

Financial Report

Magnolia Community Services, Inc.

June 30, 2023



Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS
A LIMITED LIABILITY COMPANY

Financial Report

Magnolia Community Services, Inc.

June 30, 2023

TABLE OF CONTENTS

Magnolia Community Services, Inc. Jefferson, Louisiana

June 30, 2023 and 2022

Page Numbers

Financial Section

Independent Auditor's Report 1- 3

Exhibits

A - Statement of Financial Position 4 - 5
B - Statement of Activities 6 - 7
C - Statement of Functional Expenses 8 - 9
D - Statement of Cash Flows 10 - 11
E - Notes to Financial Statements 12 - 26

Supplemental Information

I - Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer 27

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* 28 - 29
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance Required
by the Uniform Guidance 30 - 32
Schedule of Expenditures of Federal Awards 33
Notes to Schedule of Expenditures of Federal Awards 34 - 35
Schedule of Findings and Questioned Costs 36 - 37

TABLE OF CONTENTS
(Continued)

	<u>Page Numbers</u>
Reports by Management	
Schedule of Prior Year Findings and Responses	38
Management's Corrective Action Plan	39
Statewide Agreed-Upon Procedures	
Independent Accountant's Report on Applying Agreed-Upon Procedures	40 - 41
2 - Schedule of Procedures and Associated Findings of the Statewide Agreed-Upon Procedures	42 - 58

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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, 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,
December 21, 2023.

STATEMENT OF FINANCIAL POSITION

Magnolia Community Services, Inc.

Jefferson, Louisiana

June 30, 2023

(with comparative totals for 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
Current		
Cash and cash equivalents	\$ 3,881,723	\$ 4,988,152
Restricted cash	274,467	364,732
Accounts receivable:		
Medicaid, net	829,980	752,108
Insurance proceeds	5,566	404,233
Federal grants	212,587	-
Pledges receivable	-	110,000
Interest in charitable remainder trust	112,989	112,989
Interest receivable	45,374	35,565
Prepaid expenses and deposits	224,960	130,674
Investments	13,695,045	13,060,684
	<u>19,282,691</u>	<u>19,959,137</u>
Property and Equipment		
Land	1,110,187	1,110,187
Buildings and improvements	13,812,308	13,801,883
Equipment and fixtures	2,035,355	2,035,357
Construction in progress	563,656	-
	<u>17,521,506</u>	<u>16,947,427</u>
Less accumulated depreciation	<u>(8,133,616)</u>	<u>(7,684,303)</u>
	<u>9,387,890</u>	<u>9,263,124</u>
Net property and equipment		
	<u>9,387,890</u>	<u>9,263,124</u>
Total assets	<u>\$28,670,581</u>	<u>\$29,222,261</u>

See notes to financial statements.

LIABILITIES

	<u>2023</u>	<u>2022</u>
Current		
Trade accounts payable and accrued expenses	\$ 597,730	\$ 444,145
Accrued payroll	131,527	60,351
Deposits held in custody	274,467	364,732
Lines of credit	-	4,650,000
	<u>1,003,724</u>	<u>5,519,228</u>
Total current liabilities	<u>1,003,724</u>	<u>5,519,228</u>

NET ASSETS

Net Assets		
Net assets without donor restrictions:		
Net investment in property and equipment	9,387,890	9,263,124
Undesignated	18,278,967	14,329,909
	<u>27,666,857</u>	<u>23,593,033</u>
Total net assets without donor restrictions	27,666,857	23,593,033
Net assets with donor restrictions	-	110,000
	<u>27,666,857</u>	<u>23,703,033</u>
Total net assets	<u>27,666,857</u>	<u>23,703,033</u>
Total liabilities and net assets	<u><u>\$28,670,581</u></u>	<u><u>\$29,222,261</u></u>

STATEMENT OF ACTIVITIES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2023
(with comparative totals for 2022)

	2023		Totals	2022 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Support and Revenue				
Support:				
Medicaid	\$ 13,906,372	\$ -	\$13,906,372	\$10,904,593
Contributions	225,601	-	225,601	4,139,883
Private grants	-	-	-	65,910
Federal grants	4,372,830	-	4,372,830	-
Healthcare relief grant	-	-	-	902,402
Total support	<u>18,504,803</u>	<u>-</u>	<u>18,504,803</u>	<u>16,012,788</u>
Revenue:				
Interest and dividend income, net of investment fees	344,138	-	344,138	346,089
Net realized and unrealized gain (loss) on investments	663,026	-	663,026	(1,428,961)
Gala revenue net of direct benefit of \$76,346 and \$12,341, respectively	126,621	-	126,621	197,748
Gain on disposal of assets	-	-	-	1,684,283
Other	107,462	-	107,462	26,836
Total revenue	<u>1,241,247</u>	<u>-</u>	<u>1,241,247</u>	<u>825,995</u>
Net assets released from restrictions	<u>110,000</u>	<u>(110,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>19,856,050</u>	<u>(110,000)</u>	<u>19,746,050</u>	<u>16,838,783</u>

