

*Financial Report*

*Magnolia Community Services, Inc.*

*June 30, 2019*



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

*Financial Report*

*Magnolia Community Services, Inc.*

*June 30, 2019*

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June 30, 2019 and 2018

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Magnolia Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magnolia Community Services, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of Magnolia Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Magnolia Community Services, Inc.'s internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

We have previously audited the Magnolia Community Services, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 2, 2019.

## STATEMENT OF FINANCIAL POSITION

### **Magnolia Community Services, Inc.**

Jefferson, Louisiana

June 30, 2019

(with comparative totals for 2018)

### ASSETS

	<u>2019</u>	<u>2018</u>
<b>Current</b>		
Cash and cash equivalents	\$ 819,666	\$ 1,018,734
Restricted cash	294,884	234,817
Accounts receivable:		
Medicaid	658,587	821,092
Other	39,362	17,645
Pledges receivable	42,451	-
Interest in charitable remainder trust	112,989	112,989
Interest receivable	41,023	42,356
Inventory	116,417	77,912
Prepaid expenses and deposits	175,994	254,511
Investments	14,088,947	13,420,458
	<u>16,390,320</u>	<u>16,000,514</u>
Total current assets		
<b>Property and Equipment</b>		
Land	1,110,187	672,929
Buildings and improvements	12,755,727	12,691,519
Equipment and fixtures	1,984,894	1,963,415
Construction in process	78,444	-
	<u>15,929,252</u>	<u>15,327,863</u>
Less accumulated depreciation	<u>(8,070,571)</u>	<u>(7,542,072)</u>
Net property and equipment	<u>7,858,681</u>	<u>7,785,791</u>
Total assets	<u>\$ 24,249,001</u>	<u>\$ 23,786,305</u>

See notes to financial statements.

**LIABILITIES**

	<u>2019</u>	<u>2018</u>
<b>Current</b>		
Trade accounts payable and accrued expenses	\$ 631,170	\$ 913,834
Accrued payroll	267,142	277,009
Deposits held in custody	294,884	234,817
Line of credit	<u>2,150,000</u>	<u>900,000</u>
Total current liabilities	<u>3,343,196</u>	<u>2,325,660</u>

**NET ASSETS**

<b>Net Assets</b>		
Net assets without donor restrictions:		
Net investment in property and equipment	7,858,681	7,785,791
Undesignated	<u>13,000,237</u>	<u>13,667,967</u>
Total net assets without donor restrictions	20,858,918	21,453,758
Net assets with donor restrictions	<u>46,887</u>	<u>6,887</u>
Total net assets	<u>20,905,805</u>	<u>21,460,645</u>
Total liabilities and net assets	<u><u>\$ 24,249,001</u></u>	<u><u>\$ 23,786,305</u></u>

**STATEMENT OF ACTIVITIES****Magnolia Community Services, Inc.**  
Jefferson, LouisianaFor the year ended June 30, 2019  
(with comparative totals for 2018)

	2019		Totals	2018 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
<b>Support and Revenue</b>				
Support:				
Medicaid	\$ 9,988,624	\$ -	\$ 9,988,624	\$10,205,249
Contributions	256,733	40,000	296,733	444,176
Jefferson Parish Human Services Authority	29,372	-	29,372	18,153
Metropolitan Human Services District	43,080	-	43,080	27,352
South Central Louisiana Human Services District	7,665	-	7,665	-
Other	5,143	-	5,143	9,677
Total support	<u>10,330,617</u>	<u>40,000</u>	<u>10,370,617</u>	<u>10,704,607</u>
Revenue:				
Tuition	61,555	-	61,555	48,670
Interest and dividend income, net of investment fees of \$70,996 and \$71,922	262,811	-	262,811	239,349
Net realized and unrealized gains on investments	462,766	-	462,766	704,940
Gala revenue, net of expenses of \$47,018 and \$47,566	197,378	-	197,378	147,189
Sales - Café	219,663	-	219,663	216,321
Sales - Special Creations	41,310	-	41,310	45,346
Other	41,813	-	41,813	213,489
Total revenue	<u>1,287,296</u>	<u>-</u>	<u>1,287,296</u>	<u>1,615,304</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>11,617,913</u>	<u>40,000</u>	<u>11,657,913</u>	<u>12,319,911</u>

