

*Financial Report*

*Magnolia Community Services, Inc.*

*June 30, 2021*



**Bourgeois Bennett**  
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS  
A LIMITED LIABILITY COMPANY

*Financial Report*

*Magnolia Community Services, Inc.*

*June 30, 2021*

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Magnolia Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magnolia Community Services, Inc. as of June 30, 2021, 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer (Schedule 1) is presented for purposes of additional analysis, is required by Louisiana Revised Statute 24:513(a)(3), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of Magnolia Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Community Services, Inc.'s internal control over financial reporting and compliance.

## Report on Summarized Comparative Information

We have previously audited the Magnolia Community Services, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 7, 2021.

## STATEMENT OF FINANCIAL POSITION

### Magnolia Community Services, Inc. Jefferson, Louisiana

June 30, 2021  
(with comparative totals for 2020)

#### ASSETS

	<u>2021</u>	<u>2020</u>
<b>Current</b>		
Cash and cash equivalents	\$ 999,635	\$ 1,210,497
Restricted cash	770,117	594,576
Accounts receivable:		
Medicaid	547,100	713,384
Other	562	20,848
Pledges receivable	326,981	641,391
Interest in charitable remainder trust	112,989	112,989
Interest receivable	38,786	41,974
Inventory	-	141,045
Prepaid expenses and deposits	258,064	285,930
Investments	16,230,959	14,190,272
	<u>19,285,193</u>	<u>17,952,906</u>
Total current assets		
<b>Property and Equipment</b>		
Land	1,110,187	1,110,187
Buildings and improvements	13,037,337	13,037,337
Equipment and fixtures	1,948,095	1,932,695
Construction in process	2,787,779	956,933
	<u>18,883,398</u>	<u>17,037,152</u>
Less accumulated depreciation	<u>(8,999,359)</u>	<u>(8,543,672)</u>
	<u>9,884,039</u>	<u>8,493,480</u>
Net property and equipment		
Total assets	<u><u>\$29,169,232</u></u>	<u><u>\$26,446,386</u></u>

See notes to financial statements.



**LIABILITIES**

	<u>2021</u>	<u>2020</u>
<b>Current</b>		
Trade accounts payable and accrued expenses	\$ 518,388	\$ 869,930
Accrued payroll	283,864	382,330
Deposits held in custody	770,117	594,576
Lines of credit	4,650,000	2,500,000
Loan payable	-	1,541,745
	<u>6,222,369</u>	<u>5,888,581</u>
Total current liabilities		

**NET ASSETS**

<b>Net Assets</b>		
Net assets without donor restrictions:		
Net investment in property and equipment	9,884,039	8,493,480
Undesignated	<u>12,728,860</u>	<u>11,416,047</u>
Total net assets without donor restrictions	22,612,899	19,909,527
Net assets with donor restrictions	<u>333,964</u>	<u>648,278</u>
Total net assets	<u>22,946,863</u>	<u>20,557,805</u>
Total liabilities and net assets	<u><u>\$29,169,232</u></u>	<u><u>\$26,446,386</u></u>

**STATEMENT OF ACTIVITIES****Magnolia Community Services, Inc.**  
Jefferson, LouisianaFor the year ended June 30, 2021  
(with comparative totals for 2020)

	2021		Totals	2020 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
<b>Support and Revenue</b>				
Support:				
Medicaid	\$ 10,385,932	\$ -	\$ 10,385,932	\$ 10,811,851
Contributions	195,906	-	195,906	1,241,078
Jefferson Parish Human Services Authority	-	-	-	20,214
Metropolitan Human Services District	-	-	-	22,257
Small Business Administration Grant	-	-	-	10,000
Paycheck Protection Program loan forgiveness	1,541,745	-	1,541,745	-
Healthcare relief grant	441,546	-	441,546	-
South Central Louisiana Human Services District	-	-	-	105
Other	-	-	-	620
Total support	<u>12,565,129</u>	<u>-</u>	<u>12,565,129</u>	<u>12,106,125</u>
Revenue:				
Tuition	-	-	-	48,878
Interest and dividend income, net of investment fees, net	323,836	-	323,836	309,396
Net realized and unrealized gain (loss) on investments	2,916,771	-	2,916,771	(110,934)
Gala revenue, net of direct benefit of \$6,120 for 2019	144,030	-	144,030	213,259
Sales - Café	-	-	-	154,360
Sales - Special Creations	2,153	-	2,153	37,374
Other	2,640	-	2,640	83,973
Total revenue	<u>3,389,430</u>	<u>-</u>	<u>3,389,430</u>	<u>736,306</u>