**Exhibit B
(Continued)**

	2023		Totals	2022 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Expenses				
Program services:				
Residential programs	11,792,374	-	11,792,374	9,774,692
Vocational programs	441,412	-	441,412	643,495
Nursing	1,156,204	-	1,156,204	385,857
Total program services	<u>13,389,990</u>	<u>-</u>	<u>13,389,990</u>	<u>10,804,044</u>
General and administrative:				
Administration	1,996,366	-	1,996,366	3,395,657
Plant operation and maintenance	294,974	-	294,974	1,781,991
Total general and administrative	<u>2,291,340</u>	<u>-</u>	<u>2,291,340</u>	<u>5,177,648</u>
Fundraising	100,896	-	100,896	100,921
Total expenses	<u>15,782,226</u>	<u>-</u>	<u>15,782,226</u>	<u>16,082,613</u>
Increase (Decrease) In Net Assets	4,073,824	(110,000)	3,963,824	756,170
Net Assets				
Beginning of year	<u>23,593,033</u>	<u>110,000</u>	<u>23,703,033</u>	<u>22,946,863</u>
End of year	<u>\$ 27,666,857</u>	<u>\$ -</u>	<u>\$27,666,857</u>	<u>\$23,703,033</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2023
(with comparative totals for 2022)

	2023			
	Residential Programs	Vocational Programs	Nursing	Program Totals
Program Services				
Salaries	\$ 5,798,167	\$ 82,055	\$ 398,660	\$ 6,278,882
Employee health and retirement benefits	433,722	8,716	35,130	477,568
Payroll taxes	450,528	6,908	29,950	487,386
Total salaries and related expenses	6,682,417	97,679	463,740	7,243,836
Advertising	6,121	-	-	6,121
Automobile	46,932	2,535	10,683	60,150
Bad debts	3,752	-	-	3,752
Bed fee - Louisiana Department of Health and Hospitals	887,604	-	-	887,604
Client personal needs	94,727	-	-	94,727
Contract services	2,205,953	2,824	560,497	2,769,274
Data processing	63,907	331	-	64,238
Depreciation and amortization	263,702	78,005	49,233	390,940
Food	179,035	214,833	583	394,451
Gala expenses	-	-	-	-
Hurricane expenses	-	-	-	-
Insurance	459,257	785	35,040	495,082
Interest	61,319	-	-	61,319
Laundry, linen, and bedding	11,084	-	-	11,084
Lease expense	158,256	-	-	158,256
Legal and accounting	41,756	-	-	41,756
Miscellaneous	5,241	10,078	8,652	23,971
Office supplies	5,882	263	1,018	7,163
Postage and printing	5,255	190	-	5,445
Repairs and maintenance:				
Buildings and grounds	57,430	12,950	1,309	71,689
Furniture	45,767	822	112	46,701
Supplies	82,525	11,507	1,935	95,967
Supplies and other	79,639	5,133	8,897	93,669
Taxes and licenses	18,135	-	-	18,135
Telephone	59,943	2,341	4,155	66,439
Travel	8,530	910	110	9,550
Utilities	258,205	226	10,240	268,671
Total program services expenses	11,792,374	441,412	1,156,204	13,389,990
Less special events netted with revenue	-	-	-	-
Total expenses on statement of activities	\$11,792,374	\$ 441,412	\$1,156,204	\$13,389,990

	2023					2022 Totals Only
	Administration	Plant Operations and Maintenance	Administration and Plant Operations Totals	Fundraising	Totals	
Supporting Services						
Salaries	\$ 645,349	\$ 236,337	\$ 881,686	\$ 50,636	\$ 7,211,204	\$ 6,050,104
Employee health and retirement benefits	137,480	14,110	151,590	4,907	634,065	613,654
Payroll taxes	49,057	18,335	67,392	3,640	558,418	496,021
Total salaries and related expenses	831,886	268,782	1,100,668	59,183	8,403,687	7,159,779
Advertising	24,184	-	24,184	7,340	37,645	28,623
Automobile	7,411	1,235	8,646	-	68,796	39,675
Bad debts (recoveries)	(30,774)	-	(30,774)	-	(27,022)	80,637
Bed fee - Louisiana Department of Health and Hospitals	-	-	-	-	887,604	871,350
Client personal needs	33	-	-	-	94,727	56,465
Contract services	313,618	1,053	314,671	13,386	3,097,331	3,125,715
Data processing	135,527	111	135,638	10,952	210,828	198,832
Depreciation and amortization	56,749	1,629	58,378	-	449,318	396,233
Food	8,835	-	8,835	1,642	404,928	373,282
Gala expenses	-	-	-	76,346	76,346	12,341
Hurricane expenses	-	-	-	-	-	1,682,825
Insurance	96,500	15,868	112,368	321	607,771	675,868
Interest	195,466	-	195,466	-	256,785	188,925
Laundry, linen, and bedding	124	-	124	-	11,208	9,017
Lease expense	-	-	-	-	158,256	192,506
Legal and accounting	52,572	-	52,572	5,655	99,983	80,011
Miscellaneous	107,281	974	108,255	329	132,555	125,109
Office supplies	7,317	433	7,750	549	15,462	13,882
Postage and printing	5,905	-	5,905	-	11,350	11,496
Repairs and maintenance:						
Buildings and grounds	27,754	-	27,754	-	99,443	96,060
Furniture	15,913	614	16,527	-	63,228	90,284
Supplies	3,767	2,780	6,547	-	102,514	84,805
Supplies and other	6,972	-	6,972	-	100,641	67,661
Taxes and licenses	-	-	-	-	18,135	15,040
Telephone	40,381	984	41,365	337	108,141	95,683
Travel	1,185	-	1,185	1,202	11,937	1,869
Utilities	87,760	511	88,271	-	356,942	320,981
Total supporting services expenses	1,996,366	294,974	2,291,340	177,242	15,858,539	16,094,954
Less special events netted with revenue	-	-	-	(76,346)	(76,346)	(12,341)
Total expenses on statement of activities	\$1,996,366	\$ 294,974	\$2,291,340	\$ 100,896	\$15,782,193	\$16,082,613

See notes to financial statements.

