

**THE ST. BERNARD PROJECT, INC.
D/B/A SPB, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The St. Bernard Project, Inc.
d/b/a SBP, Inc.
New Orleans, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The St. Bernard Project, Inc. d/b/a SBP, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBP, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017, on our consideration of SBP, Inc.'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 SBP, Inc.'s internal control over financial reporting and compliance.

May 24, 2017

Wegmann Daxet + Company

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,782,707	6,111,919
Investments	26,192	27,721
Accounts receivable	2,527,260	954,304
Other receivables	144,394	178,365
Grants receivable	1,092,624	946,027
Construction in process	92,905	1,257,725
Real estate held for sale	1,842,292	510,380
Real estate held for rental	950,503	723,588
Loan acquisition costs	774,156	797,265
Other current assets	427,237	296,274
Total current assets	<u>11,660,270</u>	<u>11,803,568</u>
Property and equipment, at cost less accumulated depreciation	5,552,372	3,966,596
Notes receivable - promissory notes	458,914	531,749
Notes receivable	6,946,000	6,946,000
Deposits	7,575	1,975
Total assets	<u><u>\$ 24,625,131</u></u>	<u><u>\$ 23,249,888</u></u>
LIABILITIES		
Current liabilities		
Line of credit	\$ 100,000	\$ 251,088
Accounts payable and accrued expenses	653,359	1,179,526
Accrued payroll and related liabilities	137,045	124,102
Deferred revenue	193,750	-
Due to related party	635,899	471,392
Current portion of long-term debt	1,625,000	1,960,479
Total current liabilities	<u>3,345,053</u>	<u>3,986,587</u>
Long-term debt, less current portion	<u>8,500,000</u>	<u>8,500,000</u>
Total liabilities	<u><u>11,845,053</u></u>	<u><u>12,486,587</u></u>
NET ASSETS		
Unrestricted	9,996,378	8,430,101
Temporarily restricted	2,783,700	2,333,200
Total net assets	<u>12,780,078</u>	<u>10,763,301</u>
Total liabilities and net assets	<u><u>\$ 24,625,131</u></u>	<u><u>\$ 23,249,888</u></u>

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 5,259,110	\$ 4,607,993	\$ 9,867,103
Grants	4,907,013	3,152,498	8,059,511
Property management fees	982,825	-	982,825
Homeowner funding	-	1,845,841	1,845,841
Sale of properties	1,616,400	-	1,616,400
Vendor incentives	107,725	18	107,743
Other income	402,108	148	402,256
Net assets released from restrictions	<u>9,155,998</u>	<u>(9,155,998)</u>	<u>-</u>
Total revenues	<u>22,431,179</u>	<u>450,500</u>	<u>22,881,679</u>
Expenses			
Program services			
Rebuilding	15,672,453	-	15,672,453
Opportunity housing	2,695,729	-	2,695,729
Veteran good work good pay	5,172	-	5,172
Disaster resilience and recovery lab	810,319	-	810,319
Supporting services			
General and administrative	1,307,540	-	1,307,540
Fundraising	<u>373,689</u>	<u>-</u>	<u>373,689</u>
Total expenses	<u>20,864,902</u>	<u>-</u>	<u>20,864,902</u>
Change in net assets	1,566,277	450,500	2,016,777
Net assets			
Beginning of year	<u>8,430,101</u>	<u>2,333,200</u>	<u>10,763,301</u>
End of year	<u>\$ 9,996,378</u>	<u>\$ 2,783,700</u>	<u>\$ 12,780,078</u>

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 5,974,803	\$ 1,497,417	\$ 7,472,220
Grants	2,101,283	6,307,460	8,408,743
Property management fees	267,587	-	267,587
Homeowner funding	82,077	712,065	794,142
Sale of properties	1,023,000	-	1,023,000
Vendor incentives	100,343	-	100,343
Other income	35,470	14,680	50,150
Net assets released from restrictions	<u>7,781,571</u>	<u>(7,781,571)</u>	<u>-</u>
Total revenues	<u>17,366,134</u>	<u>750,051</u>	<u>18,116,185</u>
Expenses			
Program services			
Rebuilding	10,481,167	-	10,481,167
Opportunity housing	939,741	-	939,741
Veteran good work good pay	6,936	-	6,936
Disaster resilience and recovery lab	481,846	-	481,846
Supporting services			
General and administrative	1,810,770	-	1,810,770
Fundraising	<u>289,330</u>	<u>-</u>	<u>289,330</u>
Total expenses	<u>14,009,790</u>	<u>-</u>	<u>14,009,790</u>
Change in net assets	3,356,344	750,051	4,106,395
Net assets			
Beginning of year	<u>5,073,757</u>	<u>1,583,149</u>	<u>6,656,906</u>
End of year	<u>\$ 8,430,101</u>	<u>\$ 2,333,200</u>	<u>\$ 10,763,301</u>

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services						Total Expenses
	Rebuilding	Opportunity Housing	Veteran	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	
Auto	\$ 32,603	\$ -	\$ -	\$ -	\$ -	\$ 950	\$ 33,553
Bad debt expense	-	76,285	-	-	1,000	-	77,285
Amortization	-	-	-	-	-	23,109	23,109
Bank service charges	2,679	-	-	77	737	3,669	7,162
Construction	5,606,557	2,364,816	4,784	-	-	50,873	8,027,030
Depreciation	107,447	22,182	-	1,232	-	84,623	215,484
Dues and subscriptions	570	-	-	-	-	15	585
Fundraising	-	-	-	-	43,331	-	43,331
Grants awarded	311,228	-	-	-	-	-	311,228
Information technology	3,462	-	-	-	-	19,976	23,438
Insurance	838,610	61,494	-	34,420	8,864	185,859	1,129,247
Interest expense	14,828	10,147	-	-	-	105,011	129,986
In-kind labor	5,515,652	-	-	-	-	-	5,515,652
Licenses and permits	157,123	61,775	-	946	10,114	3,726	233,684
Marketing	-	-	-	-	3,105	435	3,540
Office supplies	989	77	-	12,943	828	4,894	19,731
Other expense	53,077	-	-	5,285	323	43,067	101,752
Occupancy	78,255	-	-	8,423	101	39,980	126,759
Payroll taxes	235,572	8,673	388	36,750	13,662	6,026	301,071
Postage and delivery	13,873	68	-	-	673	1,642	16,256
Program expense	-	-	-	1,450	-	-	1,450
Professional services	245,656	6,268	-	22,443	70,879	134,076	479,322
Property tax	5,778	-	-	-	-	23,193	28,971
Repairs and maintenance	1,799	-	-	-	-	948	2,747
Salaries	2,143,655	83,692	-	530,830	204,250	566,658	3,529,085
Seminars	8,196	50	-	-	-	66	8,312
Travel	111,968	202	-	155,238	15,641	8,115	291,164
Workers comp insurance	182,876	-	-	282	181	629	183,968
Total expenses	\$ 15,672,453	\$ 2,695,729	\$ 5,172	\$ 810,319	\$ 373,689	\$ 1,307,540	\$ 20,864,902