**Exhibit B  
(Continued)**

	2019		Totals	2018 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
<b>Expenses</b>				
Program services:				
Residential programs	7,044,638	-	7,044,638	6,574,606
Vocational programs	1,951,273	-	1,951,273	2,049,682
Nursing	646,564	-	646,564	828,559
Total program services	<u>9,642,475</u>	<u>-</u>	<u>9,642,475</u>	<u>9,452,847</u>
General and administrative:				
Administrative and other	2,334,596	-	2,334,596	2,330,023
Plant operation and maintenance	86,402	-	86,402	58,771
Total general and administrative	<u>2,420,998</u>	<u>-</u>	<u>2,420,998</u>	<u>2,388,794</u>
Fundraising	<u>149,280</u>	<u>-</u>	<u>149,280</u>	<u>127,507</u>
Total expenses	<u>12,212,753</u>	<u>-</u>	<u>12,212,753</u>	<u>11,969,148</u>
<b>Increase (Decrease) In Net Assets</b>	(594,840)	40,000	(554,840)	350,763
<b>Net Assets</b>				
Beginning of year	<u>21,453,758</u>	<u>6,887</u>	<u>21,460,645</u>	<u>21,109,882</u>
End of year	<u><u>\$20,858,918</u></u>	<u><u>\$46,887</u></u>	<u><u>\$20,905,805</u></u>	<u><u>\$21,460,645</u></u>

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES****Magnolia Community Services, Inc.**

Jefferson, Louisiana

For the year ended June 30, 2019  
(with comparative totals for 2018)

	2019			
	Residential Programs	Vocational Programs	Nursing	Program Totals
<b>Program Services</b>				
Salaries	\$ 3,797,328	\$ 1,352,643	\$ 418,857	\$ 5,568,828
Employee health and retirement benefits	358,905	132,685	64,159	555,749
Payroll taxes	277,649	102,621	47,516	427,786
Total salaries and related expenses	4,433,882	1,587,949	530,532	6,552,363
Automobile	43,510	8,564	8,713	60,787
Bed fee - Louisiana Department of Health and Hospitals	832,714	-	-	832,714
Client personal needs	61,821	89	-	61,910
Contract services	149,751	23,105	46,940	219,796
Data processing	6,313	4,325	-	10,638
Depreciation	239,689	123,902	6,987	370,578
Food	403,554	728	9	404,291
Insurance	274,731	102,680	26,429	403,840
Laundry, linen, and bedding	16,901	-	72	16,973
Miscellaneous	15,836	5,231	2,619	23,686
Office supplies	1,734	1,966	1,751	5,451
Postage and printing	314	1,662	-	1,976
Purchases - retail store	-	18,892	-	18,892
Rent	215,897	-	-	215,897
Repairs and maintenance:				
Buildings and grounds	23,976	12,441	-	36,417
Furniture	38,458	4,261	-	42,719
Supplies	206	-	-	206
Supplies and other	96,294	35,578	14,661	146,533
Taxes and licenses	11,540	847	-	12,387
Telephone	36,821	18,988	3,222	59,031
Travel	4,889	3	-	4,892
Utilities	135,807	62	4,629	140,498
Total program services expenses	<u>\$7,044,638</u>	<u>\$ 1,951,273</u>	<u>\$ 646,564</u>	<u>\$ 9,642,475</u>