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

Jefferson, Louisiana

For the year ended June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Medicaid, JPHSA, and tuition	\$13,828,500	\$10,700,147
Miscellaneous income	234,083	224,584
Contributions and support	4,495,844	5,325,176
Investment income	334,329	349,310
Cash payments for expenses	<u>(15,169,169)</u>	<u>(15,837,871)</u>
Net cash provided by operating activities	<u>3,723,587</u>	<u>761,346</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	7,466,753	6,624,553
Purchases of investments	(7,471,352)	(4,883,239)
Insurance proceeds received on impaired property and equipment	398,667	1,868,758
Purchases of property and equipment	<u>(574,084)</u>	<u>(364,026)</u>
Net cash provided by (used in) investing activities	<u>(180,016)</u>	<u>3,246,046</u>
Cash Flows From Financing Activities		
Payment on accounts payable to finance property and equipment purchase	-	(18,875)
Net line of credit payments	<u>(4,650,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(4,650,000)</u>	<u>(18,875)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>(1,106,429)</u>	<u>3,988,517</u>
Cash and Cash Equivalents		
Beginning of year	<u>4,988,152</u>	<u>999,635</u>
End of year	<u>\$ 3,881,723</u>	<u>\$ 4,988,152</u>

	2023	2022
Reconciliation of Increase In Net Assets To Cash Flows Provided By Operating Activities		
Increase in net assets	\$3,963,824	\$ 756,170
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Bad debts (recoveries)	(27,022)	80,637
Depreciation and amortization	482,582	396,233
Net realized and unrealized (gain) loss on investments	(663,026)	1,428,961
Gain on disposal of property and equipment	-	(1,684,283)
Decrease (increase) in operating assets:		
Accounts receivable	(50,850)	(285,083)
Federal grants receivable	(212,587)	-
Pledges receivable	110,000	216,981
Interest receivable	(9,809)	3,221
Prepaid expenses and deposits	(94,286)	127,390
Increase in operating liabilities:		
Accounts payable and accrued expenses	224,761	(278,881)
Net cash provided by operating activities	\$3,723,587	\$ 761,346
 Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 256,785	\$ 188,575

See notes to financial statements.

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

Jefferson, Louisiana

June 30, 2023 and 2022

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, 2023 and 2022, 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 uncollectible. As of June 30, 2023 and 2022, there was a reserve for doubtful accounts totaling \$174,549 and \$346,119, 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, 2023 and 2022.

Pledges receivables are recorded net of an allowance for uncollectible amounts estimated by management. There was no allowance for uncollectible pledges receivable as of June 30, 2023 and 2022.

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

h. 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, 2023 and 2022, depreciation expense totaled \$449,318 and \$396,233, respectively.

i. Investments

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

j. 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, 2023 and 2022:

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

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

k. 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.

l. 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.

m. 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, 2020 and later remain subject to examination by the taxing authorities. As of June 30, 2023, 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)**

n. New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, “*Leases*” (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use asset representing the lessee’s right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statements of Activities and the Statements of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The adoption of this standard did not have a material effect on the financial statements.

Lease Discount Rate

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

o. Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation.

p. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 21, 2023, 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, 2023. 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 \$3,600,000 as of June 30, 2023.

Note 3 - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022, \$110,000 of net assets with donor restrictions were restricted by donors for construction. There were no net assets with donor restrictions as of June 30, 2023.

Note 4 - CUSTODIAL FUNDS

As of June 30, 2023 and 2022, personal funds of the clients totaling \$274,467 and \$364,732, 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. There was no discount required as of June 30, 2023 and 2022, respectively.

Pledges receivable as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Unconditional promises to give	\$ -	\$ 110,000
Less: unamortized discount	-	-
Net unconditional promises to give	\$ -	\$ 110,000
Amount due in:		
Less than one year	\$ -	\$ 110,000
One to five years	-	-
Totals	\$ -	\$ 110,000

Note 6 - HURRICANE IDA

Hurricane Ida made landfall on August 29, 2021 near the greater New Orleans area. Magnolia incurred significant damages to its campus. The costs to repair much of the damages and reimburse Magnolia for the interruption of business is expected to be covered by Magnolia's insurance policy less the deductible. Magnolia's campus was closed for two weeks as a result of widespread power outages in the City of New Orleans and the clean-up required to ready Magnolia for clients. Clients were evacuated to emergency shelters per Magnolia's emergency response plan. As of June 30, 2022, insurance proceeds were \$2,272,991. During the years ended June 30, 2023 and 2022, \$398,667 and \$1,868,758, respectively, of insurance proceeds were received. The insurance receivable as of June 30, 2023 and 2022 is \$5,566 and \$404,233, respectively.

During the year ended June 30, 2022, Magnolia recognized realized insurance recoveries which are reported net of impairments. The following table identifies insurance proceeds related to damaged assets as well as the resulting impairment gain.

