

Financial Report

Magnolia Community Services, Inc.
Jefferson, Louisiana

June 30, 2024



Financial Report

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Jefferson, Louisiana

June 30, 2024

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Magnolia Community Services, Inc. Jefferson, Louisiana

June 30, 2024 and 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Magnolia Community Services, Inc., (a nonprofit organization) (“Magnolia”), which comprise the statement of financial position as of June 30, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 October 23, 2024, on our consideration of Magnolia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Magnolia's internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana,
October 23, 2024.

STATEMENT OF FINANCIAL POSITION

Magnolia Community Services, Inc.

Jefferson, Louisiana

June 30, 2024

(with comparative totals for 2023)

ASSETS

	<u>2024</u>	<u>2023</u>
Current		
Cash and cash equivalents	\$ 5,358,247	\$ 3,881,723
Restricted cash	131,299	274,467
Accounts receivable:		
Medicaid, net	781,810	829,980
Insurance proceeds receivable	5,566	5,566
Federal grants receivable	-	212,587
Interest in charitable remainder trust	112,989	112,989
Interest receivable	71,956	45,374
Prepaid expenses and deposits	255,058	224,960
Investments	14,607,214	13,695,045
	<u>21,324,139</u>	<u>19,282,691</u>
Property and Equipment		
Land	1,110,187	1,110,187
Buildings and improvements	14,842,390	13,812,308
Equipment and fixtures	1,934,861	2,035,355
Construction in progress	-	563,656
	<u>17,887,438</u>	<u>17,521,506</u>
Less accumulated depreciation	<u>(8,465,288)</u>	<u>(8,133,616)</u>
	<u>9,422,150</u>	<u>9,387,890</u>
Net property and equipment		
	<u>9,422,150</u>	<u>9,387,890</u>
Total assets	<u>\$30,746,289</u>	<u>\$28,670,581</u>

LIABILITIES

	<u>2024</u>	<u>2023</u>
Current		
Trade accounts payable and accrued expenses	\$ 1,280,532	\$ 597,730
Accrued payroll	156,927	131,527
Deposits held in custody	131,299	274,467
Deferred revenue	53,155	-
	<u>1,621,913</u>	<u>1,003,724</u>

NET ASSETS

Net Assets		
Net assets without donor restrictions:		
Net investment in property and equipment	9,422,150	9,387,890
Undesignated	19,702,226	18,278,967
	<u>29,124,376</u>	<u>27,666,857</u>
Total net assets without donor restrictions	29,124,376	27,666,857
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>29,124,376</u>	<u>27,666,857</u>
Total liabilities and net assets	<u><u>\$30,746,289</u></u>	<u><u>\$28,670,581</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2024
(with comparative totals for 2023)

	2024		2023 Totals Only	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Totals
Support and Revenue				
Support:				
Medicaid	\$12,162,246	\$ -	\$12,162,246	\$13,906,372
Contributions	296,732	-	296,732	225,601
Private grants	49,954	-	49,954	-
Federal grants	1,850,562	-	1,850,562	4,372,830
Total support	<u>14,359,494</u>	<u>-</u>	<u>14,359,494</u>	<u>18,504,803</u>
Revenue:				
Interest and dividend income, net of investment fees	542,970	-	542,970	344,138
Net realized and unrealized gain on investments	1,244,506	-	1,244,506	663,026
Gala revenue net of direct benefit of \$74,487 and \$76,346, respectively	149,057	-	149,057	126,621
Gain on disposal of assets	30,350	-	30,350	-
Other	135,202	-	135,202	107,462
Total revenue	<u>2,102,085</u>	<u>-</u>	<u>2,102,085</u>	<u>1,241,247</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>16,461,579</u>	<u>-</u>	<u>16,461,579</u>	<u>19,746,050</u>