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services						Total Expenses
	Rebuilding	Opportunity Housing	Veteran	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	
Auto	\$ 25,323	\$ -	\$ -	\$ 900	\$ 127	\$ 14,874	\$ 41,224
Bad debt expense	-	22,982	-	-	-	58,675	81,657
Amortization	-	-	-	-	-	11,555	11,555
Bank service charges	388	-	-	-	968	7,804	9,160
Construction	4,230,934	752,797	6,166	-	-	-	4,989,897
Depreciation	-	7,394	-	552	-	53,375	61,321
Dues and subscriptions	-	-	-	-	79	1,919	1,998
Fundraising	-	-	-	-	66,766	-	66,766
Loss on the disposal of assets	11,269	-	-	-	-	23,742	35,011
Information technology	-	-	-	-	-	16,886	16,886
Insurance	665,986	27,687	-	27,488	30	74,125	795,316
Interest expense	40,081	3,201	-	-	-	54,386	97,668
In-kind labor	3,997,042	-	-	-	-	-	3,997,042
Licenses and permits	23,789	77,634	-	78	1,016	30,451	132,968
Marketing	-	-	-	-	-	118	118
Meeting expense	-	-	-	-	-	432	432
Office supplies	1,135	99	-	558	16,515	27,638	45,945
Other expense	5,605	-	-	-	-	2,379	7,984
Occupancy	34,647	-	-	30	-	96,970	131,647
Payroll taxes	113,926	5,862	568	25,081	13,287	69,644	228,368
Postage and delivery	137	23	-	-	-	14,081	14,241
Program expense	-	-	-	1,753	-	-	1,753
Professional services	9,136	627	-	26,755	1,148	248,456	286,122
Salaries	1,116,293	41,334	64	338,252	179,301	899,836	2,575,080
Seminars	2,221	-	-	-	-	8,763	10,984
Travel	39,777	101	-	60,399	9,563	87,665	197,505
Workers comp insurance	163,478	-	138	-	530	6,996	171,142
Total expenses	\$ 10,481,167	\$ 939,741	\$ 6,936	\$ 481,846	\$ 289,330	\$ 1,810,770	\$ 14,009,790

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 2,016,777	\$ 4,106,395
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	215,483	61,321
Donated investments included in contributions	-	(6,446)
Donated vehicles included in contributions	-	(502,513)
(Gain) loss on disposal of assets	(1,900)	35,011
(Increase) decrease in operating assets:		
Accounts receivable	(1,719,553)	(792,226)
Other receivables	33,971	8,211
Grants receivable	-	56,285
Construction in process	1,164,820	(98,695)
Real estate held for rental	(226,915)	(723,588)
Real estate held for sale	(1,331,912)	213,114
Loan acquisition costs	23,109	11,555
Other current assets	(130,963)	(120,406)
Due from related party	-	3,366
Deposits	(5,600)	1,000
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(526,167)	834,654
Accrued payroll and related liabilities	12,943	51,297
Deferred revenue	193,750	-
Due to related parties	164,507	471,392
Net cash (used) provided by operating activities	<u>(117,650)</u>	<u>3,609,727</u>
Cash flows from investing activities:		
Advances on notes receivable - promissory notes	72,835	67,108
Proceeds from disposal of assets	1,900	43,847
Purchase of property and equipment	(1,801,259)	(1,835,857)
Advances on notes receivable	-	(4,823,500)
Proceeds from sale of investments, net	1,529	12,045
Net cash used by investing activities	<u>(1,724,995)</u>	<u>(6,536,357)</u>
Cash flows from financing activities:		
Borrowings under line of credit	-	250,000
Repayments of line of credit	(151,088)	(644,075)
Borrowings under long-term debt	738,106	7,736,069
Repayments of long-term debt	(1,073,585)	-
Net cash (used) provided by financing activities	<u>(486,567)</u>	<u>7,341,994</u>
Net (decrease) increase in cash	(2,329,212)	4,415,364
Cash and cash equivalents at beginning of year	<u>6,111,919</u>	<u>1,696,555</u>
Cash and cash equivalents at end of year	<u>\$ 3,782,707</u>	<u>\$ 6,111,919</u>

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

1) Nature of activities

The St. Bernard Project, Inc. d/b/a SBP, Inc. (SBP, Inc.) is a non-profit organization established to create housing opportunities so that disaster survivors can return to their homes and communities. The St. Bernard Project, Inc. is a community based organization that carries out its mission through three primary programs: Rebuilding Programs, Disaster Resilience and Recovery Lab, and Opportunity Housing Program.

Toulouse Commercial, Inc. is a non-profit organization established on March 27, 2015 to operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of The St. Bernard Project, Inc.

2) Summary of significant accounting policies

The significant accounting policies followed by the Organization are summarized as follows:

(a) Financial statement presentation

The Organization's policy is to prepare its financial statements on the accrual basis of accounting, which recognizes all revenues and the related assets when earned and all expenses and the related obligations when incurred.

The accompanying consolidated financial statements present the consolidated statements of financial position and changes in net assets and cash flows of The St. Bernard Project, Inc. and Toulouse Commercial, Inc. (together referred to as the "Organization"). Toulouse Commercial, Inc. is a supporting organization of SBP, Inc. All significant inter-company accounts and transactions have been eliminated.

