

Financial Report

Magnolia Community Services, Inc.
Jefferson, Louisiana

June 30, 2025



Financial Report

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Jefferson, Louisiana

June 30, 2025

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Jefferson, Louisiana

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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, 2025, 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, 2025, 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.

Report on Summarized Comparative Information

We have previously audited Magnolia's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 October 22, 2025, 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.



Certified Public Accountants.

New Orleans, Louisiana,
October 22, 2025.

STATEMENT OF FINANCIAL POSITION

Magnolia Community Services, Inc. Jefferson, Louisiana

June 30, 2025
(with comparative totals for 2024)

ASSETS

	<u>2025</u>	<u>2024</u>
Current		
Cash and cash equivalents	\$ 1,089,385	\$ 5,358,247
Restricted cash	112,256	131,299
Accounts receivable:		
Medicaid, net	805,804	781,810
Insurance proceeds receivable	-	5,566
Interest in charitable remainder trust	112,989	112,989
Interest receivable	89,226	71,956
Prepaid expenses and deposits	293,896	255,058
Investments	<u>19,913,875</u>	<u>14,607,214</u>
Total current assets	<u>22,417,431</u>	<u>21,324,139</u>
Property and Equipment		
Land	1,110,187	1,110,187
Buildings and improvements	14,999,102	14,842,390
Equipment and fixtures	1,995,939	1,934,861
Construction in progress	<u>818,368</u>	<u>-</u>
	18,923,596	17,887,438
Less accumulated depreciation	<u>(8,914,786)</u>	<u>(8,465,288)</u>
Net property and equipment	<u>10,008,810</u>	<u>9,422,150</u>
Total assets	<u><u>\$32,426,241</u></u>	<u><u>\$30,746,289</u></u>

LIABILITIES

	<u>2025</u>	<u>2024</u>
Current		
Trade accounts payable and accrued expenses	\$ 1,883,622	\$ 1,280,532
Accrued payroll	202,409	156,927
Deposits held in custody	112,256	131,299
Deferred revenue	<u>49,034</u>	<u>53,155</u>
Total current liabilities	<u>2,247,321</u>	<u>1,621,913</u>

NET ASSETS

Net Assets		
Net assets without donor restrictions:		
Net investment in property and equipment	10,008,810	9,422,150
Undesignated	<u>20,110,110</u>	<u>19,702,226</u>
Total net assets without donor restrictions	30,118,920	29,124,376
Net assets with donor restrictions	<u>60,000</u>	<u>-</u>
Total net assets	<u>30,178,920</u>	<u>29,124,376</u>
Total liabilities and net assets	<u><u>\$32,426,241</u></u>	<u><u>\$30,746,289</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2025
(with comparative totals for 2024)

	2025			2024
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	Totals Only
Support and Revenue				
Support:				
Medicaid	\$12,422,278	\$ -	\$12,422,278	\$12,162,246
Contributions	1,332,614	60,000	1,392,614	296,732
Private grants	492,623	-	492,623	49,954
Federal grants	-	-	-	1,850,562
Total support	14,247,515	60,000	14,307,515	14,359,494
Revenue:				
Interest and dividend income, net of investment fees	607,727	-	607,727	542,970
Net realized and unrealized gain on investments	1,232,413	-	1,232,413	1,244,506
Gala revenue net of direct benefit of \$90,802 and \$74,487, respectively	209,284	-	209,284	149,057
Gain on disposal of assets	-	-	-	30,350
Other	86,726	-	86,726	135,202
Total revenue	2,136,150	-	2,136,150	2,102,085
Net assets released from restrictions	-	-	-	-
Total support and revenue	16,383,665	60,000	16,443,665	16,461,579

	2025			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	2024 Totals Only
Expenses				
Program services:				
Residential programs	10,961,799	-	10,961,799	11,468,374
Vocational programs	28,850	-	28,850	35,833
Nursing	1,158,758	-	1,158,758	676,313
Total program services	12,149,407	-	12,149,407	12,180,520
General and administrative:				
Administration	2,634,032	-	2,634,032	2,354,491
Plant operation and maintenance	429,532	-	429,532	388,254
Total general and administrative	3,063,564	-	3,063,564	2,742,745
Fundraising	176,150	-	176,150	80,795
Total expenses	15,389,121	-	15,389,121	15,004,060
Increase In Net Assets	994,544	60,000	1,054,544	1,457,519
Net Assets				
Beginning of year	29,124,376	-	29,124,376	27,666,857
End of year	<u>\$30,118,920</u>	<u>\$60,000</u>	<u>\$30,178,920</u>	<u>\$29,124,376</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2025
(with comparative totals for 2024)