	2019				2018	
	Administration	Plant Operations	Administration and Plant Operations Totals	Fundraising	Totals	Totals Only
<b>Supporting Services</b>						
Salaries	\$ 1,045,005	\$ 43,806	\$ 1,088,811	\$ 100,066	\$ 6,757,705	\$ 6,395,236
Employee health and retirement benefits	88,683	1,742	90,425	5,814	651,988	689,279
Payroll taxes	58,134	8,620	66,754	7,318	501,858	505,232
 Total salaries and related expenses	 1,191,822	 54,168	 1,245,990	 113,198	 7,911,551	 7,589,747
Advertising	17,015	-	17,015	10,114	27,129	25,561
Automobile	-	1,671	1,671	-	62,458	50,688
Bad debts	28,078	-	28,078	-	28,078	84,340
Bed fee - Louisiana Department of Health and Hospitals	-	-	-	-	832,714	831,696
Client personal needs	-	-	-	-	61,910	66,463
Contract services	34,583	5,659	40,242	-	260,038	367,672
Data processing	121,817	-	121,817	2,530	134,985	225,488
Depreciation and amortization	155,204	2,673	157,877	-	528,455	527,575
Food	102,582	-	102,582	-	506,873	530,261
Insurance	122,168	12,328	134,496	1,742	540,078	457,354
Interest	83,331	-	83,331	-	83,331	70,762
Laundry, linen, and bedding	-	-	-	-	16,973	16,229
Legal and accounting	61,859	-	61,859	-	61,859	57,142
Miscellaneous	113,694	12	113,706	18,225	155,617	73,875
Office supplies	3,740	-	3,740	500	9,691	18,623
Postage and printing	9,057	-	9,057	2,092	13,125	12,369
Purchases - retail store	-	-	-	-	18,892	21,006
Rent	-	-	-	-	215,897	230,406
Repairs and maintenance:						
Buildings and grounds	26,183	4,652	30,835	-	67,252	82,638
Furniture	33,979	557	34,536	-	77,255	83,567
Supplies	527	1,619	2,146	-	2,352	1,916
Supplies and other	18,131	1,875	20,006	-	166,539	175,246
Taxes and licenses	72,955	-	72,955	-	85,342	14,639
Telephone	25,306	1,188	26,494	879	86,404	86,897
Travel	920	-	920	-	5,812	10,611
Utilities	111,645	-	111,645	-	252,143	256,377
 Total supporting services expenses	 <u>\$2,334,596</u>	 <u>\$ 86,402</u>	 <u>\$2,420,998</u>	 <u>\$ 149,280</u>	 <u>\$12,212,753</u>	 <u>\$11,969,148</u>

See notes to financial statements.

**STATEMENT OF CASH FLOWS**

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

For the year ended June 30, 2019  
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Medicaid, JPHSA, and tuition	\$ 10,264,723	\$ 10,339,597
Miscellaneous income	505,307	632,022
Contributions and support	232,565	501,925
Investment income	264,143	306,650
Cash payments for expenses	<u>(11,908,738)</u>	<u>(11,007,270)</u>
Net cash provided by (used in) operating activities	<u>(642,000)</u>	<u>772,924</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	5,168,431	6,420,314
Purchases of investments	(5,374,154)	(5,705,444)
Purchases of property and equipment	<u>(601,345)</u>	<u>(336,430)</u>
Net cash provided by (used in) investing activities	<u>(807,068)</u>	<u>378,440</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowings on line of credit	1,250,000	150,000
Payments on line of credit	<u>-</u>	<u>(1,150,000)</u>
Net cash provided by (used in) financing activities	<u>1,250,000</u>	<u>(1,000,000)</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(199,068)	151,364
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>1,018,734</u>	<u>867,370</u>
End of year	<u>\$ 819,666</u>	<u>\$ 1,018,734</u>

**Exhibit D  
(Continued)**

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of Increase In Net Assets To Cash Flows Provided By Operating Activities</b>		
Increase (decrease) in net assets	\$ (554,840)	\$ 350,763
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Bad debts	28,078	84,340
Depreciation and amortization	528,455	527,455
Net realized and unrealized gain on investments	(462,766)	(704,940)
Decrease (increase) in operating assets:		
Accounts receivable	112,710	103,298
Pledges receivable	(42,451)	-
Interest in charitable remainder trust	-	(5,376)
Interest receivable	1,333	(4,500)
Inventory	(38,505)	(32,525)
Prepaid expenses and deposits	78,517	50,520
Increase in operating liabilities:		
Accounts payable and accrued expenses	(292,531)	403,889
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) operating activities	<u>\$ (642,000)</u>	<u>\$ 772,924</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 83,331</u>	<u>\$ 70,762</u>

See notes to financial statements.

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

June 30, 2019 and 2018

**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, 2019 and 2018, Magnolia had no net assets subject to a restriction to be held in perpetuity.