(b) Basis of presentation

Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958, *Financial Statements for Not-for-Profit Entities*, requires the net assets and changes in net assets be reported for three classifications – permanently restricted, temporarily restricted and unrestricted based on the existence or absence of donor imposed restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets.

(c) Revenue recognition

Contributions are recorded as revenue when received and are generally available for unrestricted use unless specifically restricted by the donor. Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met. Unreimbursed expenses are recorded as revenue and as grants receivable when requests for reimbursement are submitted to the grantors. Real estate sales are recognized at the time the sale is complete and title has transferred to the buyer.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

2) Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

All cash-related items having a maturity of three months or less from the original maturity date are classified as cash and cash equivalents.

(e) Investments

Investments in equity securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investments with a maturity of one year or less are classified as current.

(f) Accounts receivable

Accounts are considered overdue if uncollected within ninety days of original invoice. The Organization considers grant receivables to be fully collectible and when a balance becomes uncollectible, they are written off.

An allowance for uncollectible accounts has been maintained for estimated losses resulting from the inability of its customers to make required payments. The Organization's estimate for the allowance for doubtful accounts is based on a review of the current accounts receivable. Accounts receivable is presented net of an allowance for doubtful accounts of \$23,858 and \$46,258 as of December 31, 2016 and 2015, respectively.

(g) Property and equipment

Property and equipment are carried at cost. Depreciation of property is provided over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the assets carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of depreciable assets are:

	<u>Useful Lives</u>
Building	39 years
Equipment	5 years
Vehicles	5 years

(h) Construction in process

Construction in process includes houses owned by the Organization that are in the process of being rehabilitated and are carried at cost plus construction costs and an overhead allocation. The property is transferred to real estate held for sale once it is completed and ready to be put on the market for sale.

Construction in process for the year ended December 31, 2015 also includes costs for the Organization's corporate office that was in the process of being built and are carried at cost included in property and equipment. The building was placed in service on May 9, 2016.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

2) Summary of significant accounting policies (continued)

(i) Real estate held for sale

Real estate held for sale is carried at cost plus construction costs and an overhead allocation. The real estate has been acquired to be rehabilitated and sold to qualified homeowners.

(j) Real estate held for rental

Real estate held for rental is carried at cost plus construction costs and an overhead allocation. The real estate has been acquired to be rehabilitated and rented to qualified homeowners.

(k) Income taxes

SBP, Inc. is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. SBP, Inc.'s determination letter is as of May 30, 2008.

Toulouse Commercial, Inc. is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Toulouse Commercial, Inc.'s determination letter is as of March 27, 2015.

The Organization adopted the provisions of ASC 740, *Income Taxes*. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits. With few exceptions, the Organization is not subject to U.S. federal and state income tax examinations by tax authorities beyond three years from the filing of those returns.

(l) Functional expenses

The costs of providing the various programs and activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) Fundraising

All expenses associated with fundraising events are expensed as incurred.

(n) Use of estimates

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

(o) Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization has not experienced any losses in such accounts. The Organization has no policy requiring collateral or other security to support its deposits.

The Organization generally requires a deed of trust to support its notes receivable.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

2) Summary of significant accounting policies (continued)

(p) Donated services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received volunteer help to renovate homes destroyed by natural disasters. The estimated value of the contributed services for the years ended December 31, 2016 and 2015 was \$5,516,000 and \$3,997,000, respectively.

(q) Donated property and equipment

Noncash donations are recorded as contributions at their fair value at the date of donations. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

(r) Financing and loan acquisition costs

Certain costs related to the New Market Tax Credit Financing Commitment have been capitalized and are being amortized over the estimated life of the related note payable. Financing and loan acquisition costs totaled \$808,820 as of December 31, 2016 and 2015. Accumulated amortization totaled \$34,664 and \$11,555 as of December 31, 2016 and 2015, respectively.

3) Property and equipment

Property and equipment is summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,080,000	\$ 1,080,000
Building	4,097,967	2,315,946
Equipment	32,232	119,986
Vehicles	675,423	581,286
Total costs	<u>5,885,622</u>	<u>4,097,218</u>
Less: accumulated depreciation	333,250	130,622
Property and equipment	<u>\$ 5,552,372</u>	<u>\$ 3,966,596</u>

4) Notes receivable - promissory notes

The Organization has various notes receivable totaling \$458,914 and \$531,749 in connection with the sale of various properties as of December 31, 2016 and 2015, respectively. The promissory notes become due and payable if the borrower fails to occupy the residence for a five or ten year period after initial purchase date, fails to maintain homeowner's and flood insurance during the five or ten years or fails to pay property taxes when they become due during the five or ten year period. There has been no breach of the promissory notes as of December 31, 2016.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

4) Notes receivable - promissory notes (continued)

The Organization will reduce the balance on the notes over the next ten years as outlined in the notes based on compliance with the terms of the agreement. A total of \$72,835 and \$67,108 was written off in 2016 and 2015, respectively.

5) Notes receivable

SBP, Inc. entered into an agreement on January 16, 2014, as part of a New Markets Tax Credit Transaction, to lend FNBC NMTC Hybrid Fund, LLC, \$2,122,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2016 and 2015 totaled \$2,122,500. The note accrues interest at a rate of 1.41% and interest is paid quarterly. Interest earned and received on the loan as of December 31, 2016 and 2015 was \$30,000 and \$30,000, respectively.

SBP, Inc. entered into an agreement on June 30, 2015, as part of a New Markets Tax Credit Transaction, to lend GSNMF SUB-CDE 13, LLC, \$4,823,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2016 and 2015 totaled \$4,823,500. The note accrues interest at a rate of 2.02% and interest is paid quarterly. Interest earned and received on the loan as of December 31, 2016 and 2015 was \$97,500 and \$17,792, respectively.

6) Commitments and contingencies

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between SBP Real Estate, Inc. and a bank. Should a recapture event occur, SBP, Inc. could be obligated to pay the recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2016.

SBP, Inc. is a guarantor in a credit agreement between SBP Real Estate, Inc. and a lender. The note payable balance at December 31, 2016 and 2015 was \$3,000,000.

