all accounts for SREH and SFSC and resulting in a gain of \$1,120,095. Synergy plans to dissolve the SFSC and SREH entities during 2018.

Supplementary Information

Synergy Services, Inc.
Consolidating Schedule of Financial Position
December 31, 2017

Assets

	Synergy Services, Inc.	Synergy Real Estate Holdings, Inc.	Synergy Financial Support Corporation	Total
Cash and cash equivalents	\$ 488,294	\$ -	\$ -	\$ 488,294
Accounts and grants receivable	380,703	-	-	380,703
Prepaid expenses	78,561	-	-	78,561
Contributions receivable, net	70,451	-	-	70,451
Property and Equipment, At Cost				
Land	750,000	-	-	750,000
Building and improvements	12,142,250	-	-	12,142,250
Leasehold improvements	279,800	-	-	279,800
Furniture and equipment	1,362,789	-	-	1,362,789
Vehicles	184,309	-	-	184,309
	<u>14,719,148</u>	<u>-</u>	<u>-</u>	<u>14,719,148</u>
Less accumulated depreciation	<u>4,972,937</u>	<u>-</u>	<u>-</u>	<u>4,972,937</u>
	<u>9,746,211</u>	<u>-</u>	<u>-</u>	<u>9,746,211</u>
Total assets	<u>\$ 10,764,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,764,220</u>

Liabilities and Net Assets

	Synergy Services, Inc.	Synergy Real Estate Holdings, Inc.	Synergy Financial Support Corporation	Total
Liabilities				
Accounts payable	\$ 87,546	\$ -	\$ -	\$ 87,546
Accrued expenses	360,131	-	-	360,131
Notes payable	1,857,717	-	-	1,857,717
Total liabilities	<u>2,305,394</u>	<u>-</u>	<u>-</u>	<u>2,305,394</u>
Net Assets				
Unrestricted	7,415,897	-	-	7,415,897
Temporarily restricted	1,024,541	-	-	1,024,541
Permanently restricted	18,388	-	-	18,388
Total net assets	<u>8,458,826</u>	<u>-</u>	<u>-</u>	<u>8,458,826</u>
Total liabilities and net assets	<u>\$ 10,764,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,764,220</u>

Synergy Services, Inc.
Consolidating Schedule of Activities
Year Ended December 31, 2017

	Synergy Services, Inc.	Synergy Real Estate Holdings, Inc.	Synergy Financial Support Corporation	Eliminations	Total
Unrestricted Net Assets					
Revenues, gains and other support					
Contributions and gifts	\$ 2,280,851	\$ 8,690	\$ 8,690	\$ (17,380)	\$ 2,280,851
Grants and contracts	5,387,831				5,387,831
United Way allocation	157,144		63		157,207
Program income	221,781				221,781
Rental income	-	150,000		(150,000)	-
Interest income	9	45	125,143		125,197
Gain/(loss) from New Market Tax Credit closing (Note 12)	-	6,860,000	(5,739,905)		1,120,095
Other	12,755	5,201			17,956
Net assets released from restrictions	447,918				447,918
	<u>8,508,289</u>	<u>7,023,936</u>	<u>(5,606,009)</u>	<u>(167,380)</u>	<u>9,758,836</u>
Total revenues, gains and other support					
Expenses and losses					
Program services					
Domestic Violence Center	1,254,505				1,254,505
Children's Center	1,048,573				1,048,573
Synergy House	934,137	87,878			1,022,015
Youth Resiliency Center and Street Outreach	968,917	192,761		(150,000)	1,011,678
Children's Advocacy Center	254,195				254,195
Community Education	196,279				196,279
Family Care	1,490,720				1,490,720
Transitional Living	634,504				634,504
Permanent Housing	524,580				524,580
	<u>7,306,410</u>	<u>280,639</u>	<u>-</u>	<u>(150,000)</u>	<u>7,437,049</u>
Total program expenses					
Administration	885,288	8,679	9,898	(17,380)	886,485
Fundraising	714,443				714,443
	<u>8,906,141</u>	<u>289,318</u>	<u>9,898</u>	<u>(167,380)</u>	<u>9,037,977</u>
Total expenses and losses					
Change in unrestricted net assets	<u>(397,852)</u>	<u>6,734,618</u>	<u>(5,615,907)</u>	<u>-</u>	<u>720,859</u>
Temporarily Restricted Net Assets					
Contributions and gifts	159,830				159,830
Bad debt expense	(123,299)				(123,299)
Net assets released from restrictions	(447,918)				(447,918)
	<u>(411,387)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(411,387)</u>
Change in temporarily restricted net assets					
Change in Net Assets Before Transfers (to) from Affiliate	<u>(809,239)</u>	<u>6,734,618</u>	<u>(5,615,907)</u>	<u>-</u>	<u>309,472</u>
Transfers (to) from Affiliate	<u>4,977,165</u>	<u>(4,934,745)</u>	<u>(42,420)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>4,167,926</u>	<u>1,799,873</u>	<u>(5,658,327)</u>	<u>-</u>	<u>309,472</u>
Net Assets, Beginning of Year	<u>4,290,900</u>	<u>(1,799,873)</u>	<u>5,658,327</u>	<u>-</u>	<u>8,149,354</u>
Net Assets, End of Year	<u>\$ 8,458,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,458,826</u>