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

Note 7 - INVESTMENTS

Investments as of June 30, 2023 and 2022 are composed of the following:

	<u>2023</u>		<u>Excess of Market Over Cost (Cost Over Market)</u>
	<u>Cost</u>	<u>Fair Market Value</u>	
Equity securities	\$ 5,647,653	\$ 7,023,443	\$ 1,375,790
Debt securities	5,994,723	5,624,765	(369,958)
Mutual funds	1,097,458	918,853	(178,605)
Exchange traded funds	78,985	74,612	(4,373)
Certificates of deposit	53,372	53,372	-
Totals	<u>\$ 12,872,191</u>	<u>\$ 13,695,045</u>	<u>\$ 822,854</u>

Note 7 - INVESTMENTS (Continued)

	2022		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,180,956	\$ 6,202,913	\$1,021,957
Debt securities	5,775,245	5,382,995	(392,250)
Exchange traded funds	985,715	809,911	(175,804)
Mutual funds	631,466	611,493	(19,973)
Certificates of deposit	53,372	53,372	-
Totals	<u>\$ 12,626,754</u>	<u>\$ 13,060,684</u>	<u>\$ 433,930</u>
	2023		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2023	<u>\$12,872,191</u>	<u>\$ 13,695,045</u>	\$ 822,854
Balance, June 30, 2022	<u>\$12,626,754</u>	<u>\$ 13,060,684</u>	433,930
Increase in unrealized appreciation			388,924
Net realized gain			274,102
Interest and dividend income			416,279
Investment fees			(72,141)
Investment income, net			<u>\$ 1,007,164</u>
	2022		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2022	<u>\$12,626,754</u>	<u>\$ 13,060,684</u>	\$ 433,930
Balance, June 30, 2021	<u>\$13,259,535</u>	<u>\$ 16,230,959</u>	2,971,424
Decrease in unrealized appreciation			(2,537,494)
Net realized gain			1,108,533
Interest and dividend income			424,736
Investment fees			(78,647)
Investment loss, net			<u>\$ (1,082,872)</u>

Note 8 - FAIR VALUE MEASUREMENTS

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

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 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, 2023 and 2022.

- *Equity Securities, Debt Securities, and Certificates of Deposit:* 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 8 - 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, 2023 and 2022 are comprised of and determined as follows:

Description	Total Assets Measured At Fair Value	2023		
		Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 7,023,443	\$ 7,023,443	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	3,337,999	3,337,999	-	-
Other debt securities	2,286,766	2,286,766	-	-
Mutual funds	918,853	918,853	-	-
Exchange traded funds	74,612	74,612	-	-
Certificates of deposit	53,372	53,372	-	-
Total investments	13,695,045	13,695,045	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$13,808,034</u>	<u>\$13,695,045</u>	<u>\$ -</u>	<u>\$112,989</u>
		2022		
		Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 6,202,913	\$ 6,202,913	\$ -	\$ -
Debt securities:				
U.S. Treasury Notes	2,884,585	2,884,585	-	-
Other debt securities	2,498,410	2,498,410	-	-
Certificates of deposit	53,372	53,372	-	-
Mutual funds	809,911	809,911	-	-
Exchange traded funds	611,493	611,493	-	-
Total investments	13,060,684	13,060,684	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$13,173,673</u>	<u>\$13,060,684</u>	<u>\$ -</u>	<u>\$112,989</u>

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2023 and 2022, 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, 2023 and 2022:

	Charitable Remainder Trust
Balance as of June 30, 2021	\$ 112,989
Appreciation in fair market value	-
Balance as of June 30, 2022	112,989
Appreciation in fair market value	-
Balance as of June 30, 2023	\$ 112,989

Note 9 - LINES OF CREDIT

On February 28, 2019, Magnolia entered into a \$2,000,000 line of credit with Hancock Whitney Bank. On February 18, 2020, the line of credit was increased to \$2,500,000. The line of credit matures on May 18, 2024 with interest payable monthly at a rate equal to the Wall Street Journal Prime Rate (8.25% and 4.75% as of June 30, 2023 and 2022, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2022, the outstanding balance was \$2,500,000. As of June 30, 2023 there was no balance outstanding.

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 matures on April 14, 2024 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (8.25% and 4.75% as of June 30, 2023 and 2022, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2022, the outstanding balance was \$2,150,000. As of June 30, 2023 there was no balance outstanding.

Interest expense on the lines of credit totaled \$256,785 and \$188,575 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - FEDERAL GRANTS

Provider Relief Funds

The provider relief funds administered by the Health Resources and Services Administration (HRSA) supports eligible health care providers in the battle against the COVID-19 pandemic. Recipients of Provider Relief funds were required to expend funds in specific payment received periods and report those expenditures to HRSA by a specified reporting time period. Federal funds were disbursed to qualified recipients during the payment received period. Per guidance issued in the 2023 Compliance Supplement these funds are considered expended by the recipient when reported to HRSA and should be included on the Schedule of Federal Awards when expended. During the year ended June 30, 2022, Magnolia received \$902,402 of Provider Relief funds. No Provider Relief funds were received during the year ended June 30, 2023. During the years ended June 30, 2023 and 2022, Magnolia expended \$902,402 of the 2022 and \$441,546 of the 2021 of Provider Relief funds, respectively.

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 \$4,372,830 of Publicly Declared Disaster Grants during the year ended June 30, 2023. These funds were passed through the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). Approximately \$4,110,000 of these funds were used for contract labor in response to the COVID19 pandemic, approximately \$8,000 was used for debris removal in response to Hurricane Ida, approximately \$43,000 was used to purchase supplies in response to the COVID19 pandemic, and approximately \$212,000 was used for a consultant to administer the grant funds.

Note 11 - LEASE COMMITMENTS

Magnolia leases several of its residential facilities under separate operating leases. The lease terms commenced on May 1, 2022 and are for a term of one year and were subsequently renewed on May 1, 2023. The monthly lease payments range from \$1,275 to \$2,150.

Lease expense incurred under these leases totaled \$158,256 and \$192,506 for the years ended June 30, 2023 and 2022, respectively.

Note 11 - LEASE COMMITMENTS (Continued)

Minimum future lease payments are as follows:

<u>Year Ending June 30,</u>	
2024	<u>\$145,068</u>

Note 12 - 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 \$67,976 and \$54,265 for the years ended June 30, 2023 and 2022, respectively.

Note 13 - 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, 2023 and 2022.