**Exhibit B  
(Continued)**

	2021		Totals	2020 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
<b>Support and Revenue (Continued)</b>				
Net assets released from restrictions	314,314	(314,314)	-	-
Total support and revenue	16,268,873	(314,314)	15,954,559	12,842,431
<b>Expenses</b>				
Program services:				
Residential programs	9,837,384	-	9,837,384	8,221,822
Vocational programs	627,812	-	627,812	1,661,498
Nursing	722,808	-	722,808	925,916
Total program services	11,188,004	-	11,188,004	10,809,236
General and administrative:				
Administration	2,224,782	-	2,224,782	2,132,096
Plant operation and maintenance	100,560	-	100,560	92,027
Total general and administrative	2,325,342	-	2,325,342	2,224,123
Fundraising	52,155	-	52,155	157,072
Total expenses	13,565,501	-	13,565,501	13,190,431
<b>Increase (Decrease) In Net Assets</b>	2,703,372	(314,314)	2,389,058	(348,000)
<b>Net Assets</b>				
Beginning of year	19,909,527	648,278	20,557,805	20,905,805
End of year	\$22,612,899	\$333,964	\$22,946,863	\$20,557,805

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****Magnolia Community Services, Inc.**  
Jefferson, LouisianaFor the year ended June 30, 2021  
(with comparative totals for 2020)

	2021			
	Residential Programs	Vocational Programs	Nursing	Program Totals
<b>Program Services</b>				
Salaries	\$5,206,565	\$ 363,485	\$ 531,597	\$ 6,101,647
Employee health and retirement benefits	430,111	29,683	27,124	486,918
Payroll taxes	362,024	26,606	46,789	435,419
Total salaries and related expenses	5,998,700	419,774	605,510	7,023,984
Advertising	-	-	-	-
Automobile	15,133	2,096	7,979	25,208
Bad debts	-	-	-	-
Bed fee - Louisiana Department of Health and Hospitals	809,809	-	-	809,809
Client personal needs	47,220	-	-	47,220
Contract services	1,519,384	4,677	46,913	1,570,974
Data processing	15,817	4,460	-	20,277
Depreciation and amortization	225,172	90,262	6,987	322,421
Food	330,988	-	-	330,988
Gala expenses	-	-	-	-
Insurance	244,247	74,729	24,534	343,510
Laundry, linen, and bedding	6,967	-	-	6,967
Legal and accounting	-	-	-	-
Miscellaneous	7,199	3,598	1,522	12,319
Office supplies	3,668	354	1,903	5,925
Postage and printing	120	-	75	195
Purchases - retail store	-	-	-	-
Rent	214,761	-	-	214,761
Repairs and maintenance:				
Buildings and grounds	31,584	7,217	149	38,950
Furniture	77,924	2,815	-	80,739
Supplies	2,237	-	-	2,237
Supplies and other	66,807	389	14,444	81,640
Taxes and licenses	15,515	800	-	16,315
Telephone	40,802	16,641	5,016	62,459
Travel	-	-	22	22
Utilities	163,330	-	7,754	171,084
Total program services expenses	<u>\$9,837,384</u>	<u>\$ 627,812</u>	<u>\$ 722,808</u>	<u>\$11,188,004</u>
Less special events netted with revenue	-	-	-	-
Total expenses on statement of activities	<u>\$9,837,384</u>	<u>\$ 627,812</u>	<u>\$ 722,808</u>	<u>\$11,188,004</u>

