

Financial Report

Magnolia Community Services, Inc.

June 30, 2022



Financial Report

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June 30, 2022

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Magnolia Community Services, Inc.

Jefferson, Louisiana

June 30, 2022 and 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors,
Magnolia Community Services, Inc.,
Jefferson, Louisiana.

Opinion

We have audited the accompanying financial statements of Magnolia Community Services, Inc., (a nonprofit organization) ("Magnolia"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magnolia as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Magnolia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is required by the Louisiana Revised Statute 24:513(A)(3) and is not a required part of the financial statements. The information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of Magnolia's internal control over financial reporting and on 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 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 Magnolia's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Magnolia's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants.

New Orleans, Louisiana,
December 20, 2022.

STATEMENT OF FINANCIAL POSITION

Magnolia Community Services, Inc.

Jefferson, Louisiana

June 30, 2022

(with comparative totals for 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Current		
Cash and cash equivalents	\$ 4,988,152	\$ 999,635
Restricted cash	364,732	770,117
Accounts receivable:		
Medicaid	752,108	547,100
Insurance proceeds	404,233	-
Other	-	562
Pledges receivable	110,000	326,981
Interest in charitable remainder trust	112,989	112,989
Interest receivable	35,565	38,786
Prepaid expenses and deposits	130,674	258,064
Investments	13,060,684	16,230,959
	<u>19,959,137</u>	<u>19,285,193</u>
Property and Equipment		
Land	1,110,187	1,110,187
Buildings and improvements	13,801,883	13,037,337
Equipment and fixtures	2,035,357	1,948,095
Construction in process	-	2,787,779
	<u>16,947,427</u>	<u>18,883,398</u>
Less accumulated depreciation	<u>(7,684,303)</u>	<u>(8,999,359)</u>
	<u>9,263,124</u>	<u>9,884,039</u>
Net property and equipment		
	<u>9,263,124</u>	<u>9,884,039</u>
Total assets	<u><u>\$29,222,261</u></u>	<u><u>\$29,169,232</u></u>

See notes to financial statements.

LIABILITIES

	<u>2022</u>	<u>2021</u>
Current		
Trade accounts payable and accrued expenses	\$ 444,145	\$ 518,388
Accrued payroll	60,351	283,864
Deposits held in custody	364,732	770,117
Lines of credit	<u>4,650,000</u>	<u>4,650,000</u>
Total current liabilities	<u>5,519,228</u>	<u>6,222,369</u>

NET ASSETS

Net Assets		
Net assets without donor restrictions:		
Net investment in property and equipment	9,263,124	9,884,039
Undesignated	<u>14,329,909</u>	<u>12,728,860</u>
Total net assets without donor restrictions	23,593,033	22,612,899
Net assets with donor restrictions	<u>110,000</u>	<u>333,964</u>
Total net assets	<u>23,703,033</u>	<u>22,946,863</u>
Total liabilities and net assets	<u><u>\$29,222,261</u></u>	<u><u>\$29,169,232</u></u>

STATEMENT OF ACTIVITIES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2022
(with comparative totals for 2021)

	2022			2021
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	Totals Only
Support and Revenue				
Support:				
Medicaid	\$10,904,593	\$ -	\$10,904,593	\$10,385,932
Contributions	4,139,883	-	4,139,883	195,906
Private grants	65,910	-	65,910	-
Paycheck Protection Program loan forgiveness	-	-	-	1,541,745
Healthcare relief grant	902,402	-	902,402	441,546
Total support	16,012,788	-	16,012,788	12,565,129
Revenue:				
Interest and dividend income, net of investment fees	346,089	-	346,089	323,836
Net realized and unrealized gain (loss) on investments	(1,428,961)	-	(1,428,961)	2,916,771
Gala revenue net of direct benefit of \$12,341 for 2022	197,748	-	197,748	144,030
Sales - Special Creations	-	-	-	2,153
Gain on disposal of assets	1,684,283	-	1,684,283	-
Other	26,836	-	26,836	2,640
Total revenue	825,995	-	825,995	3,389,430