	2025			
	Residential Programs	Vocational Programs	Nursing	Program Totals
Program Services				
Salaries	\$ 4,839,551	\$ -	\$ 574,696	\$ 5,414,247
Employee health and retirement benefits	484,701	-	35,407	520,108
Payroll taxes	364,129	-	41,951	406,080
 Total salaries and related expenses	 5,688,381	 -	 652,054	 6,340,435
Advertising	-	-	-	-
Automobile	44,014	3,412	8,583	56,009
Bad debt	-	-	-	-
Bed fee - Louisiana Department of Health and Hospitals	874,829	-	-	874,829
Client personal needs	64,389	-	-	64,389
Contract services	2,154,955	-	360,628	2,515,583
Data processing	17,501	-	6,249	23,750
Depreciation	356,105	14,984	39,084	410,173
Food	333,729	6,226	-	339,955
Gala expenses	-	-	-	-
Insurance	617,724	1,933	53,580	673,237
Laundry, linen, and bedding	19,215	-	-	19,215
Lease expense	235,200	-	-	235,200
Legal and accounting	13,595	-	-	13,595
Miscellaneous	19,022	551	11,810	31,383
Office supplies	1,683	-	1,024	2,707
Postage and printing	81	-	83	164
Repairs and maintenance:				
Buildings and grounds	41,088	-	209	41,297
Furniture	37,056	-	196	37,252
Supplies	2,366	-	1,319	3,685
Supplies and other	121,775	1,744	5,552	129,071
Taxes and licenses	14,275	-	-	14,275
Telephone	47,620	-	7,430	55,050
Travel	6,108	-	-	6,108
Utilities	251,088	-	10,957	262,045
 Total program services expenses	 10,961,799	 28,850	 1,158,758	 12,149,407
 Less special events netted with revenue	 -	 -	 -	 -
 Total expenses on statement of activities	 \$10,961,799	 \$ 28,850	 \$1,158,758	 \$12,149,407

	2025					2024 Totals Only
	Administration	Plant Operations and Maintenance	Administration and Plant Operations Totals	Fundraising	Totals	
Supporting Services						
Salaries	\$1,390,210	\$ 339,738	\$1,729,948	\$ 103,109	\$ 7,247,304	\$ 7,495,316
Employee health and retirement benefits	180,089	24,771	204,860	7,163	732,131	612,980
Payroll taxes	96,765	25,024	121,789	7,653	535,522	552,208
Total salaries and related expenses	1,667,064	389,533	2,056,597	117,925	8,514,957	8,660,504
Advertising	3,487	-	3,487	19,716	23,203	21,933
Automobile	598	1,091	1,689	-	57,698	55,781
Bad debt	16,000	-	16,000	-	16,000	48,000
Bed fee - Louisiana Department of Health and Hospitals	-	-	-	-	874,829	885,505
Client personal needs	2,892	-	2,892	-	67,281	74,452
Contract services	100,737	3,402	104,139	-	2,619,722	2,217,593
Data processing	175,425	2,184	177,609	18,409	219,768	177,868
Depreciation	38,299	1,028	39,327	-	449,500	457,335
Food	1,883	-	1,883	3,734	345,572	337,361
Gala expenses	74	-	74	90,802	90,876	86,371
Insurance	130,038	25,741	155,779	1,600	830,616	718,152
Laundry, linen, and bedding	1,000	-	1,000	-	20,215	18,952
Lease expense	-	-	-	-	235,200	163,706
Legal and accounting	113,592	-	113,592	-	127,187	255,555
Miscellaneous	189,686	524	190,210	2,274	223,867	153,591
Office supplies	2,573	26	2,599	164	5,470	5,523
Postage and printing	4,596	-	4,596	3,040	7,800	10,746
Repairs and maintenance:						
Buildings and grounds	7,709	419	8,128	-	49,425	33,454
Furniture	13,331	1,134	14,465	-	51,717	39,296
Supplies	4,004	387	4,391	-	8,076	12,338
Supplies and other	6,983	-	6,983	-	136,054	123,010
Taxes and licenses	-	-	-	700	14,975	14,885
Telephone	26,862	3,312	30,174	1,878	87,102	84,428
Travel	5,229	-	5,229	6,710	18,047	8,058
Utilities	121,970	751	122,721	-	384,766	414,150
Total supporting services expenses	2,634,032	429,532	3,063,564	266,952	15,479,923	15,078,547
Less special events netted with revenue	-	-	-	(90,802)	(90,802)	(74,487)
Total expenses on statement of activities	<u>\$2,634,032</u>	<u>\$ 429,532</u>	<u>\$3,063,564</u>	<u>\$ 176,150</u>	<u>\$15,389,121</u>	<u>\$15,004,060</u>

See notes to financial statements.