**Exhibit B
(Continued)**

	2024		Totals	2023 Totals Only
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		
Expenses				
Program services:				
Residential programs	11,468,374	-	11,468,374	11,792,374
Vocational programs	35,833	-	35,833	441,412
Nursing	676,313	-	676,313	1,156,204
Total program services	<u>12,180,520</u>	<u>-</u>	<u>12,180,520</u>	<u>13,389,990</u>
General and administrative:				
Administration	2,354,491	-	2,354,491	1,996,366
Plant operation and maintenance	388,254	-	388,254	294,974
Total general and administrative	<u>2,742,745</u>	<u>-</u>	<u>2,742,745</u>	<u>2,291,340</u>
Fundraising	<u>80,795</u>	<u>-</u>	<u>80,795</u>	<u>100,896</u>
Total expenses	<u>15,004,060</u>	<u>-</u>	<u>15,004,060</u>	<u>15,782,226</u>
Increase In Net Assets	1,457,519	-	1,457,519	3,963,824
Net Assets				
Beginning of year	<u>27,666,857</u>	<u>-</u>	<u>27,666,857</u>	<u>23,703,033</u>
End of year	<u><u>\$29,124,376</u></u>	<u><u>\$ -</u></u>	<u><u>\$29,124,376</u></u>	<u><u>\$27,666,857</u></u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Magnolia Community Services, Inc.**
Jefferson, LouisianaFor the year ended June 30, 2024
(with comparative totals for 2023)

	2024			
	Residential Programs	Vocational Programs	Nursing	Program Totals
Program Services				
Salaries	\$ 5,608,649	\$ 2,343	\$ 382,949	\$ 5,993,941
Employee health and retirement benefits	427,957	192	25,257	453,406
Payroll taxes	407,538	173	32,437	440,148
 Total salaries and related expenses	 6,444,144	 2,708	 440,643	 6,887,495
Advertising	-	-	-	-
Automobile	39,322	4,094	9,556	52,972
Bad debt (recoveries)	24,000	-	-	24,000
Bed fee - Louisiana Department of Health and Hospitals	885,505	-	-	885,505
Client personal needs	74,452	-	-	74,452
Contract services	2,069,752	200	92,615	2,162,567
Data processing	6,490	-	-	6,490
Depreciation	362,674	14,984	42,637	420,295
Food	327,985	5,079	-	333,064
Gala expenses	130	194	-	324
Insurance	534,085	1,671	46,325	582,081
Interest	-	-	-	-
Laundry, linen, and bedding	18,952	-	-	18,952
Lease expense	163,706	-	-	163,706
Legal and accounting	-	-	-	-
Miscellaneous	31,701	2,192	13,408	47,301
Office supplies	805	20	531	1,356
Postage and printing	157	-	157	314
Repairs and maintenance:				
Buildings and grounds	26,369	96	8	26,473
Furniture	21,687	1,081	131	22,899
Supplies	5,007	174	1,297	6,478
Supplies and other	111,853	3,338	6,923	122,114
Taxes and licenses	14,885	-	-	14,885
Telephone	46,690	-	3,680	50,370
Travel	5,973	-	-	5,973
Utilities	252,050	2	18,402	270,454
 Total program services expenses	 11,468,374	 35,833	 676,313	 12,180,520
 Less special events netted with revenue	 -	 -	 -	 -
 Total expenses on statement of activities	 \$11,468,374	 \$ 35,833	 \$ 676,313	 \$12,180,520