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between Toulouse Commercial, Inc. and a bank. Should a recapture event occur, SBP, Inc. could be obligated to pay the recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2016.

SBP, Inc. is a guarantor in a credit agreement between Toulouse Commercial, Inc. and a lender. The note payable balance at December 31, 2016 and 2015 was \$7,000,000.

Any breach of the loan agreement between Toulouse Commercial, Inc. and GSNMF SUB-CDE 13, LLC may require the Organization to pay a recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2016.

7) New markets tax credit

Toulouse Commercial, Inc. acquired land and started the development of a commercial facility located in New Orleans. In order to obtain the land and start development of the building a credit agreement was executed on June 30, 2015 by and among Toulouse Commercial, Inc. and GSNMF SUB-CDE 13, LLC, a Delaware limited liability company ("Lender"). The loans qualify as a "quality low income community investment" and generate certain tax credits called New Markets Tax Credits ("NMTC") under Section 45D of the Internal Revenue Code. To qualify, Toulouse Commercial must

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7) New markets tax credit (continued)

comply with certain representations, warranties, and covenants, including but not limited to, maintaining its' non-profit status and will continue to qualify as a qualified low-income community business. Toulouse Commercial, Inc. will potentially realize benefits from the New Markets Tax Credit Program of the Community Development Financial Institution Fund ("CDFI"), a branch of the U.S. Department of Treasury.

8) Investments

Investments are carried at fair value and consist of the following at December 31, 2016 and 2015:

	<u>2016</u> Fair Value	<u>2015</u> Fair Value
Equity securities	<u>\$ 26,192</u>	<u>\$ 27,721</u>

A summary of return on investments consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	<u>\$ 45</u>	<u>\$ 140</u>
Total return	<u>\$ 45</u>	<u>\$ 140</u>

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9) Grants receivable

SBP, Inc. was awarded various grants through federal, state and other agencies. Most of the grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Balances due from the grants at year end are included in grants receivable. Grants receivable for the year ended December 31, 2016 consists of the following:

	Due from grant at beginning of year	Grant <u>Receipts</u>	Grant <u>Expenditures</u>	Due from grant at end of year
<u>Federal financial assistance</u>				
AmeriCorp national grant from				
Corporation for National and Community Service	\$ 301,506	\$ 2,809,840	\$ 2,727,550	\$ 219,216
U.S. Dept. of Housing and Urban				
Development - Louisiana Housing Finance	35,785	35,785	-	-
U.S. Dept. of Housing and Urban				
Development - City of New Orleans	51,121	203,749	162,095	9,467
U.S. Dept. of Housing and Urban				
Development - City of New Orleans	56,098	204,527	210,167	61,738
U.S. Dept. of Housing and Urban				
Development - New York	-	-	305,753	305,753
U.S. Dept. of Housing and Urban				
Development - City of New Orleans	356,250	356,250	366,450	366,450
U.S. Dept. of Housing and Urban				
Development - City of New Orleans	17,199	17,199	-	-
U.S. Dept. of Housing and Urban				
Development - City of New Orleans	13,058	13,058	-	-
Total federal financial assistance	<u>831,017</u>	<u>3,640,408</u>	<u>3,772,015</u>	<u>962,624</u>
<u>Other Grants</u>				
The American National Red Cross	-	-	60,000	60,000
Louisiana Housing Corporation / HRP	85,000	15,000	-	70,000
Greater New Orleans Housing Alliance	29,960	29,960	-	-
Neighborhood Revitalization NYC, LLC	50	50	-	-
Total	<u>\$ 946,027</u>	<u>\$ 3,685,418</u>	<u>\$ 3,832,015</u>	<u>\$ 1,092,624</u>

THE ST. BERNARD PROJECT, INC.
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9) Grants receivable (continued)

Grants receivable for the year ended December 31, 2015 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
<u>Federal financial assistance</u>				
AmeriCorp national grant from Corporation for National and Community Service	\$ 158,608	\$ 1,481,754	\$ 1,624,652	\$ 301,506
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	63,798	28,013	-	35,785
U.S. Dept. of Housing and Urban Development - City of New Orleans	276,983	1,028,935	803,073	51,121
U.S. Dept. of Housing and Urban Development - City of New Orleans	129,000	526,933	454,031	56,098
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	200,269	200,269	-	-
U.S. Dept. of Housing and Urban Development - Louisiana Housing Corp	10,000	95,000	85,000	-
U.S. Dept. of Housing and Urban Development - City of New Orleans	-	-	356,250	356,250
U.S. Dept. of Housing and Urban Development - City of New Orleans	-	32,801	50,000	17,199
U.S. Dept. of Housing and Urban Development - City of New Orleans	24,819	11,761	-	13,058
Total federal financial assistance	<u>863,477</u>	<u>3,405,466</u>	<u>3,373,006</u>	<u>831,017</u>
<u>Other Grants</u>				
The American National Red Cross	277,065	614,161	337,096	-
Louisiana Housing Corporation / HRP	-	-	85,000	85,000
Greater New Orleans Housing Alliance	-	-	29,960	29,960
Neighborhood Revitalization NYC, LLC	62,039	61,989	-	50
Total	<u>\$ 1,202,581</u>	<u>\$ 4,081,616</u>	<u>\$ 3,825,062</u>	<u>\$ 946,027</u>

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10) Line of credit

The Organization has a \$850,000 unsecured line of credit with a bank for its working capital needs. The interest rate on the line is determined based on the LIBOR base rate. The balance at December 31, 2016 and 2015 was \$100,000 and \$251,088, respectively.

11) Grant note payable

SBP, Inc. was awarded a grant from the New Orleans Redevelopment Authority (“NORA”) to assist with the development of single family housing for low income families. The grant awarded up to \$75,000 of assistance per property and of this total \$50,000 per property is payable back to NORA. As of December 31, 2016 and 2015, SBP, Inc. had a \$293,256 and \$250,000 payable to NORA, respectively, recorded in accrued expenses, and recognized an additional \$106,250 in grant revenues in December 31, 2015.