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

Jefferson, Louisiana

For the year ended June 30, 2025
(with comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Medicaid, JPHSA, and tuition	\$12,814,274	\$12,797,015
Miscellaneous income	386,812	358,746
Contributions and support	1,885,237	2,398,139
Investment income	590,457	516,388
Cash payments for expenses	<u>(14,866,464)</u>	<u>(14,509,595)</u>
Net cash provided by operating activities	<u>810,316</u>	<u>1,560,693</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	15,733,124	8,859,642
Purchases of investments	(19,781,708)	(8,482,566)
Proceeds from sales of property and equipment	-	40,500
Insurance proceeds received on impaired property and equipment	5,566	-
Purchases of property and equipment	<u>(1,036,160)</u>	<u>(501,745)</u>
Net cash used in investing activities	<u>(5,079,178)</u>	<u>(84,169)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(4,268,862)	1,476,524
Cash and Cash Equivalents		
Beginning of year	<u>5,358,247</u>	<u>3,881,723</u>
End of year	<u><u>\$ 1,089,385</u></u>	<u><u>\$ 5,358,247</u></u>

**Exhibit D
(Continued)**

	<u>2025</u>	<u>2024</u>
Reconciliation of Increase In Net Assets To Cash Flows Provided By Operating Activities		
Increase in net assets	\$1,054,544	\$ 1,457,519
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Bad debts	16,000	48,000
Amortization	(25,664)	(33,043)
Depreciation	449,500	457,335
Net realized and unrealized gain on investments	(1,232,413)	(1,244,506)
Gain on disposal of property and equipment	-	(30,350)
Donation of stock	-	(11,696)
Decrease (increase) in operating assets:		
Accounts receivable	(39,994)	170
Federal grants receivable	-	212,587
Interest receivable	(17,270)	(26,582)
Prepaid expenses and deposits	(38,838)	(30,098)
Increase in operating liabilities:		
Accounts payable and accrued expenses	648,572	708,202
Deferred revenue	(4,121)	53,155
Net cash provided by operating activities	<u>\$ 810,316</u>	<u>\$ 1,560,693</u>

See notes to financial statements.

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

Jefferson, Louisiana

June 30, 2025 and 2024

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 in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

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, 2025 and 2024, 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 regularly extends credit to its clients and has balances due from Medicaid on an unsecured basis. Accounts receivable are stated at the amount management expects to collect based on their review of outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2025 and 2024, there was a reserve for doubtful accounts totaling \$71,415 and \$81,199, respectively. Bad debt expense for the years ended June 30, 2025 and 2024 totaled \$16,000 and \$48,000, respectively.

Magnolia estimates credit losses associated with accounts receivable using an expected credit loss model, which utilizes an aging schedule methodology based on historical information and adjusted for asset-specific considerations, current economic conditions, and reasonable and supportable forecasts.

Magnolia's approach considers a number of factors, including overall historical credit losses and payment experience, as well as current collection trends such as write-off frequency. Magnolia also considers other qualitative factors such as current and forecasted conditions.

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

g. 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, 2025 and 2024, depreciation expense totaled \$449,500 and \$457,335, respectively.

h. Investments

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

i. 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, 2025 and 2024:

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

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

j. 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.

k. 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.

l. 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, 2022 and later remain subject to examination by the taxing authorities. As of June 30, 2025, 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)**

m. Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 financial statement presentation.

n. 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 October 22, 2025, 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, 2025. 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 \$751,000 as of June 30, 2025.

Note 3 - CUSTODIAL FUNDS

As of June 30, 2025 and 2024, personal funds of the clients totaling \$112,256 and \$131,299, respectively, are reported as deposits held in custody in the accompanying financial statements.

Note 4 - ACCOUNTS RECEIVABLE

Accounts receivable balances are predominantly comprised of amounts currently due from Medicaid for services to clients. The following table summarizes receivables and related allowance for credit losses as of June 30, 2025 and 2024 and July 1, 2023.

	June 30, 2025	June 30, 2024	July 1, 2023
Receivable, gross	\$ 877,219	\$ 863,009	\$ 1,004,529
Allowance for credit losses	<u>(71,415)</u>	<u>(81,199)</u>	<u>(174,549)</u>
Receivables, net of credit losses	<u>\$ 805,804</u>	<u>\$ 781,810</u>	<u>\$ 829,980</u>

Note 4 - ACCOUNTS RECEIVABLE (Continued)

Magnolia estimates credit losses on receivables by applying an expected credit loss model, which relies on delinquency and historical loss data to calculate default probabilities. The assessment of default probabilities includes receivables delinquency status, historical loss experience and how long the receivables have been outstanding. Magnolia also considers the need to adjust the estimate of credit losses on receivables for reasonable and supportable forecasts and internal statistical analyses.