	2021				Totals	2020 Totals Only
	Administration	Plant Operations and Maintenance	Administration and Plant Operations Totals	Fundraising		
<b>Supporting Services</b>						
Salaries	\$ 472,696	\$ 39,712	\$ 512,408	\$ 25,773	\$ 6,639,828	\$ 7,411,846
Employee health and retirement benefits	101,233	3,122	104,355	8,934	600,207	590,634
Payroll taxes	48,494	9,155	57,649	1,950	495,018	559,489
<b>Total salaries and related expenses</b>	<b>622,423</b>	<b>51,989</b>	<b>674,412</b>	<b>36,657</b>	<b>7,735,053</b>	<b>8,561,969</b>
Advertising	7,153	-	7,153	1,000	8,153	12,540
Automobile	802	1,711	2,513	-	27,721	56,030
Bad debts	204,955	-	204,955	-	204,955	35,058
Bed fee - Louisiana Department of Health and Hospitals	-	-	-	-	809,809	824,551
Client personal needs	-	-	-	-	47,220	52,452
Contract services	285,926	4,662	290,588	-	1,861,562	857,066
Data processing	229,842	-	229,842	884	251,003	149,485
Depreciation and amortization	130,030	3,237	133,267	-	455,688	493,302
Food	55,050	-	55,050	113	386,151	456,842
Gala expenses	-	-	-	8,360	8,360	58,500
Insurance	154,335	12,674	167,009	245	510,764	357,884
Interest	153,239	-	153,239	-	153,239	102,064
Laundry, linen, and bedding	2,315	-	2,315	-	9,282	15,942
Legal and accounting	58,383	-	58,383	-	58,383	45,854
Miscellaneous	105,641	-	105,641	3,039	120,999	215,824
Office supplies	5,886	-	5,886	104	11,915	16,608
Postage and printing	5,734	-	5,734	851	6,780	12,113
Purchases - retail store	-	-	-	-	-	21,277
Rent	-	-	-	-	214,761	218,571
Repairs and maintenance:						
Buildings and grounds	26,542	5,277	31,819	-	70,769	55,448
Furniture	29,738	-	29,738	-	110,477	76,817
Supplies	4,208	19,806	24,014	-	26,251	255
Supplies and other	4,779	-	4,779	-	86,419	148,536
Taxes and licenses	-	-	-	-	16,315	20,400
Telephone	37,553	1,204	38,757	902	102,118	94,997
Travel	204	-	204	-	226	3,331
Utilities	100,044	-	100,044	-	271,128	232,835
<b>Total supporting services expenses</b>	<b>2,224,782</b>	<b>100,560</b>	<b>2,325,342</b>	<b>52,155</b>	<b>13,565,501</b>	<b>13,196,551</b>
Less special events netted with revenue	-	-	-	-	-	(6,120)
<b>Total expenses on statement of activities</b>	<b>\$2,224,782</b>	<b>\$ 100,560</b>	<b>\$2,325,342</b>	<b>\$ 52,155</b>	<b>\$13,565,501</b>	<b>\$13,190,431</b>

See notes to financial statements.

**STATEMENT OF CASH FLOWS****Magnolia Community Services, Inc.**  
Jefferson, LouisianaFor the year ended June 30, 2021  
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Medicaid, JPHSA, and tuition	\$10,572,502	\$10,867,022
Miscellaneous income	148,823	437,206
Contributions and support	940,938	641,763
Investment income	327,024	308,445
Cash payments for expenses	<u>(13,409,785)</u>	<u>(12,387,861)</u>
Net cash used in operating activities	<u>(1,420,498)</u>	<u>(133,425)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	7,375,323	5,654,784
Purchases of investments	(6,488,315)	(5,856,668)
Purchases of property and equipment	<u>(1,827,372)</u>	<u>(1,165,605)</u>
Net cash used in investing activities	<u>(940,364)</u>	<u>(1,367,489)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	-	1,541,745
Net proceeds from lines of credit	<u>2,150,000</u>	<u>350,000</u>
Net cash provided by financing activities	<u>2,150,000</u>	<u>1,891,745</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(210,862)	390,831
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>1,210,497</u>	<u>819,666</u>
End of year	<u>\$ 999,635</u>	<u>\$ 1,210,497</u>

**Exhibit D  
(Continued)**

	2021	2020
<b>Reconciliation of Increase (Decrease) In Net Assets To Cash Flows Provided By Operating Activities</b>		
Increase (decrease) in net assets	\$ 2,389,058	\$(348,000)
Adjustments to reconcile increase (decrease) in net assets to cash used in operating activities:		
Bad debts	204,955	35,058
Depreciation and amortization	455,688	493,302
Net realized and unrealized (gain) loss on investments	(2,916,771)	110,934
Paycheck Protection Program loan forgiveness	(1,541,745)	-
Donation of stock	(10,924)	(10,375)
Loss on disposal of property and equipment	-	37,504
Decrease (increase) in operating assets:		
Accounts receivable	(18,385)	(71,341)
Pledges receivable	314,410	(598,940)
Interest receivable	3,188	(951)
Inventory	141,045	(24,628)
Prepaid expenses and deposits	27,866	(109,936)
Increase in operating liabilities:		
Accounts payable and accrued expenses	(468,883)	353,948
Net cash used in operating activities	\$(1,420,498)	\$(133,425)
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 153,239	\$ 102,064
Property and equipment purchases included in accounts payable	\$ 18,875	\$ -

See notes to financial statements.