12) Long-term debt

Long-term debt of the Organization at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Note payable to grantor with interest at a rate of 2%, secured by the assets of the Organization. The note matured in February 2015. Management is in discussions to determine if the note will be forgiven.	\$ 125,000	\$ 125,000
Notes payable to a bank with interest at a rate of 5.5%, payable in quarterly interest only payments through the maturity date and full principal balance due at maturity, secured by the assets of the Organization. The note matures July 29, 2022.	1,500,000	1,500,000
Notes payable to a bank with interest at a rate of LIBOR plus 2.8%, payable in monthly interest only payments through the maturity date and full principal balance due at maturity, secured by the assets of the Organization. The notes mature February 28, 2017.	1,500,000	1,835,479

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12) Long-term debt (continued)

	<u>2016</u>	<u>2015</u>
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and remaining principal and interest due on maturity date of the loan, secured by the assets of the Organization. The notes mature in July 2022.	\$ 1,500,000	\$ 1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	1,500,000	1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	1,823,500	1,823,500
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	<u>2,176,500</u>	<u>2,176,500</u>
Total long-term debt	10,125,000	10,460,479
Less current portion	<u>1,625,000</u>	<u>1,960,479</u>
Long-term debt, less current portion	<u>\$ 8,500,000</u>	<u>\$ 8,500,000</u>

The maturities of long-term debt are as follows:

2017	\$	1,625,000
Thereafter		8,500,000

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13) Restrictions on net assets

Temporarily restricted net assets are available for the following programs:

	<u>2016</u>	<u>2015</u>
Toyota Grant	\$ 700,728	\$ 1,041,853
Disaster Resilience & Recovery Lab	512,327	880,454
Rebuild New York	72,163	-
Rebuild West Virginia	266,779	-
Rebuild South Carolina	302,366	-
Rebuild Baton Rouge	628,815	-
Rebuild New Jersey	<u>300,522</u>	<u>410,893</u>
Total temporarily restricted assets	<u>\$ 2,783,700</u>	<u>\$ 2,333,200</u>

14) Operating leases

SBP, Inc. leases office space for its headquarters and warehouse space from Toulouse Commercial, Inc. The lease runs through 2050. Total rent expense, which is included in occupancy expense under the lease was \$201,276 for the year ended December 31, 2016. The rent expense associated with this lease agreement has been eliminated on the consolidated statement of activities.

Future minimum rental payments under the leases are as follows:

2017	\$ 263,162
2018	271,056
2019	279,188
2020	287,564
2021	296,191
Thereafter	13,271,737

The Organization leases office space for its New York, South Carolina, Baton Rouge, Louisiana and New Jersey locations. The leases expire at various dates through September 2018. Total rent expense, which is included in occupancy expense; under the leases was \$58,120 and \$47,710 for the years ended December 31, 2016 and 2015, respectively.

Future minimum rental payments under the leases are as follows:

2017	\$ 37,600
2018	12,051

SBP, Inc. subleases office space to various other non-profit organizations. The leases expire at various dates through April 2018.

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14) Operating leases (continued)

Future minimum rental income under the leases are as follows:

2017	\$ 19,216
2018	4,400

15) Fair value measurement

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

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;

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

THE ST. BERNARD PROJECT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15) Fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	<u>Total Fair Value Assets</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity securities	\$ 26,192	\$ 26,192	\$ -	\$ -
Total	<u>\$ 26,192</u>	<u>\$ 26,192</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2015:

	<u>Total Fair Value Assets</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity securities	\$ 27,721	\$ 27,721	\$ -	\$ -
Total	<u>\$ 27,721</u>	<u>\$ 27,721</u>	<u>\$ -</u>	<u>\$ -</u>

16) Economic dependence

In 2016, the Organization received approximately 34% of its revenue from federal, state and other grants and 19% from contributions. Another 23% of the Organization's revenue was volunteer labor that was contributed in 2016.

In 2015, the Organization received approximately 46% of its revenue from federal, state and other grants and 19% from contributions. Another 21% of the Organization's revenue was volunteer labor that was contributed in 2015.

THE ST. BERNARD PROJECT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

17) Supplementary disclosures of cash flows information

Cash paid during the year for:

	<u>2016</u>	<u>2015</u>
Interest	<u>\$ 245,712</u>	<u>\$ 120,459</u>

The Organization had noncash financing transaction relating to financing of construction in process totaling \$710,590 in 2015.

The Organization had noncash financing transactions of \$808,820 relating to the loan and financing costs of the New Markets Tax Credit Financing Commitment in 2015.

18) Related party transactions

SBP, Inc. has an economic interest in SBP Real Estate, Inc., it does not have control. Therefore, its operations of SBP Real Estate, Inc. are not consolidated in the financial statements of the Organization.

SBP, Inc. and SBP Real Estate, Inc. share a common focus on providing assistance to disaster-impacted communities through the construction, renovation and promotion of affordable housing. In 2015 SBP Real Estate, Inc. provided SBP, Inc. a donation in the amount of \$145,203.

SBP, Inc. received a donation of land from SBP Real Estate in 2015. The land was recorded at its fair market value of \$1,080,000.

SBP, Inc. received property management fees from SBP Real Estate, Inc. in the amount of \$119,403, and paid \$98,878 for the purchase of a property from SBP Real Estate, Inc. for the year ended December 31, 2016.

SBP, Inc. received property management fees from SBP Real Estate, Inc. in the amount of \$506,962, and paid \$92,000 for the purchase of properties from SBP Real Estate, Inc. for the year December 31, 2015.

SBP, Inc. had a balance of \$635,899 due to SBP Real Estate, Inc. and a \$956,939 balance due from SBP Real Estate, included in accounts receivable, at December 31, 2016. SBP, Inc. had a balance of \$471,392 due to SBP Real Estate, Inc. and a \$628,788 balance due from SBP Real Estate, included in accounts receivable, at December 31, 2015.