	2024					2023 Totals Only
	Administration	Plant Operations and Maintenance	Administration and Plant Operations Totals	Fundraising	Totals	
Supporting Services						
Salaries	\$1,131,800	\$ 316,944	\$1,448,744	\$ 52,631	\$ 7,495,316	\$ 7,211,204
Employee health and retirement benefits	141,217	15,344	156,561	3,013	612,980	634,065
Payroll taxes	84,412	23,711	108,123	3,937	552,208	558,418
Total salaries and related expenses	1,357,429	355,999	1,713,428	59,581	8,660,504	8,403,687
Advertising	18,828	-	18,828	3,105	21,933	37,645
Automobile	250	2,559	2,809	-	55,781	68,796
Bad debt (recoveries)	24,000	-	24,000	-	48,000	(27,022)
Bed fee - Louisiana Department of Health and Hospitals	-	-	-	-	885,505	887,604
Client personal needs	-	-	-	-	74,452	94,727
Contract services	54,901	125	55,026	-	2,217,593	3,097,331
Data processing	166,532	65	166,597	4,781	177,868	210,828
Depreciation	36,012	1,028	37,040	-	457,335	449,318
Food	4,266	31	4,297	-	337,361	404,928
Gala expenses	11,560	-	11,560	74,487	86,371	76,346
Insurance	112,432	22,256	134,688	1,383	718,152	607,771
Interest	-	-	-	-	-	256,785
Laundry, linen, and bedding	-	-	-	-	18,952	11,208
Lease expense	-	-	-	-	163,706	158,256
Legal and accounting	254,780	-	254,780	775	255,555	99,983
Miscellaneous	99,080	2,418	101,498	4,792	153,591	132,555
Office supplies	3,751	31	3,782	385	5,523	15,462
Postage and printing	5,478	-	5,478	4,954	10,746	11,350
Repairs and maintenance:						
Buildings and grounds	6,861	-	6,861	120	33,454	99,443
Furniture	16,273	124	16,397	-	39,296	63,228
Supplies	5,584	276	5,860	-	12,338	102,514
Supplies and other	(222)	1,118	896	-	123,010	100,641
Taxes and licenses	-	-	-	-	14,885	18,135
Telephone	32,134	1,499	33,633	425	84,428	108,141
Travel	866	725	1,591	494	8,058	11,937
Utilities	143,696	-	143,696	-	414,150	356,942
Total supporting services expenses	2,354,491	388,254	2,742,745	155,282	15,078,547	15,858,539
Less special events netted with revenue	-	-	-	(74,487)	(74,487)	(76,346)
Total expenses on statement of activities	\$2,354,491	\$ 388,254	\$2,742,745	\$ 80,795	\$15,004,060	\$15,782,193

See notes to financial statements.

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

Jefferson, Louisiana

For the year ended June 30, 2024
(with comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Medicaid, JPHSA, and tuition	\$ 12,797,015	\$ 13,828,500
Miscellaneous income	358,746	234,083
Contributions and support	2,398,139	4,495,844
Investment income	516,388	334,329
Cash payments for expenses	<u>(14,476,552)</u>	<u>(15,202,433)</u>
Net cash provided by operating activities	<u>1,593,736</u>	<u>3,690,323</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	8,859,642	7,466,753
Purchases of investments	(8,515,609)	(7,438,088)
Proceeds from sales of property and equipment	40,500	-
Insurance proceeds received on impaired property and equipment	-	398,667
Purchases of property and equipment	<u>(501,745)</u>	<u>(574,084)</u>
Net cash used in investing activities	<u>(117,212)</u>	<u>(146,752)</u>
Cash Flows From Financing Activities		
Net line of credit payments	<u>-</u>	<u>(4,650,000)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	1,476,524	(1,106,429)
Cash and Cash Equivalents		
Beginning of year	<u>3,881,723</u>	<u>4,988,152</u>
End of year	<u>\$ 5,358,247</u>	<u>\$ 3,881,723</u>

**Exhibit D
(Continued)**

	<u>2024</u>	<u>2023</u>
Reconciliation of Increase In Net Assets To Cash Flows Provided By Operating Activities		
Increase in net assets	\$1,457,519	\$ 3,963,824
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Bad debts (recoveries)	48,000	(27,022)
Depreciation and amortization	457,335	449,318
Net realized and unrealized gain on investments	(1,244,506)	(663,026)
Gain on disposal of property and equipment	(30,350)	-
Donation of stock	(11,696)	-
Decrease (increase) in operating assets:		
Accounts receivable	170	(50,850)
Federal grants receivable	212,587	(212,587)
Pledges receivable	-	110,000
Interest receivable	(26,582)	(9,809)
Prepaid expenses and deposits	(30,098)	(94,286)
Increase in operating liabilities:		
Accounts payable and accrued expenses	708,202	224,761
Deferred revenue	53,155	-
Net cash provided by operating activities	<u>\$1,593,736</u>	<u>\$ 3,690,323</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 256,785</u>

See notes to financial statements.