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

June 30, 2021 and 2020

**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, 2021 and 2020, 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, 2021 and 2020, there was a reserve for bad debts totaling \$265,555 and \$65,640, 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, 2021 and 2020.

Pledges receivable are recorded net of an allowance for uncollectible amounts estimated by management. There was no allowance for uncollectible pledges receivable as of June 30, 2021 and 2020.

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

**h. Inventory**

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

**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, 2021 and 2020, depreciation expense totaled \$455,688 and \$493,302, 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, 2021 and 2020:

**Gala Revenue**

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 meals and entertainment provided at the event is measured at the actual cost to Magnolia. The contribution component is the

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

**k. Revenue Recognition (Continued)**

**Gala Revenue (Continued)**

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 13 the exchange and contribution components of the gross proceeds from special events.

**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.

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

**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, 2018 and later remain subject to examination by the taxing authorities. As of June 30, 2021, management of Magnolia believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**o. New Accounting Pronouncements**

**Revenue from Contracts with Customers**

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The new revenue standard is now effective for annual reporting periods beginning after December 15, 2019, with certain early adoption provisions available. Magnolia has adopted the provisions of ASU No. 2014-19 and retrospectively applied this standard to the financial statements.

**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

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

**o. Recent Accounting Pronouncements (Continued)**

**Leases (Continued)**

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.

**p. Reclassification**

Certain amounts in the 2020 Financial Statements have been reclassified to conform to the 2021 presentation.

**q. 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 7, 2021, 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, 2021. 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 \$1,110,000 as of June 30, 2021.

**Note 3 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2021 and 2020 are restricted by donors for the following purposes:

	2021	2020
Subject to expenditure for a specific purpose:		
Construction	\$ 327,077	\$ 641,391
Recreation	4,000	4,000
Supported independent living	2,787	2,787
Shrewsbury residence	100	100
Total restricted net assets	\$ 333,964	\$ 648,278

**Note 4 - CUSTODIAL FUNDS**

As of June 30, 2021 and 2020, personal funds of the clients totaling \$770,117 and \$594,576, 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 .07% and .16% as of June 30, 2021 and 2020, respectively. The discount rate is based on the U.S. daily treasury yield.

Pledges receivable as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Unconditional promises to give	\$ 327,077	\$ 643,476
Less: unamortized discount	(96)	(2,085)
Net unconditional promises to give	\$ 326,981	\$ 641,391
Amount due in:		
Less than one year	\$ 213,477	\$ 213,476
One to five years	113,600	430,000
Totals	\$ 327,077	\$ 643,476

**Note 6 - INVESTMENTS**

Investments as of June 30, 2021 and 2020 are composed of the following:

	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
Mutual funds	537,691	643,675	105,984
Exchange traded 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>
	2020		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,627,153	\$ 6,724,860	\$ 1,097,707
Debt securities	6,108,058	6,376,072	268,014
Exchange traded funds	464,116	381,385	(82,731)
Mutual funds	360,911	328,006	(32,905)
Certificates of deposit	269,373	275,116	5,743
Limited partnerships	138,263	104,833	(33,430)
Totals	<u>\$ 12,967,874</u>	<u>\$ 14,190,272</u>	<u>\$ 1,222,398</u>

**Note 6 - INVESTMENTS (Continued)**

	2021		Excess of Market Over Cost
	Cost	Market	
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>
	2020		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2020	<u>\$ 12,967,874</u>	<u>\$ 14,190,272</u>	\$ 1,222,398
Balance, June 30, 2019	<u>\$ 12,516,645</u>	<u>\$ 14,088,947</u>	1,572,302
Decrease in unrealized appreciation			(349,904)
Net realized gain			238,970
Interest and dividend income			380,392
Investment fees			<u>(70,996)</u>
Investment income, net			<u>\$ 198,462</u>

**Note 7 - 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 7 - 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, 2021 and 2020.

- *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.

**Note 7 - FAIR VALUE MEASUREMENTS (Continued)**

- *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.

