Synergy Services, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

BKD LLP
CPAs & Advisors

Synergy Services, Inc.
December 31, 2018 and 2017

Contents

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CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Synergy Services, Inc.
Parkville, Missouri

We have audited the accompanying consolidated financial statements of Synergy Services, Inc., which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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. 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 1* to the consolidated financial statements, in 2018 Synergy Services, Inc. adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

BKD, LLP

Kansas City, Missouri
May 10, 2019

Synergy Services, Inc.

Consolidated Statements of Financial Position

December 31, 2018 and 2017

Assets

	2018	2017
Cash	$ 284,682	$ 488,294
Accounts and grants receivable	506,149	380,703
Prepaid expenses	57,673	78,561
Contributions receivable, net of allowance; 2018 - $86,117, 2017 - $148,617	317,209	70,451
Property and equipment, at cost		
Land	750,000	750,000
Building and improvements	12,225,502	12,142,250
Leasehold improvements	247,351	279,800
Furniture and equipment	1,243,495	1,362,789
Vehicles	232,363	184,309
	14,698,711	14,719,148
Less accumulated depreciation	(5,218,232)	(4,972,937)
Property and equipment, net	9,480,479	9,746,211
Total assets	$ 10,646,192	$ 10,764,220

Liabilities and Net Assets

	2018	2017
Liabilities		
Accounts payable	$ 111,554	$ 87,546
Accrued expenses	495,897	360,131
Line of credit	152,839	-
Notes payable	1,753,522	1,857,717
Total liabilities	2,513,812	2,305,394
Net Assets		
Without donor restrictions	7,497,110	7,415,897
With donor restrictions	635,270	1,042,929
Total net assets	8,132,380	8,458,826
Total liabilities and net assets	$ 10,646,192	$ 10,764,220

Synergy Services, Inc.

Consolidated Statements of Activities

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	$ 2,260,600	$ 219,180	$ 2,479,780	$ 2,280,851	$ 159,830	$ 2,440,681
Grants and contracts	6,305,239	-	6,305,239	5,387,831	-	5,387,831
United Way allocation	148,456	-	148,456	157,207	-	157,207
Program income	255,011	-	255,011	221,781	-	221,781
Interest income	9	-	9	125,197	-	125,197
Gain on New Market Tax Credit closing (*Note 10*)	-	-	-	1,120,095	-	1,120,095
Other	5,193	-	5,193	17,956	-	17,956
Net assets released from restrictions	626,839	(626,839)	-	447,918	(447,918)	-
Total revenues, gains and other support	9,601,347	(407,659)	9,193,688	9,758,836	(288,088)	9,470,748
Expenses and Losses						
Program services						
Domestic Violence Center	1,420,907	-	1,420,907	1,254,505	-	1,254,505
Children's Center	1,110,887	-	1,110,887	1,048,573	-	1,048,573
Synergy House	1,124,637	-	1,124,637	1,022,015	-	1,022,015
Youth Resiliency Center and Street Outreach	1,041,957	-	1,041,957	1,011,678	-	1,011,678
Children's Advocacy Center	300,292	-	300,292	254,195	-	254,195
Community Education	287,950	-	287,950	196,279	-	196,279
Family Care	1,593,946	-	1,593,946	1,490,720	-	1,490,720
Transitional Living	627,180	-	627,180	634,504	-	634,504
Permanent Housing	284,625	-	284,625	524,580	-	524,580
Total program services	7,792,381	-	7,792,381	7,437,049	-	7,437,049
Management and general	1,101,615	-	1,101,615	886,485	-	886,485
Fundraising	626,138	-	626,138	714,443	-	714,443
Total support services	1,727,753	-	1,727,753	1,600,928	-	1,600,928
Loss on uncollectable contributions	-	-	-	-	123,299	123,299
Total expenses and losses	9,520,134	-	9,520,134	9,037,977	123,299	9,161,276
Change in Net Assets	81,213	(407,659)	(326,446)	720,859	(411,387)	309,472
Net Assets, Beginning of Year	7,415,897	1,042,929	8,458,826	6,695,038	1,454,316	8,149,354
Net Assets, End of Year	$ 7,497,110	$ 635,270	$ 8,132,380	$ 7,415,897	$ 1,042,929	$ 8,458,826

See Notes to Consolidated Financial Statements

Synergy Services, Inc.