	2022		Totals	2021 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Support and Revenue (Continued)				
Net assets released from restrictions	223,964	(223,964)	-	-
Total support and revenue	17,062,747	(223,964)	16,838,783	15,954,559
Expenses				
Program services:				
Residential programs	9,774,692	-	9,774,692	9,837,384
Vocational programs	643,495	-	643,495	627,812
Nursing	385,857	-	385,857	722,808
Total program services	10,804,044	-	10,804,044	11,188,004
General and administrative:				
Administration	3,395,657	-	3,395,657	2,224,782
Plant operation and maintenance	1,781,991	-	1,781,991	100,560
Total general and administrative	5,177,648	-	5,177,648	2,325,342
Fundraising	100,921	-	100,921	52,155
Total expenses	16,082,613	-	16,082,613	13,565,501
Increase (Decrease) In Net Assets	980,134	(223,964)	756,170	2,389,058
Net Assets				
Beginning of year	22,612,899	333,964	22,946,863	20,557,805
End of year	\$23,593,033	\$110,000	\$23,703,033	\$22,946,863

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2022
(with comparative totals for 2021)

	2022			Program Totals
	Residential Programs	Vocational Programs	Nursing	
Program Services				
Salaries	\$4,228,900	\$ 377,367	\$193,048	\$ 4,799,315
Employee health and retirement benefits	428,733	38,777	24,553	492,063
Payroll taxes	347,846	31,731	25,374	404,951
 Total salaries and related expenses	 5,005,479	 447,875	 242,975	 5,696,329
Advertising	-	-	1,419	1,419
Automobile	24,387	2,947	11,513	38,847
Bad debts	-	-	-	-
Bed fee - Louisiana Department of Health and Hospitals	871,350	-	-	871,350
Client personal needs	56,362	103	-	56,465
Contract services	2,190,260	3,447	47,922	2,241,629
Data processing	23,685	6,943	-	30,628
Depreciation and amortization	237,647	45,405	6,987	290,039
Food	298,575	-	23,819	322,394
Gala expenses	-	-	-	-
Insurance	381,553	102,592	25,985	510,130
Interest	350	-	-	350
Laundry, linen, and bedding	9,017	-	-	9,017
Legal and accounting	-	-	-	-
Miscellaneous	12,846	6,297	1,755	20,898
Office supplies	3,459	852	4,466	8,777
Postage and printing	180	77	385	642
Rent	192,506	-	-	192,506
Repairs and maintenance:				
Buildings and grounds	36,602	11,412	827	48,841
Furniture	62,856	811	-	63,667
Supplies	62,488	1,552	487	64,527
Supplies and other	52,632	1,004	10,903	64,539
Taxes and licenses	14,240	800	-	15,040
Telephone	44,924	11,378	4,809	61,111
Travel	1,859	-	-	1,859
Utilities	191,435	-	1,605	193,040
 Total program services expenses	 9,774,692	 643,495	 385,857	 10,804,044
Less special events netted with revenue	-	-	-	-
 Total expenses on statement of activities	 \$9,774,692	 \$ 643,495	 \$385,857	 \$10,804,044