The following table presents the delinquency status as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Current - 30 days	\$ 876,610	\$ 828,774
31-60 days	31	-
61-90 days	62	-
Greater than 90 days	<u>516</u>	<u>34,235</u>
Receivables, net of credit losses	<u>\$ 877,219</u>	<u>\$ 863,009</u>

Activity for the years ended June 30, 2025 and 2024 in the allowance for credit losses for the accounts receivable were as follows:

	<u>2025</u>	<u>2024</u>
Beginning allowance for credit losses	\$ 81,199	\$ 174,549
Bad debt expense (recoveries)	16,000	48,000
Write-offs	<u>(25,784)</u>	<u>(141,350)</u>
Ending allowance for credit losses	<u>\$ 71,415</u>	<u>\$ 81,199</u>

Note 5 - INVESTMENTS

Investments as of June 30, 2025 and 2024 are composed of the following:

	2025		
	Cost	Fair Market Value	Excess of Market Over Cost
Equity securities	\$ 8,363,748	\$ 10,493,358	\$ 2,129,610
Debt securities	7,451,086	7,573,839	122,753
Mutual funds	1,656,404	1,792,508	136,104
Certificates of deposit	54,170	54,170	-
Totals	<u>\$ 17,525,408</u>	<u>\$ 19,913,875</u>	<u>\$ 2,388,467</u>
	2024		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,595,667	\$ 7,342,412	\$ 1,746,745
Debt securities	6,111,732	5,992,862	(118,870)
Mutual funds	1,202,969	1,217,825	14,856
Certificates of deposit	54,115	54,115	-
Totals	<u>\$ 12,964,483</u>	<u>\$ 14,607,214</u>	<u>\$ 1,642,731</u>

Note 5 - INVESTMENTS (Continued)

	2025		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2025	<u>\$17,525,408</u>	<u>\$19,913,875</u>	\$2,388,467
Balance, June 30, 2024	<u><u>\$12,964,483</u></u>	<u><u>\$14,607,214</u></u>	<u>1,642,731</u>
Increase in unrealized appreciation			745,736
Net realized gain			486,677
Interest and dividend income			689,790
Investment fees			<u>(82,063)</u>
Investment income, net			<u><u>\$1,840,140</u></u>
	2024		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2024	<u>\$12,964,483</u>	<u>\$14,607,214</u>	\$1,642,731
Balance, June 30, 2023	<u><u>\$12,872,191</u></u>	<u><u>\$13,695,045</u></u>	<u>822,854</u>
Increase in unrealized appreciation			819,877
Net realized gain			424,629
Interest and dividend income			613,464
Investment fees			<u>(70,494)</u>
Investment income, net			<u><u>\$1,787,476</u></u>

Note 6 - 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:

- 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.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

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 maximize the use of relevant 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, 2025 and 2024.

- *Equity Securities and Debt Securities:* Valued at the closing price reported on the active market on which the investments are 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.
- *Certificate of Deposit:* The certificate of deposit is recorded at cost, which approximates fair market value.
- *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 6 - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2025 and 2024 are comprised of and determined as follows:

Description	Total Assets Measured At Fair Value	2025		
		Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 10,493,358	\$10,493,358	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	5,112,708	5,112,708	-	-
Other debt securities	2,461,131	2,461,131	-	-
Mutual funds	1,792,508	1,792,508	-	-
Certificates of deposit	54,170	54,170	-	-
Total investments	19,913,875	19,913,875	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$20,026,864</u>	<u>\$19,913,875</u>	<u>\$ -</u>	<u>\$112,989</u>
Description	Total Assets Measured At Fair Value	2024		
		Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 7,342,412	\$ 7,342,412	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	3,967,681	3,967,681	-	-
Other debt securities	2,025,181	2,025,181	-	-
Mutual funds	1,217,825	1,217,825	-	-
Certificates of deposit	54,115	54,115	-	-
Total investments	14,607,214	14,607,214	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$14,720,203</u>	<u>\$14,607,214</u>	<u>\$ -</u>	<u>\$112,989</u>

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2025 and 2024, 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, 2025 and 2024:

	Charitable Remainder Trust
Balance as of June 30, 2023	\$ 112,989
Appreciation in fair market value	<u>-</u>
Balance as of June 30, 2024	112,989
Appreciation in fair market value	<u>-</u>
Balance as of June 30, 2025	<u><u>\$ 112,989</u></u>

Note 7 - LINES OF CREDIT

On April 24, 2023, Magnolia entered into a \$5,500,000 line of credit with Hancock Whitney Bank. The line of credit matures on April 30, 2027 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (7.5% and 8.5% as of June 30, 2025 and 2024, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2025 and 2024 there was no balance outstanding.