Note 14 - 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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Gala revenue:		
Ticket sales	\$109,000	\$116,040
Sponsorships	60,000	60,000
Donations and other	<u>33,967</u>	<u>34,049</u>
Total gala revenue	202,967	210,089
Less: cost of direct donor benefit	<u>(76,346)</u>	<u>(12,341)</u>
Gala revenue - net	<u>\$126,621</u>	<u>\$197,748</u>

Note 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Magnolia receives contributions with donor time and purpose restrictions. Medicaid revenues, contributions without donor restrictions, government funding, tuition revenue, investment income, gala revenue, 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.

The following table represents financial assets available for general expenditures within one year as of June 30, 2023 and 2022:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,881,723	\$ 4,988,152
Medicaid receivable	829,980	752,108
Insurance receivable	5,566	404,233
Pledges receivable	212,587	110,000
Interest receivable	45,374	35,565
Investments	13,695,045	13,060,684
Total financial assets	18,670,275	19,350,742
Less amounts not available to be used within one year, due to:		
Donor imposed restrictions:		
Restricted by donors with purpose restrictions	-	(110,000)
Financial assets available to meet general expenditures within one year	\$18,670,275	\$19,240,742

Note 16 - COMMITMENT ON CONSTRUCTION CONTRACT

Magnolia has a contract with a construction company of approximately \$915,000 for buildings and improvements of which approximately \$610,000 has been completed as of June 30, 2023.

Note 17 - ECONOMIC DEPENDENCY

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

Note 18 - RISKS AND UNCERTAINTIES

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

Note 19 - RISK MANAGEMENT

Magnolia is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settlement claims that exceeded this commercial coverage during the years ended June 30, 2023 and 2022.

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, 2023

Agency Head Name: Jennifer Conrad, Executive Director

Purpose:

Salary	\$143,289
Benefits - insurance	6,057
Benefits - retirement	4,284
Benefits - other	1,884
Car allowance	0
Vehicle	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouched expenses	0
Special meals	0
	<hr/>
	<u>\$155,514</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR’S REPORTS 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, 2023, 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 21, 2023.

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 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.



Certified Public Accountants.

New Orleans, Louisiana,
December 21, 2023.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Magnolia Community Services, Inc.’s (Magnolia) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Magnolia’s major federal programs for the year ended June 30, 2023. Magnolia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Magnolia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Magnolia and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Magnolia’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Magnolia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Magnolia's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Magnolia's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Magnolia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Magnolia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Magnolia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, Louisiana.
December 21, 2023.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Magnolia Community Services, Inc.

Jefferson, Louisiana

For the year ended June 30, 2023

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
United States Department of Health and Human Services:			
Provider Relief Fund and American Rescue COVID-19 - Plan Rural Distribution - Period 4		93.498	<u>\$ 902,402</u>
U.S. Department of Homeland Security			
Pass-Through Program From:			
 Louisiana Governor's Office of Homeland Security and Emergency Preparedness			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	PA-06-LA-4484	97.036	<u>4,372,830</u>
Total expenditures of federal awards			<u><u>\$5,275,232</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Magnolia Community Services, Inc. Jefferson, Louisiana

For the year ended June 30, 2023

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Magnolia Community Services, Inc. (Magnolia). Magnolia's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2023. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed through other government agencies.

b. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to Magnolia's financial statements for the year ended June 30, 2023.

Note 2 - INDIRECT COST RATE

Magnolia has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2023, \$212,587 of indirect costs were included in Schedule of Expenditures of Federal Awards.

Note 3 - SUB-RECIPIENTS

There were no payments to sub-recipients for the year ended June 30, 2023.

Note 4 - RECONCILIATION OF FEDERAL GRANT REVENUES AND EXPENDITURES

Unobligated balance of funds (receivable), beginning of year	\$ 902,402
Federal grant revenue received or accrued in current year	<u>4,372,830</u>
Total federal funds authorized	5,275,232
Less qualified expenditures	<u>(5,275,232)</u>
Unobligated balance of funds, end of year	<u>\$ -</u>

Note 5 - PROVIDER RELIEF FUNDS

The provider relief funds administered by the Health Resources and Services Administration (HRSA) supports eligible health care providers in the battle against the COVID-19 pandemic. Recipients of Provider Relief funds were required to expend funds in specific payment received periods and report those expenditures to HRSA by a specified reporting time period. Federal funds were disbursed to qualified recipients during the payment received period. Per guidance issued in the 2023 Compliance Supplement these funds are considered expended by the recipient when reported to HRSA and should be included on the Schedule of Federal Awards when expended. The reporting periods included in the 2023 Compliance Supplement are as follows:

Reporting Period	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Deadline to Use Funds	PRF Portal Reporting Time Period	Fiscal Year Ends (FYE's) to Include Each PRF Period on the Schedule of Expenditures For Federal Awards (SEFA) Reporting
Period 1	April 10, 2020 to June 30, 2020	June 30, 2021	July 1, 2021 to September 30, 2021	FYE's of June 30, 2021 through June 29, 2022
Period 2	July 1, 2020 to December 31, 2020	December 31, 2021	January 1, 2022 to March 31, 2022	FYE's of December 31, 2021 through FYEs June 29, 2022
Period 3	January 1, 2021 to June 30, 2021	June 30, 2022	July 1, 2022 to September 30, 2022	FYE's of June 30, 2022 through FYEs June 29, 2023
Period 4	July 1, 2021 to December 31, 2021	December 31, 2022	January 1, 2023 to March 31, 2023	FYE's of December 31, 2022 through FYEs June 29, 2023
Period 5	January 1, 2022 to June 30, 2022	June 30, 2023	July 1, 2023 to September 30, 2023	FYE's of June 30, 2023 through June 29, 2024
Period 6	July 1, 2022 to December 31, 2022	December 31, 2023	January 1, 2024 to March 31, 2024	FYE's of December 31, 2023 through June 29, 2024