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

Jefferson, Louisiana

June 30, 2024 and 2023

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

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

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

b. Basis of Accounting

The financial statements of Magnolia have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Financial Statement Presentation

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

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

d. Financial Statement Presentation (Continued)

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

Net Assets With Donor Restrictions - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period, or contributions subject to donor-imposed restrictions and that are to be held in perpetuity by Magnolia. As of June 30, 2024 and 2023, 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 3).

f. Allowance for Doubtful Accounts

Magnolia regularly extends credit to its clients and has balances due from Medicaid on an unsecured basis. Accounts receivable are stated at the amount management expects to collect based on their review of outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2024 and 2023, there was a reserve for doubtful accounts totaling \$81,199 and \$174,549, respectively. Bad debt expense (recoveries) for the years ended June 30, 2024 totaled \$48,000 and \$(27,022), respectively.

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

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

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

g. Property and Equipment

Magnolia records purchases of property and equipment at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets which range from three to thirty-nine years. For the years ended June 30, 2024 and 2023, depreciation expense totaled \$457,335 and \$449,318, respectively.

h. Investments

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

i. Revenue Recognition

Revenues from Exchange Transactions: Magnolia recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, “*Revenues from Contracts with Customers*”, as amended. ASU No. 2014-09 applies to exchange transactions with customers and donors that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Magnolia records the following exchange transaction revenue in its Statements of Activities for the years ended June 30, 2024 and 2023:

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

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

j. Contributions

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

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

k. Allocated Expenses

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

l. Tax Matters

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

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2021 and later remain subject to examination by the taxing authorities. As of June 30, 2024, management of Magnolia believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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

m. New Accounting Pronouncements

Current Expected Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments - Credit Losses*” (Topic 326) and has since modified the standard with several ASUs (collectively, the “new credit loss standard”). The new credit loss standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. As of January 1, 2023, Magnolia has adopted this standard, and it was applied prospectively after this date.

n. Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 financial statement presentation.

o. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 23, 2024, 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, 2024. Magnolia also has cash equivalent accounts with a brokerage firm. The Securities Investor Protection Corporation insures these accounts up to \$250,000. Uninsured or non-guaranteed cash and cash equivalent balances were approximately \$4,230,000 as of June 30, 2024.

Note 3 - CUSTODIAL FUNDS

As of June 30, 2024 and 2023, personal funds of the clients totaling \$131,299 and \$274,467, respectively, are reported as deposits held in custody in the accompanying financial statements.

Note 4 - ACCOUNTS RECEIVABLE

Accounts receivable balances are predominantly comprised of amounts currently due from Medicaid for services to clients. The following table summarizes receivables and related allowance for credit losses as of June 30, 2024 and 2023 and July 1, 2022.

	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>	<u>July 1,</u> <u>2022</u>
Receivable, gross	\$ 863,009	\$ 1,004,529	\$ 1,098,227
Allowance for credit losses	<u>(81,199)</u>	<u>(174,549)</u>	<u>(346,119)</u>
Receivables, net of credit losses	<u>\$ 781,810</u>	<u>\$ 829,980</u>	<u>\$ 752,108</u>

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

The following table presents the delinquency status as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Current - 30 days	\$ 828,774	\$ 916,582
31-60 days	-	-
61-90 days	-	11,629
Greater than 90 days	<u>34,235</u>	<u>76,318</u>
Receivables, net of credit losses	<u>\$ 863,009</u>	<u>\$ 1,004,529</u>