There was no interest expense on the line of credit for the years ended June 30, 2025 and 2024.

Note 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2025 and 2024 are restricted by donors for the following purposes:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for a specific purpose:		
Vehicle purchase	<u>\$ 60,000</u>	<u>\$ -</u>

Note 9 - FEDERAL GRANTS

Publicly Declared Disaster Grants

The Federal Emergency Management Agency’s (FEMA) Public Assistance Program provides supplemental assistance to certain types of private non-profits so that communities can quickly respond to and recover from major disasters or emergencies. FEMA provides assistance for debris removal, emergency protective measures, and the repair, restoration, reconstruction or replacement of facilities or infrastructure. Magnolia received \$1,850,562 of Publicly Declared Disaster Grants during the year ended June 30, 2024. These funds were passed through Louisiana’s Governor’s Office of Homeland Security and Emergency Preparedness (“GOHSEP”). Approximately \$1,060,000 of funds were used for contract labor in response to the COVID19 pandemic, approximately \$580,000 were used for contract labor for Hurricanes Ida, approximately \$110,000 was used for equipment and supplies in response to Hurricane Ida, approximately \$20,000 was used to purchase supplies in response to the COVID19 pandemic, and approximately \$75,000 was used for labor in response to Hurricane Ida.

Note 10 - LEASE COMMITMENTS

Magnolia leases several of its residential facilities under separate operating leases. The lease terms commenced on May 1, 2024 and are for a term of one year and were subsequently renewed on July 1, 2025. The monthly lease payments range from \$1,800 to \$2,000.

Lease expense incurred under these leases totaled \$235,200 and \$163,706 for the years ended June 30, 2025 and 2024, respectively.

Minimum future lease payments are as follows:

Year Ending June 30,	
2026	<u>\$ 259,200</u>

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 \$65,473 and \$60,694 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024.

Note 13 - FUNDRAISING REVENUE

Fundraising revenue recorded by Magnolia consists of exchange transaction revenue and contribution revenue. The components of fundraising revenue for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Gala revenue:		
Ticket sales	\$ 176,010	\$ 106,766
Sponsorships	10,800	67,500
Donations and other	<u>113,276</u>	<u>49,278</u>
Total gala revenue	300,086	223,544
Less: cost of direct donor benefit	<u>(90,802)</u>	<u>(74,487)</u>
Gala revenue - net	<u>\$ 209,284</u>	<u>\$ 149,057</u>

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, 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 1,089,385	\$ 5,358,247
Medicaid receivable	805,804	781,810
Insurance receivable	-	5,566
Interest receivable	89,226	71,956
Investments	<u>19,913,875</u>	<u>14,607,214</u>
Total financial assets	21,898,290	20,824,793
Less amounts not available to be used within one year, due to:		
Donor imposed restrictions:		
Restricted by donors with purpose restrictions	<u>(60,000)</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 21,838,290</u>	<u>\$ 20,824,793</u>

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, 2025 and 2024.

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, 2025

Agency Head Name: Jennifer Conrad, Executive Director

Purpose:

Salary	\$141,322
Benefits - insurance	6,810
Benefits - retirement	4,210
Benefits - other	0
Car allowance	0
Vehicle	0
Per diem	0
Reimbursements	1,560
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouched expenses	0
Special meals	0
	<hr/>
	<u>\$153,902</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,
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 (“Magnolia”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, 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 October 22, 2025.

Report on 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 and significant deficiencies may exist that have not been identified.

Report on 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.

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana,
October 22, 2025.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Magnolia Community Services Jefferson, Louisiana

For the year ended June 30, 2025

Section I - Summary of Auditor's Report

a) Financial Statements

Internal control over financial reporting:

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

Noncompliance material to the
financial statements noted?

☐ Yes ☒ No

b) Federal Awards

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2025 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, 2025.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2025.

Section III - Federal Award Findings and Questionable Costs

Internal Control/Compliance

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2025 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 Jefferson, Louisiana

For the year ended June 30, 2025

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, 2024.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2024.

Section II - Internal Control and Compliance Material to Federal Awards

There were no federal award findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2024.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2024.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Magnolia Community Services Jefferson, Louisiana

For the year ended June 30, 2025

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, 2025.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2025.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2025 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2025.