19) Subsequent events

Management has evaluated subsequent events through the date of the auditors' report, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
The St. Bernard Project, Inc.
d/b/a SBP, Inc.
New Orleans, Louisiana

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Wegmann Dazet & Company

May 24, 2017

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2016

	SBP, Inc.	Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,594,853	\$ 187,854	\$ 3,782,707	\$ -	\$ 3,782,707
Investments	26,192	-	26,192	-	26,192
Accounts receivable	2,527,260	93,180	2,620,440	(93,180)	2,527,260
Other receivables	144,394	-	144,394	-	144,394
Grants receivable	1,092,624	-	1,092,624	-	1,092,624
Construction in process	92,905	-	92,905	-	92,905
Accrued revenue	-	40,819	40,819	(40,819)	-
Real estate held for sale	1,842,292	-	1,842,292	-	1,842,292
Real estate held for rental	950,503	-	950,503	-	950,503
Loan acquisition costs	-	774,156	774,156	-	774,156
Due from relaty party	-	23,139	23,139	(23,139)	-
Other current assets	414,297	12,940	427,237	-	427,237
Total current assets	10,685,320	1,132,088	11,817,408	(157,138)	11,660,270
Property and equipment, at cost less accumulated depreciation	459,028	5,945,801	6,404,829	(852,457)	5,552,372
Notes receivable - promissory notes	458,914	-	458,914	-	458,914
Notes receivable	6,946,000	-	6,946,000	-	6,946,000
Deposits	1,475	6,100	7,575	-	7,575
Total assets	\$ 18,550,737	\$ 7,083,989	\$ 25,634,726	\$ (1,009,595)	\$ 24,625,131
LIABILITIES					
Current liabilities					
Line of credit	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ 100,000
Accounts payable and accrued expenses	784,607	2,751	787,358	(133,999)	653,359
Accrued payroll and related liabilities	137,045	-	137,045	-	137,045
Deferred revenue	193,750	-	193,750	-	193,750
Due to related party	659,038	-	659,038	(23,139)	635,899
Current portion of long-term debt	1,625,000	-	1,625,000	-	1,625,000
Total current liabilities	3,499,440	2,751	3,502,191	(157,138)	3,345,053
Long-term debt, less current portion	1,500,000	7,000,000	8,500,000	-	8,500,000
Total liabilities	4,999,440	7,002,751	12,002,191	(157,138)	11,845,053
NET ASSETS					
Unrestricted	10,767,597	81,238	10,848,835	(852,457)	9,996,378
Temporarily restricted	2,783,700	-	2,783,700	-	2,783,700
Total net assets	13,551,297	81,238	13,632,535	(852,457)	12,780,078
Total liabilities and net assets	\$ 18,550,737	\$ 7,083,989	\$ 25,634,726	\$ (1,009,595)	\$ 24,625,131

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

	SBP, Inc.	Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,854,360	\$ 3,257,559	\$ 6,111,919	\$ -	\$ 6,111,919
Investments	27,721	-	27,721	-	27,721
Accounts receivable	954,304	-	954,304	-	954,304
Other receivables	178,365	-	178,365	-	178,365
Grants receivable	946,027	-	946,027	-	946,027
Construction in process	1,257,725	-	1,257,725	-	1,257,725
Real estate held for sale	510,380	-	510,380	-	510,380
Real estate held for rental	723,588	-	723,588	-	723,588
Loan acquisition costs	-	797,265	797,265	-	797,265
Due from relaty party	-	1,467	1,467	(1,467)	-
Other current assets	296,274	-	296,274	-	296,274
Total current assets	7,748,744	4,056,291	11,805,035	(1,467)	11,803,568
Property and equipment, at cost less accumulated depreciation	570,650	3,609,060	4,179,710	(213,114)	3,966,596
Notes receivable - promissory notes	531,749	-	531,749	-	531,749
Notes receivable	6,946,000	-	6,946,000	-	6,946,000
Deposits	1,975	-	1,975	-	1,975
Total assets	\$ 15,799,118	\$ 7,665,351	\$ 23,464,469	\$ (214,581)	\$ 23,249,888
LIABILITIES					
Current liabilities					
Line of credit	\$ 251,088	\$ -	\$ 251,088	\$ -	\$ 251,088
Accounts payable and accrued expenses	657,425	522,101	1,179,526	-	1,179,526
Accrued payroll and related liabilities	124,102	-	124,102	-	124,102
Due to related party	472,859	-	472,859	(1,467)	471,392
Current portion of long-term debt	1,960,479	-	1,960,479	-	1,960,479
Total current liabilities	3,465,953	522,101	3,988,054	(1,467)	3,986,587
Long-term debt, less current portion	1,500,000	7,000,000	8,500,000	-	8,500,000
Total liabilities	4,965,953	7,522,101	12,488,054	(1,467)	12,486,587
NET ASSETS					
Unrestricted	8,499,965	143,250	8,643,215	(213,114)	8,430,101
Temporarily restricted	2,333,200	-	2,333,200	-	2,333,200
Total net assets	10,833,165	143,250	10,976,415	(213,114)	10,763,301
Total liabilities and net assets	\$ 15,799,118	\$ 7,665,351	\$ 23,464,469	\$ (214,581)	\$ 23,249,888

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	SBP, Inc. Unrestricted	SBP, Inc. Restricted	Toulouse Commercial, Inc. Unrestricted	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues						
Contributions	\$ 5,259,110	\$ 4,607,993	\$ -	\$ 9,867,103	\$ -	\$ 9,867,103
Grants	4,907,013	3,152,498	-	8,059,511	-	8,059,511
Property management fees	982,825	-	-	982,825	-	982,825
Homeowner funding	-	1,845,841	-	1,845,841	-	1,845,841
Sale of properties	1,616,400	-	-	1,616,400	-	1,616,400
Vendor incentives	107,725	18	-	107,743	-	107,743
Rental income	-	-	201,276	201,276	(201,276)	-
Other income	1,041,451	148	-	1,041,599	(639,343)	402,256
Net assets released from restrictions	9,155,998	(9,155,998)	-	-	-	-
Total revenues	23,070,522	450,500	201,276	23,722,298	(840,619)	22,881,679
Expenses						
Program services						
Rebuilding	15,796,487	-	-	15,796,487	(124,034)	15,672,453
Opportunity housing	2,695,729	-	-	2,695,729	-	2,695,729
Veteran good work good pay	5,172	-	-	5,172	-	5,172
Disaster resilience and recovery lab	810,319	-	-	810,319	-	810,319
Supporting services						
General and administrative	1,121,494	-	263,288	1,384,782	(77,242)	1,307,540
Fundraising	373,689	-	-	373,689	-	373,689
Total expenses	20,802,890	-	263,288	21,066,178	(201,276)	20,864,902
Change in net assets	2,267,632	450,500	(62,012)	2,656,120	(639,343)	2,016,777
Net assets						
Beginning of year	8,499,965	2,333,200	143,250	10,976,415	(213,114)	10,763,301
End of year	<u>\$ 10,767,597</u>	<u>\$ 2,783,700</u>	<u>\$ 81,238</u>	<u>\$ 13,632,535</u>	<u>\$ (852,457)</u>	<u>\$ 12,780,078</u>