	2022					2021 Totals Only
	Administration	Plant Operations and Maintenance	Administration and Plant Operations Totals	Fundraising	Totals	
Supporting Services						
Salaries	\$1,141,937	\$ 45,253	\$1,187,190	\$ 63,599	\$ 6,050,104	\$ 6,639,828
Employee health and retirement benefits	111,534	3,587	115,121	6,470	613,654	600,207
Payroll taxes	77,499	8,995	86,494	4,576	496,021	495,018
 Total salaries and related expenses	 1,330,970	 57,835	 1,388,805	 74,645	 7,159,779	 7,735,053
Advertising	21,684	-	21,684	5,520	28,623	8,153
Automobile	-	828	828	-	39,675	27,721
Bad debts	80,637	-	80,637	-	80,637	204,955
Bed fee - Louisiana Department of Health and Hospitals	-	-	-	-	871,350	809,809
Client personal needs	-	-	-	-	56,465	47,220
Contract services	873,332	10,754	884,086	-	3,125,715	1,861,562
Data processing	166,844	-	166,844	1,360	198,832	251,003
Depreciation and amortization	105,166	1,028	106,194	-	396,233	455,688
Food	52,006	-	52,006	-	374,400	386,151
Gala expenses	-	-	-	12,341	12,341	8,360
Hurricane expenses	-	1,682,825	1,682,825	-	1,682,825	-
Insurance	147,819	17,413	165,232	506	675,868	510,764
Interest	188,575	-	188,575	-	188,925	153,239
Laundry, linen, and bedding	-	-	-	-	9,017	9,282
Legal and accounting	80,011	-	80,011	-	80,011	58,383
Miscellaneous	88,649	-	88,649	15,562	125,109	120,999
Office supplies	5,005	-	5,005	100	13,882	11,915
Postage and printing	8,293	-	8,293	2,561	11,496	6,780
Rent	-	-	-	-	192,506	214,761
Repairs and maintenance:						
Buildings and grounds	45,749	1,470	47,219	-	96,060	70,769
Furniture	26,617	-	26,617	-	90,284	110,477
Supplies	11,052	9,226	20,278	-	84,805	26,251
Supplies and other	2,004	-	2,004	-	66,543	86,419
Taxes and licenses	-	-	-	-	15,040	16,315
Telephone	33,293	612	33,905	667	95,683	102,118
Travel	10	-	10	-	1,869	226
Utilities	127,941	-	127,941	-	320,981	271,128
 Total supporting services expenses	 3,395,657	 1,781,991	 5,177,648	 113,262	 16,094,954	 13,565,501
Less special events netted with revenue	-	-	-	(12,341)	(12,341)	-
 Total expenses on statement of activities	 <u>\$3,395,657</u>	 <u>\$1,781,991</u>	 <u>\$5,177,648</u>	 <u>\$100,921</u>	 <u>\$16,082,613</u>	 <u>\$13,565,501</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS**Magnolia Community Services, Inc.**

Jefferson, Louisiana

For the year ended June 30, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Medicaid, JPHSA, and tuition	\$10,700,147	\$10,572,502
Miscellaneous income	224,584	148,823
Contributions and support	5,325,176	940,938
Investment income	349,310	327,024
Cash payments for expenses	<u>(15,837,871)</u>	<u>(13,409,785)</u>
Net cash provided by (used in) operating activities	<u>761,346</u>	<u>(1,420,498)</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	6,624,553	7,375,323
Purchases of investments	(4,883,239)	(6,488,315)
Insurance proceeds received on impaired property and equipment	1,868,758	-
Purchases of property and equipment	<u>(364,026)</u>	<u>(1,827,372)</u>
Net cash provided by (used in) investing activities	<u>3,246,046</u>	<u>(940,364)</u>
Cash Flows From Financing Activities		
Payment on accounts payable to finance property and equipment purchase	(18,875)	-
Net proceeds from lines of credit	<u>-</u>	<u>2,150,000</u>
Net cash provided by (used in) financing activities	<u>(18,875)</u>	<u>2,150,000</u>
Net Increase (Decrease) In Cash and Cash Equivalents	3,988,517	(210,862)
Cash and Cash Equivalents		
Beginning of year	<u>999,635</u>	<u>1,210,497</u>
End of year	<u>\$ 4,988,152</u>	<u>\$ 999,635</u>