Consolidated Statements of Functional Expenses

Years Ended December 31, 2018 and 2017

	Program Services										Support Services		
	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 Services	Management and General	Fund-Raising	Total
2018													
Compensation and benefits	$ 1,124,158	$ 799,106	$ 889,959	$ 662,196	$ 246,578	$ 248,692	$ 1,373,841	$ 386,739	$ 152,100	$ 5,883,369	$ 665,948	$ 350,377	$ 6,899,694
Professional and contract fees	-	1,302	-	99,480	141	2,000	14,877	580	-	118,380	194,528	35,817	348,725
Training and development	16,971	16,488	23,539	17,247	16,501	8,590	41,395	11,194	5,556	157,481	32,379	4,330	194,190
Occupancy	92,581	43,571	45,444	37,462	17,551	10,690	54,338	27,077	15,446	344,160	9,214	5,084	358,458
Office expense	21,964	13,890	14,947	27,433	8,396	10,536	31,201	13,636	397	142,400	25,029	15,035	182,464
Program expense	54,414	32,846	55,016	37,351	996	408	5,187	176,801	103,558	466,577	594	543	467,714
Corporate insurance	28,562	23,522	25,202	16,801	5,040	6,171	30,242	10,081	5,719	151,340	8,416	8,401	168,157
Interest expense	38	58	361	5	2	1	72	15	-	552	111,630	-	112,182
Fundraising events	-	-	-	-	-	-	-	-	-	-	-	191,725	191,725
Depreciation	72,546	176,997	66,807	142,137	4,551	195	38,165	-	591	501,989	19,335	2,091	523,415
Other miscellaneous	9,673	3,107	3,362	1,845	536	667	4,628	1,057	1,258	26,133	34,542	12,735	73,410
Total expenses	$ 1,420,907	$ 1,110,887	$ 1,124,637	$ 1,041,957	$ 300,292	$ 287,950	$ 1,593,946	$ 627,180	$ 284,625	$ 7,792,381	$ 1,101,615	$ 626,138	$ 9,520,134
2017													
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
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
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 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

See Notes to Consolidated Financial Statements

Synergy Services, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ (326,446)	$ 309,472
Items not requiring (providing) cash		
Depreciation	523,415	509,600
Amortization	-	14,146
Loss (gain) on disposal of property and equipment	6,162	(5,000)
Gain on New Market Tax Credit closing	-	(1,120,095)
Contributions received restricted for capital purchases	(111,100)	(10,000)
Changes in		
Accounts and grants receivable	(125,446)	(157,511)
Prepaid expenses	20,888	11,869
Contributions receivable	(276,992)	58,014
Accounts payable and accrued expenses	155,537	(34,966)
Net cash used in operating activities	(133,982)	(424,471)
Investing Activities		
Purchase of property and equipment	(260,608)	(488,494)
Proceeds from the disposition of property and equipment	1,000	5,000
Net cash used in investing activities	(259,608)	(483,494)
Financing Activities		
Proceeds from contributions restricted for capital purchases	141,334	342,188
Proceeds from issuance of notes payable	-	831,000
Principal payments on notes payable	(104,195)	(89,855)
Net receipts (payments) on line of credit	152,839	(405,193)
Net cash provided by financing activities	189,978	678,140
Decrease in Cash	(203,612)	(229,825)
Cash, Beginning of Year	488,294	718,119
Cash, End of Year	$ 284,682	$ 488,294
Supplemental Cash Flows Information		
Interest paid	$ 112,182	$ 166,935
Property and equipment in accounts payable	4,237	-

Synergy Services, Inc.
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 nearly 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.

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 10*).

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.

Accounts and Grants Receivable

Accounts and grants receivable primarily consist of amounts billed to federal, state and local contracting agencies based on amounts defined in the contracts or grant. 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 acquisitions 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	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 it’s fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

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

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. 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 statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

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.

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 $18,090 and $13,515 for the years ended December 31, 2018 and 2017, 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 consolidated financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2018 and 2017, $13,000 and $2,402, respectively, was received in in-kind contributions.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, 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. The consolidated 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.

Change in Accounting Principle

In 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958)*: Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is intended to improve the information presented in the consolidated financial statements and notes by simplifying the net asset classification requirements and including disclosures about the organization's liquidity and availability of financial assets. These changes had no impact on previously reported total change in net assets.