Synergy Services, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Agency/ Pass-Through Entity/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/State of Missouri/Child Nutrition Cluster	10.555	820-019	\$ -	\$ 42,022
U.S. Department of Housing and Urban Development/City of Kansas City, Missouri/CDBG Entitlement Grants Cluster	14.218	2016-0022 2017-0046	-	32,480
U.S. Department of Housing and Urban Development/Missouri Housing Development Commission/Emergency Solutions Grant Program	14.231	16-755-E 17-735-E 16-756-E 17-733-E	-	124,749
U.S. Department of Housing and Urban Development/City of Kansas City, Missouri/Emergency Solutions Grant Program	14.231	2016-0010 2017-0025	-	35,590
Subtotal	14.231		<u>-</u>	<u>160,339</u>
U.S. Department of Housing and Urban Development/ Homeless Services Coalition of Greater Kansas City/Supportive Housing Program	14.235	MO0163L7P041504 MO0163L7P041605	-	295,506
U.S. Department of Justice/Missouri Department of Public Safety/ Crime Victim Assistance	16.575	2016-VOCA-089-NW	-	335,779
U.S. Department of Justice/Missouri Department of Social Services/ Crime Victim Assistance	16.575	ER130180103	-	236,252
Subtotal	16.575		<u>-</u>	<u>572,031</u>
U.S. Department of Justice/National Children's Alliance/Victims of Child Abuse Act	16.758	13-PARK-MO-SA17	-	7,000
National Endowment for the Humanities/Arts Council of Metropolitan Kansas City/Arts Programming	45.024	SYN09202016 SYN09202017	-	3,209
U.S. Department of Health and Human Services/Transitional Living for Homeless Youth	93.550	90CX6958-04 90CX6958-05 90CX6885-05 90CX7087-01	-	395,799
U.S. Department of Health and Human Services/Education and Prevention	93.557	90YO2186-03	82,059	144,367
U.S. Department of Health and Human Services/Basic Center Grant	93.623	90CY6608-03 90CY6924-01	-	198,443
U.S. Department of Health and Human Services/Division of Social Services/Division of Family Services/Domestic Violence Victim Services	93.671	SDA396121070	-	157,970
U.S. Department of Homeland Security/United Way/Emergency Food and Shelter National Board Program	97.024	525800-037	<u>-</u>	<u>14,300</u>
Total			<u>\$ 82,059</u>	<u>\$ 2,023,466</u>

Synergy Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

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, 2017. 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 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 the 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 consolidated financial statements of Synergy Services, Inc., which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal controls over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 consolidated 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 3, 2018

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, 2017. 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* (CFR) 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 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, 2017.

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 3, 2018

Synergy Services, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Synergy Services, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

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.