Activity for the years ended June 30, 2024 and 2023 in the allowance for credit losses for the accounts receivable were as follows:

	<u>2024</u>	<u>2023</u>
Beginning allowance for credit losses	\$ 174,549	\$ 346,119
Bad debt expense (recoveries)	48,000	(27,022)
Write-offs	<u>(141,350)</u>	<u>(144,548)</u>
Ending allowance for credit losses	<u>\$ 81,199</u>	<u>\$ 174,549</u>

Note 5 - INVESTMENTS

Investments as of June 30, 2024 and 2023 are composed of the following:

	2024		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
Equity securities	\$ 5,595,667	\$ 7,342,412	\$ 1,746,745
Debt securities	6,111,732	5,992,862	(118,870)
Mutual funds	1,202,969	1,217,825	14,856
Certificates of deposit	54,115	54,115	-
Totals	\$ 12,964,483	\$ 14,607,214	\$ 1,642,731
	2023		
	Cost	Fair Market Value	Excess of Market Over Cost (Cost Over Market)
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	\$ 12,872,191	\$ 13,695,045	\$ 822,854

Note 5 - INVESTMENTS (Continued)

	2024		Excess of Market Over Cost
	Cost	Market	
Balance, June 30, 2024	<u>\$ 12,964,483</u>	<u>\$ 14,607,214</u>	\$ 1,642,731
Balance, June 30, 2023	<u>\$ 12,872,191</u>	<u>\$ 13,695,045</u>	822,854
Increase in unrealized appreciation			819,877
Net realized gain			424,629
Interest and dividend income			613,464
Investment fees			<u>(70,494)</u>
Investment income, net			<u>\$ 1,787,476</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			422,785
Investment fees			<u>(78,647)</u>
Investment income, net			<u>\$ 1,007,164</u>

Note 6 - FAIR VALUE MEASUREMENTS

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

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

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 and 2023.

- *Equity Securities and Debt Securities*: 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.
- *Certificate of Deposit*: The certificate of deposit is recorded at cost, which approximates fair market value.
- *Interest in Charitable Remainder Trust*: The charitable remainder trust is valued using an appraised value of the underlying assets, discounted to their net present value based upon actuarial assumptions.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2024 and 2023 are comprised of and determined as follows:

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

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2024 and 2023, 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, 2024 and 2023:

	Charitable Remainder Trust
Balance as of June 30, 2022	\$ 112,989
Appreciation in fair market value	-
Balance as of June 30, 2023	112,989
Appreciation in fair market value	-
Balance as of June 30, 2024	\$ 112,989

Note 7 - LINES OF CREDIT

On April 24, 2023, Magnolia entered into a \$5,500,000 line of credit with Hancock Whitney Bank. The line of credit matures on April 30, 2025 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (8.5% and 8.25% as of June 30, 2024 and 2023, respectively). The obligation is secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2024 and 2023 there was no balance outstanding.

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 matured on May 18, 2023 with interest payable monthly at a rate equal to the Wall Street Journal Prime Rate (8.25% as of June 30, 2023). The obligation was secured by funds on deposit with the lender and investments as well as other business assets. 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 matured on April 14, 2023 with interest payable monthly at a rate equal to The Wall Street Journal Prime Rate (8.25% as of June 30, 2023). The obligation was secured by funds on deposit with the lender and investments as well as other business assets. As of June 30, 2023 there was no balance outstanding.

Interest expense on lines of credit totaled \$256,785 for the year ended June 30, 2023. There was no interest expense on the line of credit for the year ended June 30, 2024.

Note 8 - FEDERAL GRANTS

Publicly Declared Disaster Grants

The Federal Emergency Management Agency’s (FEMA) Public Assistance Program provides supplemental assistance to certain types of private non-profits so that communities can quickly respond to and recover from major disasters or emergencies. FEMA provides assistance for debris removal, emergency protective measures, and the repair, restoration, reconstruction or replacement of facilities or infrastructure. Magnolia received \$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.