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	SBP, Inc. Unrestricted	SBP, Inc. Restricted	Toulouse Commercial, Inc. Unrestricted	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues						
Contributions	\$ 5,974,803	\$ 1,497,417	\$ 200,000	\$ 7,672,220	\$ (200,000)	\$ 7,472,220
Grants	2,101,283	6,307,460	-	8,408,743	-	8,408,743
Property management fees	267,587	-	-	267,587	-	267,587
Homeowner funding	82,077	712,065	-	794,142	-	794,142
Sale of properties	1,023,000	-	-	1,023,000	-	1,023,000
Vendor incentives	100,343	-	-	100,343	-	100,343
Other income	248,584	14,680	-	263,264	(213,114)	50,150
Net assets released from restrictions	7,781,571	(7,781,571)	-	-	-	-
Total revenues	17,579,248	750,051	200,000	18,529,299	(413,114)	18,116,185
Expenses						
Program services						
Rebuilding	10,481,167	-	-	10,481,167	-	10,481,167
Opportunity housing	939,741	-	-	939,741	-	939,741
Veteran good work good pay	6,936	-	-	6,936	-	6,936
Disaster resilience and recovery lab	481,846	-	-	481,846	-	481,846
Supporting services						
General and administrative	1,954,020	-	56,750	2,010,770	(200,000)	1,810,770
Fundraising	289,330	-	-	289,330	-	289,330
Total expenses	14,153,040	-	56,750	14,209,790	(200,000)	14,009,790
Change in net assets	3,426,208	750,051	143,250	4,319,509	(213,114)	4,106,395
Net assets						
Beginning of year	5,073,757	1,583,149	-	6,656,906	-	6,656,906
End of year	<u>\$ 8,499,965</u>	<u>\$ 2,333,200</u>	<u>\$ 143,250</u>	<u>\$ 10,976,415</u>	<u>\$ (213,114)</u>	<u>\$ 10,763,301</u>

THE ST. BERNARD PROJECT, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	SBP, Inc.						Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services						General & Administrative			
	Rebuilding	Opportunity Housing	Veteran	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative				
Auto	\$ 32,603	\$ -	\$ -	\$ -	\$ -	\$ 925	\$ 25	\$ 33,553	\$ -	\$ 33,553
Bad debt expense	-	76,285	-	-	1,000	-	-	77,285	-	77,285
Amortization	-	-	-	-	-	-	23,109	23,109	-	23,109
Bank service charges	2,679	-	-	77	737	3,649	20	7,162	-	7,162
Construction	5,615,947	2,364,816	4,784	-	-	50,873	-	8,036,420	(9,390)	8,027,030
Depreciation	107,447	22,182	-	1,232	-	-	84,623	215,484	-	215,484
Dues and subscriptions	570	-	-	-	-	-	15	585	-	585
Fundraising	-	-	-	-	43,331	-	-	43,331	-	43,331
Grants awarded	311,228	-	-	-	-	-	-	311,228	-	311,228
Information technology	3,462	-	-	-	-	19,976	-	23,438	-	23,438
Insurance	838,610	61,494	-	34,420	8,864	163,705	22,154	1,129,247	-	1,129,247
Interest expense	14,828	10,147	-	-	-	-	105,011	129,986	-	129,986
In-kind labor	5,515,652	-	-	-	-	-	-	5,515,652	-	5,515,652
Licenses and permits	157,123	61,775	-	946	10,114	3,726	-	233,684	-	233,684
Marketing	-	-	-	-	3,105	435	-	3,540	-	3,540
Office supplies	989	77	-	12,943	828	4,894	-	19,731	-	19,731
Other expense	53,077	-	-	5,285	323	43,067	(9,390)	92,362	9,390	101,752
Occupancy	192,899	-	-	8,423	101	115,012	11,600	328,035	(201,276)	126,759
Payroll taxes	235,572	8,673	388	36,750	13,662	6,026	-	301,071	-	301,071
Postage and delivery	13,873	68	-	-	673	1,642	-	16,256	-	16,256
Program expense	-	-	-	1,450	-	-	-	1,450	-	1,450
Professional services	245,656	6,268	-	22,443	70,879	131,321	2,755	479,322	-	479,322
Property tax	5,778	-	-	-	-	-	23,193	28,971	-	28,971
Repairs and maintenance	1,799	-	-	-	-	775	173	2,747	-	2,747
Salaries	2,143,655	83,692	-	530,830	204,250	566,658	-	3,529,085	-	3,529,085
Seminars	8,196	50	-	-	-	66	-	8,312	-	8,312
Travel	111,968	202	-	155,238	15,641	8,115	-	291,164	-	291,164
Workers comp insurance	182,876	-	-	282	181	629	-	183,968	-	183,968
Total expenses	\$ 15,796,487	\$ 2,695,729	\$ 5,172	\$ 810,319	\$ 373,689	\$ 1,121,494	\$ 263,288	\$ 21,066,178	\$ (201,276)	\$ 20,864,902