Magnolia Community Services, Inc. received Provider Relief Funds for periods 3 and 4. Accordingly, the Schedule of Expenditures of Federal Awards for the year ended June 30, 2023 includes expenditures for period 4.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2023

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

Internal controls over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness? Yes No

Type of auditor's report issued on compliance for major program: unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Section I - Summary of Auditor's Report (Continued)

c) Identification of Major Programs:

<u>Grant Number</u>	<u>Name of Federal Program</u>
93.498	United States Department of Health and Human Services: Provider Relief Fund and American Rescue COVID-19 - Plan Rural Distribution - Period 4
97.036	U.S. Department of Homeland Security Pass-Through Program From: Louisiana Governor's Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes No

**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, 2023.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2023.

Section III - Federal Award Findings and Questionable Costs**Internal Control/Compliance**

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2023 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2023

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

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Section II - Internal Control and Compliance Material to Federal Awards

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

Section III - Management Letter

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2023

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, 2023.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2023.

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, 2023 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, 2023.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in Schedule 2 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period July 1, 2022 through June 30, 2023 (the “fiscal period”). Magnolia Community Services, Inc.’s (“Magnolia”) management is responsible for those C/C areas identified in the SAUPs.

Magnolia has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA’s SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule 2.

We were engaged by Magnolia to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Magnolia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
December 21, 2023.

SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS
OF THE STATEWIDE AGREED-UPON PROCEDURES

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2023

The required procedures and our findings are as follows:

1. Procedures Performed on Magnolia's Written Policies and Procedures:

- A. Obtain and inspect Magnolia's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and Magnolia's operations:
- i. Budgeting, including preparing, adopting, monitoring, and amending the budget.
Performance: Obtained and read the written policy for budgeting and found it to address all the functions listed above except amending the budget.
Exceptions: There was one exception noted where the budgeting procedures did not address amending the budget.
 - ii. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Performance: Obtained and read the written policy for purchasing and found it to address all the functions listed above except for how vendors are added to the vendor list.
Exceptions: There was one exception noted where the purchasing procedures did not address how vendors are added to the vendor list.
 - iii. Disbursements, including processing, reviewing, and approving.
Performance: Obtained and read the written policy for disbursements and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - iv. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue.
Performance: Obtained and read the written policy for receipts and collections and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

1. Procedures Performed on Magnolia's Written Policies and Procedures: (Continued)

- v. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
Performance: Obtained and read the written policy for payroll and personnel and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- vi. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
Performance: There were no policies for contracting prepared by Magnolia.
Exceptions: There were no policies for contracting noted.

- vii. Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
This procedure is not applicable as there are no travel and expense reimbursements due to the nature of the entity.

- viii. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
Performance: Obtained and read the written policy for credit cards and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- ix. Ethics, including (1) prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
Not applicable for not-for-profit entities.

- x. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Not applicable for not-for-profit entities.

1. Procedures Performed on Magnolia's Written Policies and Procedures: (Continued)

- xi. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups; (2) storage of backups in a separate physical location isolated from the network; (3) periodic testing/verification that backups can be restored; (4) use of antivirus software on all systems; (5) timely application of all available system and software patches/updates; and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Performance: Obtained and read the written policy for information technology disaster recovery/business continuity and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

- xii. Prevention of Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable for not-for-profit entities.

2. Procedures Performed on Magnolia's Board:

- A. Obtain and inspect the Board minutes for the fiscal period, as well as the Board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

- i. Observe that the Board met with a quorum at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, or other equivalent document.

Performance: Obtained the 2023 Board meeting minutes and verified the Board met five times with a quorum. Obtained Magnolia's bylaws and confirmed the board is required to meet at least quarterly.

Exceptions: There were no exceptions noted.

- ii. For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of Magnolia's collections during the fiscal period.

Performance: Inspected the Board meeting minutes and determined that the minutes referenced or included financial activity relating to public funds.

Exceptions: There were no exceptions noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable for not-for-profit entities.

2. Procedures Performed on Magnolia's Board: (Continued)

- iv. Observe whether the Board received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Performance: Obtained the prior year audit report and observed no audit findings for the year ended June 30, 2022.

Exceptions: There were no exceptions noted.

3. Procedures Performed on Magnolia's Bank Reconciliations:

- A. Obtain a listing of Magnolia's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the main operating account. Select Magnolia's main operating account and select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter that the listing is complete. The main account and 4 other accounts were subject to the statewide agreed-upon procedures.

Exceptions: There were no exceptions noted.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Performance: Obtained the March 2023 bank reconciliation for the main operating bank account and the 4 other accounts selected. Inspected management's documentation for timely preparation of the bank reconciliations.

Exceptions: The bank reconciliation for the main operating account, and 2 other accounts were not prepared within 2 months of the related statement closing date. One account was not reconciled prior to fieldwork.

- ii. Bank reconciliations include written evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Performance: Inspected Magnolia's documentation for the selected bank reconciliations for the 5 bank accounts and verified a member of management who does not handle cash, post ledgers, or issue checks has reviewed the bank reconciliation.

Exceptions: The selected bank reconciliations for 2 accounts did not evidence that a member of management reviewed each bank reconciliation. One account was not reconciled prior to fieldwork.

3. Procedures Performed on Magnolia's Bank Reconciliations (Continued):

- iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance and we noted management has documentation that it has researched outstanding items.