Magnolia received \$1,850,562 of Publicly Declared Disaster Grants during the year ended June 30, 2024. These funds were passed through the State of Louisiana GOHSEP. Approximately \$1,060,000 of these funds were used for contract labor in response to the COVID19 pandemic, approximately \$580,000 were used for contract labor for Hurricanes Ida, approximately \$110,000 was used for equipment and supplies in response to Hurricane Ida, approximately \$20,000 was used to purchase supplies in response to the COVID19 pandemic, and approximately \$75,000 was used for labor in response to Hurricane Ida.

Note 9 - LEASE COMMITMENTS

Magnolia leases several of its residential facilities under separate operating leases. The lease terms commenced on May 1, 2023 and are for a term of one year and were subsequently renewed on July 1, 2024. The monthly lease payments range from \$1,275 to \$1,800.

Lease expense incurred under these leases totaled \$163,706 and \$158,256 for the years ended June 30, 2024 and 2023, respectively.

Minimum future lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2025	<u>\$ 175,656</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 \$60,694 and \$67,976 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023.

Note 12 - 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, 2024 and 2023 are as follows:

	2024	2023
Gala revenue:		
Ticket sales	\$ 106,766	\$ 109,000
Sponsorships	67,500	60,000
Donations and other	49,278	33,967
Total gala revenue	223,544	202,967
Less: cost of direct donor benefit	(74,487)	(76,346)
Gala revenue - net	\$ 149,057	\$ 126,621

Note 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of Magnolia's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Magnolia invests cash in excess of daily requirements in investments. Magnolia also has committed lines of credit in the total amount of \$5,500,000 to help manage unanticipated liquidity needs.

Note 13 - 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, 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, 2024 and 2023:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 5,358,247	\$ 3,881,723
Medicaid receivable	781,810	829,980
Insurance receivable	5,566	5,566
Pledges receivable	-	212,587
Interest receivable	71,956	45,374
Investments	14,607,214	13,695,045
Total financial assets	20,824,793	18,670,275
Less amounts not available to be used within one year, due to:		
Donor imposed restrictions:		
Restricted by donors with purpose restrictions	-	-
Financial assets available to meet general expenditures within one year	\$ 20,824,793	\$ 18,670,275

Note 14 - 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 15 - 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 16 - 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, 2024 and 2023.

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, 2024

Agency Head Name: Jennifer Conrad, Executive Director

Purpose:

Salary	\$144,888
Benefits - insurance	5,490
Benefits - retirement	3,271
Benefits - other	264
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>\$153,913</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Magnolia Community Services, Inc. (“Magnolia”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2024.

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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 23, 2024.

**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, 2024. 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, 2024.

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.



Certified Public Accountants.

New Orleans, Louisiana.
October 23, 2024.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2024

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</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)			
Hurricane Ida	PA-06-LA-4611	97.036	\$ 748,402
COVID 19	PA-06-LA-4484	97.036	1,100,570
Hurricane Isaac	PA-06-LA-4080	97.036	<u>1,590</u>
Total expenditures of federal awards			<u><u>\$1,850,562</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, 2024

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, 2024. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed through from 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, 2024.

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, 2024, there were no indirect costs 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, 2024.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2024

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>
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, 2024.

Compliance and Other Matters

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

Section 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, 2024 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, 2024

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 federal award findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2023.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2023.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Magnolia Community Services, Inc.
Jefferson, Louisiana

For the year ended June 30, 2024

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

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Section II - Internal Control and Compliance Material to Federal Awards

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

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, 2023 through June 30, 2024 (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, 2023 through June 30, 2024. 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,
October 23, 2024.

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

Magnolia Community Services, Inc.
 Jefferson, Louisiana

For the year ended June 30, 2024

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: Inquired about a policy for contracting.
Exceptions: There were exceptions noted due to there being no contracting policy.