**e. Cash and Cash Equivalents**

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

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

**f. Allowance for Doubtful Accounts**

Magnolia uses the reserve method to recognize uncollectible accounts. The reserve is based on certain Medicaid and tuition accounts receivable balances that are greater than 120 days old. Management monitors outstanding receivable balances and charges off to bad debt expense any balances that are determined to be noncollectible. As of June 30, 2019 and 2018, there was a reserve for bad debts totaling \$41,640 and 17,640, respectively.

**g. Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to Magnolia that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2019 and 2018.

Pledges receivable are recorded net of an allowance for uncollectible amounts estimated by management. There was no allowance for uncollectible pledges receivable as of June 30, 2019.

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

**h. Inventory**

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

**i. Property and Equipment**

Magnolia records purchases of property and equipment at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets which range from three to thirty-nine years. For the years ended June 30, 2019 and 2018, depreciation expense totaled \$528,455 and \$527,575, respectively.

**j. Investments**

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

**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.

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

**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, 2016 and later remain subject to examination by the taxing authorities. As of June 30, 2019, management of Magnolia believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**n. New Accounting Pronouncements**

**Presentation of Financial Statements for Not-for-Profit Entities**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with restrictions and net assets without restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net

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

**n. New Accounting Pronouncements (Continued)**

**Presentation of Financial Statements for Not-for-Profit Entities (Continued)**

of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Magnolia has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2018.

**Statement of Cash Flows**

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in ASU No. 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Magnolia is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

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

**n. New Accounting Pronouncements (Continued)**

**Revenue from Contracts with Customers**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU 2014-09, FASB issued several additional Accounting Standards Updates (ASUs) which amended and clarified the guidance and deferred the effective date. The new revenue standard is now effective for annual reporting periods beginning after December 15, 2018, with certain early adoption provisions available. Magnolia is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Leases**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Magnolia is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**o. Reclassifications**

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

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

**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 2, 2019, 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, 2019. 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 \$315,000 as of June 30, 2019.

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

Net assets with donor restrictions as of June 30, 2019 and 2018 are restricted by donors for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Programs:		
Recreation	\$ 4,000	\$4,000
Supported independent living	2,787	2,787
Shrewsbury residence	<u>100</u>	<u>100</u>
Total programs	<u>6,887</u>	<u>6,887</u>
Subject to the passage of time:		
For periods after June 30, 2019	<u>40,000</u>	<u>-</u>
Total restricted net assets	<u>\$46,887</u>	<u>\$6,887</u>

**Note 4 - CUSTODIAL FUNDS**

As of June 30, 2019 and 2018, personal funds of the clients totaling \$294,884 and \$234,817, respectively, are reported as deposits held in custody in the accompanying financial statements.

**Note 5 - PLEDGES RECEIVABLE**

Promises of donors to make contributions to Magnolia are included in the financial statements of unconditional promises to give after discounting projected future cash flows to the present value using a discount rate of approximately 2%.

Pledges receivable as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Unconditional promises to give	\$43,476	\$ -
Less:		
Unamortized discount	(1,025)	-
Net unconditional promises to give	\$42,451	\$ -
Amount due in:		
Less than one year	\$13,476	\$ -
One to five years	30,000	-
Totals	\$43,476	\$ -

**Note 6 - INVESTMENTS**

Investments as of June 30, 2019 and 2018 are composed of the following:

	2019		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,378,956	\$ 6,933,601	\$1,554,645
Debt securities	5,661,493	5,705,730	44,237
Certificates of deposit	559,372	562,003	2,631
Mutual funds	661,462	677,761	16,299
Exchange traded funds	166,740	153,116	(13,624)
Limited partnerships	88,622	56,736	(31,886)
<b>Totals</b>	<b><u>\$12,516,645</u></b>	<b><u>\$14,088,947</u></b>	<b><u>\$1,572,302</u></b>
	2018		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,224,115	\$ 6,696,235	\$1,472,120
Debt securities	4,748,959	4,605,709	(143,250)
Certificates of deposit	1,137,372	1,119,414	(17,958)
Mutual funds	887,621	800,483	(87,138)
Exchange traded funds	143,696	125,252	(18,444)
Limited partnerships	80,638	73,365	(7,273)
<b>Totals</b>	<b><u>\$12,222,401</u></b>	<b><u>\$13,420,458</u></b>	<b><u>\$1,198,057</u></b>