**Exhibit D
(Continued)**

	<u>2022</u>	<u>2021</u>
Reconciliation of Increase (Decrease) In Net Assets To Cash Flows Provided By Operating Activities		
Increase in net assets	\$ 756,170	\$ 2,389,058
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Bad debts	80,637	204,955
Depreciation and amortization	396,233	455,688
Net realized and unrealized (gain) loss on investments	1,428,961	(2,916,771)
Paycheck Protection Program loan forgiveness	-	(1,541,745)
Donation of stock	-	(10,924)
Gain on disposal of property and equipment	(1,684,283)	-
Decrease (increase) in operating assets:		
Accounts receivable	(285,083)	(18,385)
Pledges receivable	216,981	314,410
Interest receivable	3,221	3,188
Inventory	-	141,045
Prepaid expenses and deposits	127,390	27,866
Increase in operating liabilities:		
Accounts payable and accrued expenses	(278,881)	(468,883)
 Net cash provided by (used in) operating activities	 <u>\$ 761,346</u>	 <u>\$(1,420,498)</u>
 Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 188,575</u>	<u>\$ 153,239</u>
Property and equipment purchases included in accounts payable	<u>\$ -</u>	<u>\$ 18,875</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Magnolia Community Services, Inc.**

Jefferson, Louisiana

June 30, 2022 and 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**a. Organization**

Magnolia Community Services, Inc. (“Magnolia”) is a non-profit corporation founded in 1935 for the purpose of providing housing, training, and education for adults with developmental disabilities.

As a community of dedicated employees, families, and medical professionals, Magnolia’s mission is to provide the highest quality of service, leadership, and advocacy for individuals with developmental disabilities in the Greater New Orleans area.

b. Basis of Accounting

The financial statements of Magnolia have been prepared on the accrual basis of accounting.

c. 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 certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Financial Statement Presentation

Magnolia classified its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

d. Financial Statement Presentation (Continued)

Net Assets Without Donor Restrictions - Support, revenue, and expenses for the general operation of Magnolia.

Net Assets With Donor Restrictions - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period, or contributions subject to donor-imposed restrictions and that are to be held in perpetuity by Magnolia. As of June 30, 2022 and 2021, Magnolia had no net assets subject to a restriction to be held in perpetuity.

e. Cash and Cash Equivalents

Magnolia classifies as cash and cash equivalents all highly liquid debt instruments with an initial maturity of three months or less.

Restricted cash consists of amounts credited to Magnolia's bank accounts from deposits held in custody for the clients of Magnolia (see Note 4).

f. Allowance for Doubtful Accounts

Magnolia uses the reserve method to recognize uncollectible accounts. The reserve is based on certain Medicaid and tuition accounts receivable balances that are greater than 120 days old. Management monitors outstanding receivable balances and charges off to bad debt expense any balances that are determined to be noncollectible. As of June 30, 2022 and 2021, there was a reserve for doubtful accounts totaling \$346,119 and \$265,555, respectively.

g. Pledges Receivable

Contributions are recognized when the donor makes a promise to give to Magnolia that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2022 and 2021.

Pledges receivables are recorded net of an allowance for uncollectible amounts estimated by management. There was no allowance for uncollectible pledges receivable as of June 30, 2022 and 2021.

h. Inventory

Inventory is stated at the lower of cost, as determined by the first-in, first-out (FIFO) method, or net realizable value.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)

i. Property and Equipment

Magnolia records purchases of property and equipment at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets which range from three to thirty-nine years. For the years ended June 30, 2022 and 2021, depreciation expense totaled \$396,233 and \$455,688, respectively.

j. Investments

Investments in equity securities, debt securities, mutual funds, and other investments are generally carried at fair market value.

k. Revenue Recognition

Revenues from Exchange Transactions: Magnolia recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, “*Revenues from Contracts with Customers*”, as amended. ASU No. 2014-09 applies to exchange transactions with customers and donors that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Magnolia records the following exchange transaction revenue in its Statements of Activities for the years ended June 30, 2022 and 2021:

Fundraising

Magnolia conducts an annual fundraiser in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event-the exchange component, and a portion represents a contribution to Magnolia. The fair value of food and entertainment provided at the event is measured at the actual cost to Magnolia. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs, which ultimately benefit the donor rather than Magnolia, are recorded as fundraising expenses in the Statement of Activities. The performance obligation is delivery of the event. FASB ASU No. 2014-09 requires allocation of the transaction price to the performance obligation. Accordingly, Magnolia separately presents in Note 15 the exchange and contribution components of the gross proceeds from special events.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)

l. Contributions

Contributions received are recorded as net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

m. Allocated Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most expenses are specifically identified and recorded in separate accounts by function throughout the year. The expenses that are allocated include utilities and certain repairs and maintenance that are allocated based on square footage.