Exceptions: There were no exceptions noted.

4. Procedures Performed on Magnolia's Collections (Excluding Electronic Funds Transfers):

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- i. Employees that are responsible for cash collections do not share cash drawers/registers.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee is responsible for reconciling ledger postings to each other and to the deposit.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

**4. Procedures Performed on Magnolia's Collections (Excluding Electronic Funds Transfers):
(Continued)**

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- D. Randomly select 2 deposit dates for each of Magnolia's bank accounts selected for procedures under "Procedures Performed on Magnolia's Bank Reconciliations" #3A. Obtain supporting documentation for each of the deposits selected and:

- i. Observe that receipts are sequentially pre-numbered.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

**4. Procedures Performed on Magnolia's Collections (Excluding Electronic Funds Transfers):
(Continued)**

- v. Trace the actual deposit per the bank statement to the general ledger.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

5. Procedures Performed on Magnolia's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

- A. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if Magnolia has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- i. At least 2 employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- ii. At least 2 employees are involved in processing and approving payments to vendors.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- iii. The employees responsible for processing payments are prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

5. Procedures Performed on Magnolia's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearing house (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- C. For each location selected under #5A, obtain Magnolia's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by Magnolia.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- ii. The employees responsible for processing payments are prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was:

5. Procedures Performed on Magnolia's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- a. Approved by only those persons authorized to disburse funds (e.g., sign checks) per Magnolia's policy.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

- b. Approved by the required number of authorized signers per Magnolia's policy.

Performance: We performed these procedures as part of the testing of public funds in accordance with the Uniform Guidance.

Exceptions: There were no exceptions noted.

6. Procedures Performed on Magnolia's Credit Cards, Debit Cards, Fuel Cards, P-Cards:

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Performance: Obtained a listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

- B. Using the listing prepared by management, select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement). Obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Performance: Observed evidence that the statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Exceptions: There were no exceptions noted.

- ii. Observe that finance charges and/or late fees were not assessed on the selected statements.

Performance: Observed that there were no finance charges and/or late fees assessed on the selected statements.

Exceptions: There were no exceptions noted.

**6. Procedures Performed on Magnolia's Credit Cards, Debit Cards, Fuel Cards, P-Cards:
(Continued)**

C. Using the monthly statements or combined statements selected under procedure #6B, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to inspection). For each transaction, report whether the transaction is supported by:

1) An original itemized receipt that identifies precisely that was purchased.

Performance: Observed that the transactions from the monthly statement were supported by original itemized receipts that identifies precisely what was purchased.

Exceptions: There were no exceptions noted.

2) Written documentation of the business/public purpose.

Performance: Observed that the transactions from the monthly statements were supported with written documentation of the business/public purpose.

Exceptions: There were no exceptions noted.

3) Documentation of the individuals participating in meals (for meal charges only).

Performance: Observed that the selected transactions for meal charges (only one was for a meal charge) were supported by documentation of the individuals participating in meals.

Exceptions: There was one statement that did not provide documentation of the individuals participating in meals.

**7. Procedures Performed on Magnolia's Travel and Travel-Related Expense Reimbursements
(Excluding Card Transactions):**

A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Performance: Observed there were no travel and travel-related expenses paid with public funds in the fiscal year. And obtained management's representation that there were no travel and travel-related expenses.

Exceptions: There were no exceptions noted.

i. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Performance: Observed there were no travel and travel-related expenses paid with public funds in the fiscal year. And obtained management's representation that there were no travel and travel-related expenses.

Exceptions: There were no exceptions noted.

7. Procedures Performed on Magnolia’s Travel and Travel-Related Expense Reimbursements (Excluding Card Transactions): (Continued)

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- Performance: Observed there were no travel and travel-related expenses paid with public funds in the fiscal year. And obtained management’s representation that there were no travel and travel-related expenses.

- Exceptions: There were no exceptions noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy procedures #1A(vii).

- Performance: Observed there were no travel and travel-related expenses paid with public funds in the fiscal year. And obtained management’s representation that there were no travel and travel-related expenses paid with public funds.

- Exceptions: There were no exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

- Performance: Observed there were no travel and travel-related expenses in the fiscal year. And obtained management’s representation that there were no travel and travel-related expenses paid with public funds in the fiscal year.

- Exceptions: There were no exceptions noted.

8. Procedures Performed on Magnolia’s Contracts:

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management’s representation in a separate letter that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:

- Performance: Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period, and received management’s representation that the listing is complete.

- Exceptions: There were no exceptions noted.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

- Performance: Observed Magnolia was not required to bid to be in accordance with Louisiana Public Bid Law on any of its contracts.

- Exceptions: There were no exceptions noted.

8. Procedures Performed on Magnolia's Contracts: (Continued)

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

Performance: Observed the contracts initiated or renewed in 2023 were approved by the Executive Director. Contracts are not required to be approved by the governing body/board.

Exceptions: There were no exceptions noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment were made in compliance with the contract terms.

Performance: Observed that the amended contracts were made in compliance with contract terms.

Exceptions: There were no exceptions noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Performance: Observed that payments made for 5 contracts and the corresponding invoices agreed to contract terms and conditions.

Exceptions: There were no exceptions noted.

9. Procedures Performed on Magnolia's Payroll and Personnel:

- A. Obtain a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Obtained a listing of employees employed during the fiscal period from management, and received management's representation that the listing is complete.

Randomly selected 5 employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

Exceptions: There were no exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees selected under #9A above, obtain attendance records and leave documentation for the pay period, and:

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Performance: Observed that selected employees documented their daily attendance and leave.