**Note 6 - INVESTMENTS (Continued)**

	2019		Excess of Market Over Cost
	Cost	Market	
Balance, June 30, 2019	<u>\$12,516,645</u>	<u>\$14,088,947</u>	\$1,572,302
Balance, June 30, 2018	<u>\$12,222,401</u>	<u>\$13,420,458</u>	1,198,057
Increase in unrealized appreciation			374,245
Net realized gain			88,521
Interest and dividend income, net			<u>262,811</u>
Investment income			<u>\$ 725,577</u>
	2018		
	Cost	Market	Excess of Market Over Cost
Balance, June 30, 2018	<u>\$12,222,401</u>	<u>\$13,420,458</u>	\$1,198,057
Balance, June 30, 2017	<u>\$12,234,666</u>	<u>\$13,430,268</u>	1,195,602
Increase in unrealized appreciation			2,455
Net realized gain			702,485
Interest and dividend income, net			<u>239,349</u>
Investment income			<u>\$ 944,289</u>

**Note 7 - FAIR VALUE MEASUREMENTS**

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

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

- *Equity Securities, Debt Securities, Certificates of Deposit, and Limited Partnerships:* Valued at the closing price reported on the active market on which the investments are traded.
- *Exchange Traded Funds:* Valued at net asset value (NAV). The funds held by Magnolia are deemed to be actively traded.
- *Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by Magnolia are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their NAV and to transact at that price. The mutual funds held by Magnolia are deemed to be actively traded.

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

- *Interest in Charitable Remainder Trust:* The charitable remainder trust is valued using an appraised value of the underlying assets, discounted to their net present value based upon actuarial assumptions.

Assets measured at fair value on a recurring basis as of June 30, 2019 and 2018 are comprised of and determined as follows:

Description	Total Assets Measured At Fair Value	2019		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 6,933,601	\$ 6,933,601	\$ -	\$ -
Debt securities:				
U.S. Treasury Note	2,805,371	2,805,371	-	-
Other debt securities	2,900,359	2,900,359	-	-
Certificates of deposit	562,003	562,003	-	-
Mutual funds	677,761	677,761	-	-
Exchange traded funds	153,116	153,116	-	-
Limited partnerships	56,736	56,736	-	-
Total investments	14,088,947	14,088,947	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$14,201,936</u>	<u>\$14,088,947</u>	<u>\$ -</u>	<u>\$112,989</u>

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

Description	Total Assets Measured At Fair Value	2018		
		Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 6,696,235	\$ 6,696,235	\$ -	\$ -
Debt securities:				
U.S. Treasury Note	2,218,561	2,218,561	-	-
Other debt securities	2,387,148	2,387,148	-	-
Certificates of deposit	1,119,414	1,119,414	-	-
Mutual funds	800,483	800,483	-	-
Exchange traded funds	125,252	125,252	-	-
Limited partnerships	73,365	73,365		
Total investments	13,420,458	13,420,458	-	-
Interest in charitable remainder trust	112,989	-	-	112,989
Totals	<u>\$13,533,447</u>	<u>\$13,420,458</u>	<u>\$ -</u>	<u>\$ 112,989</u>

As of June 30, 2019 and 2018, 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, 2019 and 2018:

	<u>Charitable Remainder Trust</u>
Balance as of June 30, 2017	\$107,613
Appreciation in fair market value	<u>5,376</u>
Balance as of June 30, 2018	<u>\$112,989</u>
Balance as of June 30, 2019	<u>\$112,989</u>

**Note 8 - LINE OF CREDIT**

Magnolia has a \$2,000,000 line of credit with Hancock Whitney Bank. The line of credit is due on February 28, 2020 with interest payable monthly at a rate equal to the Wall Street Journal Prime Rate (5.5% and 5% as of June 30, 2019 and 2018, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2019 and 2018, the outstanding balance was \$2,000,000 and \$900,000, respectively.

Magnolia has a \$50,000 line of credit with Hancock Whitney Bank. The line of credit is due on February 28, 2020 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (5.5% and 5% as of June 30, 2019 and 2018, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2019 and 2018, there was no outstanding balances. There was no interest expense on the line of credit for the years ended June 30, 2019 and 2018.