n. Tax Matters

Magnolia is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2019 and later remain subject to examination by the taxing authorities. As of June 30, 2022, management of Magnolia believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

o. New Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, “*Leases*” (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Magnolia is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Lease Discount Rate

In November 2021, the FASB issues ASU No. 2021-09, “*Leases*” (Topic 842) “*Lease Discount Rate for Lessees That Are Not Public Business Entities*” currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee uses that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Entities that have not yet adopted Topic 842 are required to adopt the amendments in this update at the same time that they adopt Topic 842.

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, “*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*” (Topic 958). The amendments in this update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes property and equipment (such as land, buildings, and equipment), use of property and equipment or

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION
(Continued)**

o. New Accounting Pronouncements (Continued)

Contributed Non-Financial Assets (Continued)

utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for fiscal years beginning after June 15, 2021. The adoption of this standard did not have a material effect on the financial statements.

p. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 20, 2022, which is the date the financial statements were available to be issued.

Note 2 - CONCENTRATION OF CREDIT RISK

Magnolia maintains cash accounts at several local financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 as of June 30, 2022. Magnolia also has cash equivalent accounts with a brokerage firm. The Securities Investor Protection Corporation insures these accounts up to \$250,000. Uninsured or non-guaranteed cash and cash equivalent balances were approximately \$4,600,000 as of June 30, 2022.

Note 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 and 2021 are restricted by donors for the following purposes:

	2022	2021
Subject to expenditure for a specific purpose:		
Construction	\$ 110,000	\$ 327,077
Recreation	-	4,000
Supported independent living	-	2,787
Shrewsbury residence	-	100
Total restricted net assets	\$ 110,000	\$ 333,964

Note 4 - CUSTODIAL FUNDS

As of June 30, 2022 and 2021, personal funds of the clients totaling \$364,732 and \$770,117, respectively, are reported as deposits held in custody in the accompanying financial statements.

Note 5 - PLEDGES RECEIVABLE

Promises of donors to make contributions to Magnolia are included in the financial statements of unconditional promises to give after discounting projected future cash flows to the present value using a discount rate of approximately 1% as of June 30, 2021. There was no discount required as of June 30, 2022. The discount rate is based on the U.S. daily treasury yield.

Pledges receivable as of June 30, 2022 and 2021 consist of the following:

	2022	2021
Unconditional promises to give	\$ 110,000	\$327,077
Less: unamortized discount	-	(96)
Net unconditional promises to give	\$ 110,000	\$326,981
Amount due in:		
Less than one year	\$ 110,000	\$213,477
One to five years	-	113,600
Totals	\$ 110,000	\$327,077

Note 6 - HURRICANE IDA

Hurricane Ida made landfall on August 29, 2021 near the greater New Orleans area. Magnolia incurred significant damages to its campus. The costs to repair much of the damages and reimburse Magnolia for the interruption of business is expected to be covered by Magnolia's insurance policy less the deductible. Magnolia's campus was closed for two weeks as a result of widespread power outages in the City of New Orleans and the clean-up required to ready Magnolia for clients. Clients were evacuated to emergency shelters per Magnolia's emergency response plan. As of June 30, 2022, insurance proceeds are \$2,272,991. During the year ended June 30, 2022 \$1,868,758 of insurance proceeds were received. Insurance receivable as of June 30, 2022 is \$404,233.

Magnolia recognized realized insurance recoveries which are reported net of impairments. The following table identifies insurance proceeds relate dot damaged assets as well as the resulting impairment gain.