- 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 information technology disaster recovery/business continuity policy and found it to address all of 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 2024 board meeting minutes and verified the board met 5 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, 2023.

Exceptions: There were no exceptions noted.

3. Procedures Performed on the 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 June 2024 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: There were no exceptions noted.

- ii. Bank reconciliations include 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 within one month of the date of the reconciliation was prepared.

Exceptions: There were no exceptions noted.

- 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: Inspected documents for items outstanding for more than 12 months. We noted no checks outstanding for longer than 12 months as of the end of the fiscal period.

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: Obtained the listing of deposit sites from management, and received management's representation that the listing is complete. Selected the sole location for testing that qualifies.

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: Obtained the listing of collection locations from management, and received management's representation that the listing is complete. Selected the sole location for testing and verified procedures were performed by examining transaction documentation.

Exceptions: There were no exceptions noted.

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

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

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: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

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: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

- 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: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

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

- 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: Obtained a copy of the insurance policy for theft covering all employees who have access to cash. Observed that the insurance policy for theft was in force during the fiscal period.

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: Obtained supporting documentation for the selected deposits and observed that receipts were sequentially pre-numbered.

Exceptions: There were no exceptions noted.

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

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

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

Performance: Traced deposit slip total to actual deposit per bank statement.

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: Observed that the deposits tested were made within one business day of receipt.

Exceptions: There were no exceptions noted.

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

Performance: Traced the actual deposit per the bank statement to the general ledger.

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: Obtained a listing of locations that process payments for the fiscal period from management, and received management's representation that the listing is complete. Selected the sole location for testing.

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, 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: Obtained a listing of employees involved in initiating a purchase request, approving a purchasing, and placing an order/making a purchase. Observed at least 2 employees are involved.

Exceptions: There were no exceptions noted.

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

Performance: Obtained a listing of employees involved in processing and approving payments to vendors. Observed at least 2 employees are involved.

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: Obtained a listing of employees involved in processing payments to vendors. Observed that the employee involved in processing payments can add/modify vendor files.

Exceptions: There were no exceptions noted.

- 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: Obtained a listing of employees involved with signing and mailing checks and noted the employee who mails checks is involved in processing payments.

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)

- 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: Obtained a listing of employees/officials authorized to sign checks and noted they are not the employees who approve electronic disbursements.

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: Obtained Magnolia's non-payroll disbursement transaction population and received management's representation that the population is complete. Randomly selected 5 disbursements from the sole location that processes payment for testing.

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: Observed the 5 disbursements matched the related original invoice/billing statements and documentation indicates deliverables were received.

Exceptions: There were no exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B, as applicable.

Performance: Observed the 5 disbursements included evidence of segregation of duties.

Exceptions: There were no exceptions noted.

- D. Using Magnolia's main operating account and the month selected for procedures #3A under "Procedures Performed on Magnolia's Bank Reconciliations", randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was:

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

Performance: Observed that 5 disbursements included evidence of approval by authorized persons.

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)

- ii. Approved by the required number of authorized signers per Magnolia’s policy.
Performance: Observed the 5 disbursements included evidence of approval by required number of authorized signers.
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.

- 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).

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

For each transaction, report whether the transaction is supported by:

- i. 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.
- ii. 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.
- iii. 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 were no exceptions noted.

**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 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 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 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 in the fiscal year. And obtained management’s representation that there were no travel and travel-related expenses.

- 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.

- 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 in accordance with Louisiana Public Bid Law in the current year.

- 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 the fiscal year 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: Magnolia initiated 2 new contracts in the fiscal year. Observed that payments made for 2 contracts 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.
 - 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 that no terminated employee received termination payments during the fiscal period and received management's representation that there were no termination payments.
 - 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: Inspected the fraud notice posted on the premises and website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.
Exceptions: There were no exceptions noted.

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.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and

13. Procedures Performed on Magnolia’s Information Technology Disaster Recovery/ Business Continuity: (Continued)

- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.
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.

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 the 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.