On May 8, 2019, Magnolia entered into a \$500,000 line of credit with Hancock Whitney Bank. The line of credit is due on September 8, 2019 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (5.5% as of June 30, 2019). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2019, the outstanding balance was \$150,000. There was no interest expense on the line of credit for the year ended June 30, 2019.

Interest expense on the lines of credit totaled \$83,331 and \$70,762 for the years ended June 30, 2019 and 2018, respectively.

**Note 9 - LEASE COMMITMENTS**

Magnolia leases several of its residential facilities under separate operating leases. The lease terms commenced on May 1, 2010 and are for a term of ten years. The monthly lease payments range from \$1,275 to \$2,150. Magnolia also leases copier equipment from a third party under an operating lease. The lease term commenced on January 1, 2018 and is for a term of five years. The monthly lease payment for this equipment is \$1,561 which includes maintenance service fees. The prior lease term for copier equipment commenced on January 23, 2013 and was for a term of five years. The monthly lease payment for this equipment was \$1,338 and included maintenance service fees.

Rent expense incurred under these leases totaled \$234,623 (residential \$215,897 and equipment \$18,726) and \$249,135 (residential \$230,406 and equipment \$18,729) for the years ended June 30, 2019 and 2018, respectively.

**Note 9 - LEASE COMMITMENTS (Continued)**

Minimum future lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Residential Facilities</u>	<u>Equipment</u>	<u>Totals</u>
2020	\$196,880	\$18,726	\$215,606
2021	-	18,726	18,726
2022	-	18,726	18,726
2023	-	9,363	9,363
Totals	<u>\$196,880</u>	<u>\$65,541</u>	<u>\$262,421</u>

**Note 10 - 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 \$51,804 and \$43,147 for the years ended June 30, 2019 and 2018, respectively.

**Note 11 - 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, 2019 and 2018.

**Note 12 - 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 \$2,550,000 to help manage unanticipated liquidity needs.

**Note 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

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

The following table represents financial assets available for general expenditures within one year as of June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 819,666
Medicaid receivable	658,587
Other receivable	39,362
Pledges receivable	42,451
Interest receivable	41,023
Investments	<u>14,088,947</u>
Total financial assets, as of June 30, 2019	<u>15,690,036</u>
Less amounts not available to be used within one year, due to:	
Contractual or donor imposed restrictions:	
Purpose and time restricted net assets	<u>(46,887)</u>
Financial assets available to meet general expenditures within one year	<u>\$15,643,149</u>

**Note 13 - 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 14 - 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 15 - 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, 2019 and 2018.

**Note 16 - RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2019, Magnolia received a pledge of \$50,000 from a member of the board of directors. As of June 30, 2019, there was \$40,000 balance due on this pledge.

**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, 2019

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

**Purpose:**

Salary	\$ 117,490
Benefits - insurance	8,721
Benefits - retirement	0
Benefits - other	100
Car allowance	0
Vehicle provided by Magnolia	0
Per diem	0
Reimbursements	2,060
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouched expenses	0
Special meals	0
	<hr/>
	<b><u>\$ 128,371</u></b>

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Community Services, Inc. ("Magnolia") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 2, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Magnolia's internal control. Accordingly, we do not express an opinion on the effectiveness of Magnolia's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,  
December 2, 2019.

## SCHEDULE OF FINDINGS AND REPOSES

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

For the year ended June 30, 2019

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

#### a) Financial Statements

Type of auditor's report issued: unqualified

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 financial statements noted?                     Yes  No

#### b) Federal Awards

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2019 and, therefore, is exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance).

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

#### **Internal Control Over Financial Reporting**

No internal control findings material to the financial statements were noted during the audit for the year ended June 30, 2019.

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

**Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2019.

**Section III - Federal Award Findings and Questionable Costs**

Magnolia Community Services, Inc. did not expend more than \$750,000 in Federal awards during the year ended June 30, 2019 and, therefore, is exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance).

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

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

For the year ended June 30, 2019

#### **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, 2018.

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

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2018.

#### **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, 2018 and, therefore, is exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance).

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

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

For the year ended June 30, 2019

## **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, 2019.

### **Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2019.

## **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, 2019 and, therefore, is exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance).

## **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2019.