Note 6 - HURRICANE IDA (Continued)

Asset	Insurance Proceeds	Cost of Assets	Accumulated Depreciation Assets	Book Value Assets	Impairment Gain
Buildings	<u>\$2,272,991</u>	<u>\$2,300,022</u>	<u>\$1,711,314</u>	<u>\$588,708</u>	<u>\$1,684,283</u>

Note 7 - INVESTMENTS

Investments as of June 30, 2022 and 2021 are composed of the following:

	2022		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,180,956	\$ 6,202,913	\$ 1,021,957
Debt securities	5,775,245	5,382,995	(392,250)
Mutual funds	985,715	809,911	(175,804)
Exchange traded funds	631,466	611,493	(19,973)
Certificates of deposit	53,372	53,372	-
Totals	<u>\$ 12,626,754</u>	<u>\$ 13,060,684</u>	<u>\$ 433,930</u>
	2021		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 6,084,625	\$ 8,831,219	\$ 2,746,594
Debt securities	6,000,943	6,095,882	94,939
Exchange traded funds	537,691	643,675	105,984
Mutual funds	413,651	497,297	83,646
Limited partnerships	169,253	109,514	(59,739)
Certificates of deposit	53,372	53,372	-
Totals	<u>\$ 13,259,535</u>	<u>\$ 16,230,959</u>	<u>\$ 2,971,424</u>

Note 7 - INVESTMENTS (Continued)

	2022		Excess of Market Over Cost
	Cost	Market	
Balance, June 30, 2022	<u>\$12,626,754</u>	<u>\$ 13,060,684</u>	\$ 433,930
Balance, June 30, 2021	<u>\$13,259,535</u>	<u>\$ 16,230,959</u>	2,971,424
Decrease in unrealized appreciation			(2,537,494)
Net realized gain			1,108,533
Interest and dividend income			424,736
Investment fees			<u>(78,647)</u>
Investment loss, net			<u>\$ (1,082,872)</u>
	2021		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2021	<u>\$13,259,535</u>	<u>\$ 16,230,959</u>	\$ 2,971,424
Balance, June 30, 2020	<u>\$12,967,874</u>	<u>\$ 14,190,272</u>	1,222,398
Increase in unrealized appreciation			1,749,026
Net realized gain			1,167,745
Interest and dividend income			386,535
Investment fees			<u>(62,699)</u>
Investment income, net			<u>\$ 3,240,607</u>

Note 8 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described on the following page:

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Magnolia has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and/or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021.

- *Equity Securities, Debt Securities, Certificates of Deposit, and Limited Partnerships*: Valued at the closing price reported on the active market on which the investments are traded.
- *Exchange Traded Funds*: Valued at net asset value (NAV). The funds held by Magnolia are deemed to be actively traded.
- *Mutual Funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by Magnolia are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their NAV and to transact at that price. The mutual funds held by Magnolia are deemed to be actively traded.
- *Interest in Charitable Remainder Trust*: The charitable remainder trust is valued using an appraised value of the underlying assets, discounted to their net present value based upon actuarial assumptions.

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2022 and 2021 are comprised of and determined as follows:

Description	Total Assets Measured At Fair Value	2022		
		Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 6,202,913	\$ 6,202,913	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	2,884,585	2,884,585	-	-
Other debt securities	2,498,410	2,498,410	-	-
Mutual funds	809,911	809,911	-	-
Exchange traded funds	611,493	611,493	-	-
Certificates of deposit	53,372	53,372	-	-
Total investments	13,060,684	13,060,684	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$13,173,673</u>	<u>\$13,060,684</u>	<u>\$ -</u>	<u>\$112,989</u>

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

Description	Total Assets Measured At Fair Value	2021		
		Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 8,831,219	\$ 8,831,219	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	3,380,497	3,380,497	-	-
Other debt securities	2,715,385	2,715,385	-	-
Certificates of deposit	53,372	53,372	-	-
Mutual funds	643,675	643,675	-	-
Exchange traded funds	497,297	497,297	-	-
Limited partnerships	109,514	109,514	-	-
Total investments	16,230,959	16,230,959	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$ 16,343,948</u>	<u>\$ 16,230,959</u>	<u>\$ -</u>	<u>\$ 112,989</u>

As of June 30, 2022 and 2021, there were no assets measured at fair value on a non-recurring basis.