Assets measured at fair value on a recurring basis as of June 30, 2021 and 2020 are comprised of and determined as follows:

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>

**Note 7 - FAIR VALUE MEASUREMENTS (Continued)**

Description	Total Assets Measured At Fair Value	2020		
		Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 6,724,860	\$ 6,724,860	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	2,691,502	2,691,502	-	-
Other debt securities	3,684,570	3,684,570	-	-
Certificates of deposit	275,116	275,116	-	-
Mutual funds	328,006	328,006	-	-
Exchange traded funds	381,385	381,385	-	-
Limited partnerships	104,833	104,833	-	-
Total investments	14,190,272	14,190,272	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$ 14,303,261</u>	<u>\$ 14,190,272</u>	<u>\$ -</u>	<u>\$ 112,989</u>

As of June 30, 2021 and 2020, 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, 2021 and 2020:

	Charitable Remainder Trust
Balance as of June 30, 2019	\$ 112,989
Appreciation in fair market value	-
Balance as of June 30, 2020	112,989
Appreciation in fair market value	-
Balance as of June 30, 2021	<u>\$ 112,989</u>

**Note 8 - 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 February 18, 2022 with interest payable monthly at a rate equal to the Wall Street Journal Prime Rate (3.25% as of June 30, 2021 and 2020). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of both June 30, 2021 and 2020, 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, 2022 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (3.25% as of June 30, 2021 and 2020). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2021, the outstanding balance was \$2,150,000. As of June 30, 2020, there was no outstanding balance.

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 \$153,239 and \$102,064 for the years ended June 30, 2021 and 2020, respectively.

**Note 9 - LOAN PAYABLE**

On April 16, 2020, the School 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 10 - 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. 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 \$233,487 (residential \$214,761 and equipment \$18,726) and \$237,297 (residential \$218,571 and equipment \$18,726) for the years ended June 30, 2021 and 2020, respectively.

Minimum future lease payments are as follows:

Year Ending June 30,	Residential Facilities	Equipment	Totals
2022	\$ 195,118	\$ 18,726	\$ 213,844
2023	-	9,363	9,363
Totals	\$ 195,118	\$ 28,089	\$ 223,207

**Note 11 - 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 \$61,008 and \$67,515 for the years ended June 30, 2021 and 2020, respectively.

**Note 12 - 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, 2021 and 2020.

**Note 13 - GALA REVENUE**

GALA revenue recorded by Magnolia consists of exchange transaction revenue and contribution revenue. As a result of adopting ASU No. 2014-09 during 2021, Magnolia is required to separately present the components of this revenue for the years ended June 30, 2021 and 2020.

	2021	2020
Gala revenue	\$144,030	\$219,379
Less: cost of direct donor benefit	-	(6,120)
Gala revenue - net	\$144,030	\$213,259

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

**Note 14 - 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 \$5,500,000 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 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

The following table represents financial assets available for general expenditures within one year as of June 30, 2021 and 2020:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 999,635	\$ 1,210,497
Medicaid receivable	547,100	713,384
Other receivable	562	20,848
Pledges receivable	326,981	641,391
Interest receivable	38,786	41,974
Investments	16,230,959	14,190,272
Total financial assets	18,144,023	16,818,366
Less amounts not available to be used within one year, due to:		
Donor imposed restrictions:		
Restricted by donors with purpose restrictions	(333,964)	(648,278)
Financial assets available to meet general expenditures within one year	\$ 18,144,023	\$ 16,818,366

**Note 15 - 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 16 - 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 17 - 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, 2021 and 2020.

**Note 18 - COMMITMENTS ON CONSTRUCTION CONTRACTS**

Magnolia has contracts with construction companies of approximately \$2,720,000 for new group homes of which approximately \$2,700,000 has been completed as of June 30, 2021.

**Note 19 - 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 the damages is expected to be covered by Magnolia's insurance company 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. Magnolia's campus is still currently under repairs, but clients have returned. Magnolia anticipates that the impacted period will not extend beyond four to six months.



**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, 2021

**Agency Head Name:** Jennifer Hebert, Executive Director

**Purpose:**

Salary	\$123,951
Benefits - insurance	8,194
Benefits - retirement	3,703
Benefits - other	224
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/>
	<b>\$136,072</b>
	<hr/> <hr/>

**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, 2021, 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 7, 2021.

**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.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 7, 2021.

**SCHEDULE OF FINDINGS AND REPOSSES**

**Magnolia Community Services, Inc.**  
Jefferson, Louisiana

For the year ended June 30, 2021

**Section I - Summary of Auditor's Report**

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes X No
  
- Significant deficiency(ies) identified that are not considered to be a material weakness? \_\_\_ Yes X None reported

Noncompliance material to financial statements noted? \_\_\_ Yes X No

b) 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 II - 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.

(Continued)

**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, 2021.

**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, 2021 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, 2021

#### **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, 2020.

##### **Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2020.

#### **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, 2020 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, 2020.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Magnolia Community Services, Inc.**  
Jefferson, Louisiana

For the year ended June 30, 2021

### **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.