Exceptions: There were no exceptions noted.

9. Procedures Performed on Magnolia's Payroll and Personnel: (Continued)

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - Performance: Observed that supervisors approved the attendance and leave of the selected employees. Only 2 of the employees selected had any leave time during the selected pay period.
 - Exceptions: There were no exceptions noted.
- iii. Observe that any leave accrued or taken during the pay period is reflected in Magnolia's cumulative leave records.
 - Performance: Observed that any leave accrued or taken during the pay period was reflected in the cumulative leave records.
 - Exceptions: There were no exceptions noted.
- iv. Observe that the rate paid to the employees agrees to the authorized salary/pay rate found within the personnel file.
 - Performance: Agreed the pay rates to authorized salary/pay rates maintained in employee files.
 - Exceptions: There were no exceptions noted.
- C. Obtain a listing of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees, obtain related documentation of the hours and pay rates used in management's termination payment calculations and Magnolia's policy on termination payments. Agree the hours to the employees' cumulative leave records and agree the pay rates to the employees' authorized pay rates in the employees' personnel files and agree the termination payments to Magnolia's policy.
 - Performance: Observed listing of terminated employees receiving termination payments during the fiscal period and received management's representation that the listing was complete. Observed that termination payment calculation agreed to Magnolia's policy on termination payments. Observed the hours and cumulative leave records and pay rates agreed to amounts paid.
 - Exceptions: There were no exceptions noted.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.
 - Performance: Obtained management's representation that employer and employee portions of third-party payroll accounts have been paid, and any associated forms have been filed by the required deadlines.
 - Exceptions: There were no exceptions noted.

10. Procedures Performed on Magnolia's Ethics:

- A. Using the 5 selected employees/officials from "Procedures Performed on Magnolia's Payroll and Personnel" procedure #9A obtain ethics compliance documentation from management and:
- Not applicable for not-for-profit entities.
 - i. Observe whether the documentation demonstrates each employee completed one hour of ethics training during the calendar year as required by R.S. 42:1170.
Not applicable for not-for-profit entities.
 - ii. Observe whether Magnolia maintains documentation which demonstrates each employee was notified of any changes to Magnolia's ethics policy during the fiscal period, as applicable.
Not applicable for not-for-profit entities.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
Not applicable for not-for-profit entities.

11. Procedures Performed on Magnolia's Debt Service:

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
Not applicable for not-for-profit entities.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.
Not applicable for not-for-profit entities.

12. Procedures Performed on Magnolia's Fraud Notice:

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that Magnolia reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which Magnolia is domiciled as required by R.S. 24:523.
Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period, none were noted. We obtained management's representation in a separate letter.
Exceptions: There were no exceptions noted.

12. Procedures Performed on Magnolia's Fraud Notice (Continued):

- B. Observe Magnolia has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: There was no evidence noted on the premises or website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: The fraud notice was not posted on the premises or website.

13. Procedures Performed on Magnolia's Information Technology Disaster Recovery/ Business Continuity:

- A. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- i. Obtain and inspect Magnolia's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

Performance: We performed the procedure and discussed the results with management.

- ii. Obtain and inspect Magnolia's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three months.

Performance: We performed the procedure and discussed the results with management.

- iii. Obtain a listing of Magnolia's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Performance: We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Performance: We performed the procedure and discussed the results with management.

14. Procedures Performed on Magnolia's Prevention of Sexual Harassment:

- A. Using the 5 randomly selected employees/officials from procedure #9A under "Procedures Performed on Magnolia's Payroll and Personnel", obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Not applicable for not-for-profit entities.

15. Procedures Performed on Magnolia's Prevention of Sexual Harassment: (Continued)

B. Observe Magnolia has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on Magnolia's premises if Magnolia does not have a website).

Not applicable for not-for-profit entities.

C. Obtain Magnolia's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

i. Number and percentage of public servants in Magnolia who have completed the training requirements.

Not applicable for not-for-profit entities.

ii. Number of sexual harassment complaints received by Magnolia.

Not applicable for not-for-profit entities.

iii. Number of complaints which resulted in a finding that sexual harassment occurred.

Not applicable for not-for-profit entities.

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action.

Not applicable for not-for-profit entities.

v. Amount of time it took to resolve each complaint.

Not applicable for not-for-profit entities.

Management's Overall Response to Exceptions:

1.A.i. There was one exception noted where the budgeting procedures did not address amending the budget.

Management's Response: Management will ensure that budget amendment procedures are added to the budgeting policy.

1.A.ii. There was one exception noted where the purchasing procedures did not address how vendors are added to the vendor list.

Management's Response: Management will ensure that process of adding vendors is added to the purchasing policy.

1.A.vi. There were no policies for contracting noted.

Management's Response: Management will ensure that contracting procedures are added to the contracting policy.

Management's Overall Response to Exceptions: (Continued)

3.A.i. The bank reconciliation for the main operating account, and 2 other accounts were not prepared within 2 months of the related statement closing date. One account was not reconciled prior to field work.

Management's Response: Management will ensure that all bank reconciliations are prepared in a timely manner.

3.A.ii. The selected bank reconciliations for 2 accounts did not show evidence that a member of management reviewed and approved each bank reconciliation. One account was not reconciled prior to field work.

Management's Response: Management will ensure that all bank reconciliations are reviewed by members of management.

6.C.3. There was one statement that did not provide documentation of the individuals participating in meals.

Management's Response: Management will ensure that all expense reimbursements for meal charges include documentation of the individuals participating.

12.B. The fraud notice was not posted on the premises or website.

Management's Response: Management will ensure that the fraud notice is posted on the premises and the website.