The following provides a summary of changes in fair value of Magnolia's Level 3 assets for the years ended June 30, 2022 and 2021:

	Charitable Remainder Trust
Balance as of June 30, 2020	\$ 112,989
Appreciation in fair market value	-
Balance as of June 30, 2021	112,989
Appreciation in fair market value	-
Balance as of June 30, 2022	<u>\$ 112,989</u>

Note 9 - LINES OF CREDIT

On February 28, 2019, Magnolia entered into a \$2,000,000 line of credit with Hancock Whitney Bank. On February 18, 2020, the line of credit was increased to \$2,500,000. The line of credit is due on May 18, 2023 with interest payable monthly at a rate equal to the Wall Street Journal Prime Rate (4.75% and 3.25% as of June 30, 2022 and 2021, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of both June 30, 2022 and 2021, the outstanding balance was \$2,500,000.

On April 14, 2020, Magnolia entered into a \$2,500,000 line of credit with Hancock Whitney Bank. On April 14, 2021, the line of credit was increased to \$3,000,000. The line of credit is due on April 14, 2023 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (4.75% and 3.25% as of June 30, 2022 and 2021, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of both June 30, 2022 and 2021, the outstanding balance was \$2,150,000.

On February 18, 2020, Magnolia entered into a \$50,000 line of credit with Hancock Whitney Bank. The line of credit was due on February 18, 2021 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate. The obligation was secured by funds on deposit with the lender and investments as well as other business assets. This line of credit was not renewed.

Interest expense on the lines of credit totaled \$188,575 and \$153,239 for the years ended June 30, 2022 and 2021, respectively.

Note 10 - LOAN PAYABLE

On April 16, 2020, Magnolia received a loan from a local bank under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA) in the amount of \$1,541,745. Interest on the loan is 1%. The loan was repaid by the SBA on September 20, 2021 and that all expenditures paid from the loan proceeds were approved as eligible for loan forgiveness under the requirements of the PPP. The \$1,541,745 was recorded as support on the Statement of Activities during the year ended June 30, 2021.

Note 11 - PROVIDER RELIEF FUNDS

The provider relief funds administered by the Health Resources and Services Administration (HRSA) supports eligible health care providers in the battle against the COVID-19 pandemic. Recipients of Provider Relief funds were required to expend funds in specific payment received periods and report those expenditures to HRSA by a specified reporting time period. Federal funds were disbursed to qualified recipients during the payment received period. Per guidance issued in the 2022 Compliance Supplement these

Note 11 - PROVIDER RELIEF FUNDS (Continued)

funds are considered expended by the recipient when reported to HRSA and should be included on the Schedule of Federal Awards when expended. During the years ended June 30, 2022 and 2021, Magnolia received \$902,402 and \$441,546 of Provider Relief funds, respectively. During the year ended June 30, 2022, Magnolia expended \$441,546 of Provider Relief funds. No Provider Relief funds were expended during the year ended June 30, 2021.

Note 12 - LEASE COMMITMENTS

Magnolia leases several of its residential facilities under separate operating leases. The lease terms commenced on May 1, 2021 and are for a term of one year and were subsequently renewed on May 1, 2022. The monthly lease payments range from \$1,275 to \$2,150. Magnolia also leases copier equipment from a third party under an operating lease. The lease term commenced on January 1, 2018 and is for a term of five years. The monthly lease payment for this equipment is \$1,561 which includes maintenance service fees.

Rent expense incurred under these leases totaled \$211,232 (residential \$192,506 and equipment \$18,726) and \$233,487 (residential \$214,761 and equipment \$18,726) for the years ended June 30, 2022 and 2021, respectively.

Minimum future lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Residential Facilities</u>	<u>Equipment</u>	<u>Totals</u>
2023	<u>\$145,068</u>	<u>\$9,363</u>	<u>\$154,431</u>

Note 13 - EMPLOYEE BENEFIT PLANS

Magnolia maintains a 401(k) retirement plan. Under the terms of this plan, employees who are age 21 or older and have at least six months of service with Magnolia may elect to contribute a percentage of their annual compensation not to exceed statutory limits. Magnolia may make discretionary matching contributions of 50% of the first 6% of each participant's compensation, subject to a maximum annual contribution of \$2,000 for any employee. Magnolia's contributions totaled \$54,265 and \$61,008 for the years ended June 30, 2022 and 2021, respectively.