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 an accrual basis, all earned portions of the grants not yet received as of December 31, 2018, have been recorded as receivables. Following are the significant grant commitments that extend beyond December 31, 2018:

Grant	Term	Grant Amount	Earned as of December 31, 2018	Funding Available
Transitional Living Program	9/30/2018 - 9/29/2019	$ 194,726	$ 45,699	$ 149,027
Maternity Group Home	9/30/2018 - 9/29/2019	200,000	48,475	151,525
Basic Center	9/30/2018 - 9/29/2019	200,000	50,399	149,601
Emergency Solutions Grant	1/1/2018 - 3/31/2019	110,758	98,159	12,599
Victims of Crime Act	10/1/2017 - 9/30/2019	2,836,289	1,682,513	1,153,776
		$ 3,541,773	$ 1,925,245	$ 1,616,528

Note 3: Contributions Receivable

Contributions receivable at December 31, 2018 and 2017, consisted of the following unconditional promises to give, discounted at a rate of 7 percent:

	2018	2017
Due within one year	$ 217,917	$ 195,081
Due in one to five years	205,000	28,000
	422,917	223,081
Less		
Allowance for uncollectible contributions	(86,117)	(148,617)
Unamortized discount	(19,591)	(4,013)
	$ 317,209	$ 70,451

Note 4: Line-of-Credit Agreement

The Organization has a $1,000,000 revolving bank line of credit that expires in July 2019. At December 31, 2018 and 2017, there was $152,839 and $0 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, 2018 and 2017, the interest rate was 7.25 percent and 6.25 percent, respectively.

Note 5: Notes Payable

Notes payable at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Note payable, unrelated party (A)	$ 944,607	$ 1,028,593
Note payable, unrelated party (B)	400,000	400,000
Note payable, unrelated party (C)	408,915	427,933
Other	-	1,191
	1,753,522	1,857,717
Less current maturities	(108,398)	(104,195)
	$ 1,645,124	$ 1,753,522

(A) 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.

(B) 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.

(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 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, 2018 are as follows:

2019	$ 108,398
2020	514,075
2021	120,052
2022	126,341
2023	132,961
Thereafter	751,695
	$ 1,753,522

Note 6: 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, at which time Synergy has the exclusive and irrevocable option to extend the lease through December 2045. 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, 2018 were:

2019	$ 84,971
2020	64,805
2021	60,455
2022	30,238
2023	19,036
Thereafter	80,466
Total minimum lease payments	$ 339,971

Rent expense for operating leases was $220,239 and $285,800 for the years ended December 31, 2018 and 2017, respectively.

Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017, are restricted for the following purposes or periods.

	2018	2017
Subject to expenditure for specified purpose		
Growth campaign - capital and operations	$ 65,657	$ 442,583
Youth Resiliency Center and outreach	71,505	64,290
Children's Center programs	23,172	14,142
Other program services	36,069	58,837
Contributions receivable, the proceeds from which have been restricted by donors for		
Capital projects	36,407	70,451
Children and youth programs	20,000	-
	252,810	650,303
Subject to use for specified purpose		
Pratt property - use restricted to crisis intervention, shelter, counseling, advocacy and education	364,072	374,238
Endowment		
General use - to be held in perpetuity	18,388	18,388
	$ 635,270	$ 1,042,929

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

	2018	2017
Satisfaction of purpose restrictions		
Growth campaign - capital	$ 58,788	$ 339,057
Growth campaign - operations	411,459	-
Youth Resiliency Center and outreach	77,365	77,365
Children's Center programs	14,142	14,142
Other program services	65,085	17,354
	$ 626,839	$ 447,918

Note 8: 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, 2018 and 2017, comprise the following:

	Financial Assets	Available Liquidity
Cash	$ 284,682	$ 200,637
Accounts and grants receivable	506,149	496,149
Contributions receivable	317,209	100,000
	$ 1,108,040	$ 796,786

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 federal 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 restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Note 9: 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 $6,586 and $5,889 for the years ended December 31, 2018 and 2017, respectively.

Note 10: 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 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 2019.

Note 11: 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 from Board Members

Approximately 14 percent of all contributions during 2018 were received from members of the board of directors. In addition, nearly all of the contributions receivable at December 31, 2018 was due from one board member.

Grants and Contracts

Victims of Crime Act

The Organization received grant funding under the *Victims of Crime Act* totaling $1,446,261 and $572,061 during the years ended December 31, 2018 and 2017, respectively. This accounted for approximately 16 percent and 6 percent, respectively, of the Organization's total revenue and support. In addition, approximately 27 percent of accounts and grants receivable at December 31, 2018, was 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. The Organization recognizes this revenue as expenses are incurred for services provided. Contract revenue of $2,404,387 and $2,111,482 was recognized during the years ended December 31, 2018 and 2017, and accounted for approximately 26 percent and 22 percent, respectively, of the Organization's total revenue and support.

Note 12: Subsequent Events

Subsequent to year-end, borrowings against the line of credit increased to $344,000.

Subsequent events have been evaluated through May 10, 2019, which is the date the consolidated financial statements were available to be issued.

Note 13: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Grants and Contributions

The Financial Accounting Standards Board amended its standards related to accounting for grants and contributions. The amendment clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The new standard is effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

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 balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement 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, 2019. The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.