THE ST. BERNARD PROJECT, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	SBP, Inc.						Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services						General & Administrative			
	Rebuilding	Opportunity Housing	Veteran	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative				
Auto	\$ 25,323	\$ -	\$ -	\$ 900	\$ 127	\$ 14,874	\$ -	\$ 41,224	\$ -	\$ 41,224
Bad debt expense	-	22,982	-	-	-	58,675	-	81,657	-	81,657
Amortization	-	-	-	-	-	-	11,555	11,555	-	11,555
Bank service charges	388	-	-	-	968	7,571	233	9,160	-	9,160
Construction	4,230,934	752,797	6,166	-	-	-	-	4,989,897	-	4,989,897
Depreciation	-	7,394	-	552	-	53,375	-	61,321	-	61,321
Donations	-	-	-	-	-	200,000	-	200,000	(200,000)	-
Dues and subscriptions	-	-	-	-	79	1,919	-	1,998	-	1,998
Fundraising	-	-	-	-	66,766	-	-	66,766	-	66,766
Loss on the disposal of assets	11,269	-	-	-	-	23,742	-	35,011	-	35,011
Information technology	-	-	-	-	-	16,886	-	16,886	-	16,886
Insurance	665,986	27,687	-	27,488	30	74,125	-	795,316	-	795,316
Interest expense	40,081	3,201	-	-	-	10,340	44,046	97,668	-	97,668
In-kind labor	3,997,042	-	-	-	-	-	-	3,997,042	-	3,997,042
Licenses and permits	23,789	77,634	-	78	1,016	30,451	-	132,968	-	132,968
Marketing	-	-	-	-	-	118	-	118	-	118
Meeting expense	-	-	-	-	-	432	-	432	-	432
Office supplies	1,135	99	-	558	16,515	27,638	-	45,945	-	45,945
Other expense	5,605	-	-	-	-	2,379	-	7,984	-	7,984
Occupancy	34,647	-	-	30	-	96,970	-	131,647	-	131,647
Payroll taxes	113,926	5,862	568	25,081	13,287	69,644	-	228,368	-	228,368
Postage and delivery	137	23	-	-	-	14,081	-	14,241	-	14,241
Program expense	-	-	-	1,753	-	-	-	1,753	-	1,753
Professional services	9,136	627	-	26,755	1,148	247,540	916	286,122	-	286,122
Salaries	1,116,293	41,334	64	338,252	179,301	899,836	-	2,575,080	-	2,575,080
Seminars	2,221	-	-	-	-	8,763	-	10,984	-	10,984
Travel	39,777	101	-	60,399	9,563	87,665	-	197,505	-	197,505
Workers comp insurance	163,478	-	138	-	530	6,996	-	171,142	-	171,142
Total expenses	\$ 10,481,167	\$ 939,741	\$ 6,936	\$ 481,846	\$ 289,330	\$ 1,954,020	\$ 56,750	\$ 14,209,790	\$ (200,000)	\$ 14,009,790

UNIFORM GUIDANCE COMPLIANCE AND
GOVERNMENT AUDITING STANDARD REPORTS



WEGMANN DAZET & COMPANY

INDEPENDENT AUDITORS' 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 Directors
The St. Bernard Project, Inc.
d/b/a SBP, Inc.
New Orleans, 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 consolidated financial statements of SBP, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered SBP, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBP, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SBP, Inc.'s consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
May 24, 2017

Wegmann Daxet + Company



WEGMANN DAZET & COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
The St. Bernard Project, Inc.
d/b/a SBP, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited SBP, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SBP, Inc.'s major federal programs for the year ended December 31, 2016. SBP, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of SBP, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SBP, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SBP, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, SBP, Inc. 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 December 31, 2016.

Report on Internal Control over Compliance

Management of SBP, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SBP, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SBP, Inc.'s 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 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
May 24, 2017

Wegmann Daxet + Company

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service ARRA – AmeriCorp Grant	94.006	\$2,565,455
U.S. Department of Housing and Urban Development		
Passed through the Richland County Community Development Community Development Block Grant	14.218	299,800
Passed through the City of New Orleans Community Development Block Grant	14.218	491,209
Passed through the City of New Orleans Community Development Block Grant	14.218	210,167
Passed through the Housing Trust Fund Corporation Community Development Block Grant	14.239	305,573
Passed through the City of New Orleans HOME Investment Partnerships Act	14.239	<u>162,095</u>
Total Expenditures of Federal Awards		<u>\$4,034,299</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

Note 1 General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of SBP, Inc. The reporting entity is defined in Note 1 to SBP, Inc.'s consolidated financial statements. All federal award programs received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"*, or *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. SBP, Inc. has not applied for its own indirect cost rate.

Note 3 Risk-based audit approach

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The Organization does qualify as a low-risk auditee.

Note 4 Possible ineligible, disallowed and questioned costs

SBP, Inc. is subject to audit(s) and investigation(s) by state and federal agencies or their designees for compliance with contractual and programmatic requirements with regard to funding provided to SBP, Inc. The determination of whether any instances of noncompliance that will ultimately result in remittance by SBP, Inc. of any ineligible or disallowed costs cannot be presently determined.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

We have audited the basic consolidated financial statements of SBP, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated May 24, 2017. 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 audit of the consolidated financial statements as of December 31, 2016 resulted in an unmodified opinion.

SUMMARY OF THE AUDITORS' RESULTS

1. Type of report issued on the consolidated financial statements: **Unmodified Opinion.**
2. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **No.** Material weaknesses: **No.**
3. Noncompliance which is material to the consolidated financial statements: **No.**
4. Significant deficiencies in internal control over major programs: **No.** Material weaknesses: **No.**
5. Type of report issued on compliance for major programs: **Unmodified Opinion.**
6. Any audit findings which are required to be reported under Section 501(a) of Circular A-133 or in accordance with 2CFR 200.516(a): **No.**
7. Major programs for the fiscal year ended December 31, 2016 were:

Corporation for National and Community Service
ARRA – AmeriCorp Grant (CFDA #94.006)
8. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
9. Auditee qualified as a low-risk auditee under Uniform Guidance: **Yes.**
10. A management letter was issued: **No.**

SCHEDULE OF FINDINGS RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

There were no findings related to the consolidated financial statements for the year ended December 31, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no items identified in the course of our testing during the current year required to be reported.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEADS
For the Year Ended December 31, 2016

SUMMARY OF COMPENSATION

Zack Rosenberg
CEO & Co-Founder

Purpose	Amount
Salaries	\$140

*No other agency head expenses were derived from state and/or local assistance.