Note 14 - CHARITABLE REMAINDER TRUST

Magnolia was named one of eight beneficiaries of a charitable remainder trust created by a local donor. The charitable trust receivable is valued at \$112,989 as of June 30, 2022 and 2021.

Note 15 - FUNDRAISING REVENUE

Fundraising revenue recorded by Magnolia consists of exchange transaction revenue and contribution revenue. As a result of adopting ASU No. 2014-09 during 2022, Magnolia is required to separately present the components of this revenue for the years ended June 30, 2022 and 2021.

	2022	2021
Gala revenue	\$210,089	\$144,030
Less: cost of direct donor benefit	(12,341)	-
Gala revenue - net	\$197,748	\$144,030

There was no direct cost associated with the 2021 gala as it was a virtual event.

Note 16 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of Magnolia’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Magnolia invests cash in excess of daily requirements in investments. Magnolia also has committed lines of credit in the total amount of \$5,000,000 to help manage unanticipated liquidity needs.

Magnolia receives contributions with donor time and purpose restrictions. Medicaid revenues, contributions without donor restrictions, government funding, tuition revenue, investment income, gala revenue, Café sales, and other income are considered to be available to meet cash needs for general expenditures. General expenditures include the residential program, vocational program, nursing program, administrative, plant operations, and fundraising expenses. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

Note 16 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The following table represents financial assets available for general expenditures within one year as of June 30, 2022 and 2021:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 4,988,152	\$ 999,635
Medicaid receivable	752,108	547,100
Insurance receivable	404,233	-
Other receivable	-	562
Pledges receivable	110,000	326,981
Interest receivable	35,565	38,786
Investments	13,060,684	16,230,959
Total financial assets	19,350,742	18,144,023
Less amounts not available to be used within one year, due to:		
Donor imposed restrictions:		
Restricted by donors with purpose restrictions	(110,000)	(333,964)
Financial assets available to meet general expenditures within one year	\$19,350,742	\$18,144,023

Note 17 - ECONOMIC DEPENDENCY

Magnolia’s residential programs are licensed by the State of Louisiana Department of Health and Hospitals and are certified Title XIX facilities. Magnolia receives the majority of its support and revenue from Medicaid which is administered through the State of Louisiana Department of Health and Hospitals.

Note 18 - RISKS AND UNCERTAINTIES

Investment securities are exposed to various risks, such as interest rate, currency, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by Magnolia.

Note 19 - RISK MANAGEMENT

Magnolia is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settlement claims that exceeded this commercial coverage during the years ended June 30, 2022 and 2021.

SUPPLEMENTAL INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2022

Agency Head Name: Jennifer Hebert, Executive Director

Purpose:

Salary	\$132,741
Benefits - insurance	5,381
Benefits - retirement	3,847
Benefits - other	1,560
Car allowance	0
Vehicle	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouched expenses	0
Special meals	0
	<hr/>
	<u>\$143,529</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Governors,
Magnolia Community Services, Inc.,
Jefferson, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Community Services, Inc. (“Magnolia”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Magnolia’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Magnolia’s internal control. Accordingly, we do not express an opinion on the effectiveness of Magnolia’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 entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’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.



Certified Public Accountants.

New Orleans, Louisiana,
December 20, 2022.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2022.

Section III - Federal Award Findings and Questionable Costs

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2022 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Magnolia Community Services, Inc. Jefferson, Louisiana

For the year ended June 30, 2022

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No internal control findings material to the financial statements were noted during the audit for the year ended June 30, 2021.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2021.

Section II - Internal Control and Compliance Material to Federal Awards

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2021 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2021.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2022

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No internal control findings material to the financial statements were noted during the audit for the year ended June 30, 2022.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2022.

Section II - Internal Control and Compliance Material to Federal Awards

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2022 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2022.