THE ST. BERNARD PROJECT, INC.

FINANCIAL STATEMENTS

December 31, 2013 and 2012

THE ST. BERNARD PROJECT, INC.

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The St. Bernard Project, Inc.
Chalmette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The St. Bernard Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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 The St. Bernard Project, Inc. as of December 31, 2013 and 2012, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 June 25, 2014, on our consideration of The St. Bernard Project, 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 The St. Bernard Project, Inc.'s internal control over financial reporting and compliance.

June 25, 2014

Wegmann Dazet + Company

THE ST. BERNARD PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,407,597	$ 1,290,894
Investments	74,712	-
Accounts receivable	145,278	287,024
Other receivables	81,350	6,971
Grants receivable	1,123,651	1,246,242
Construction in process	454,828	35,973
Real estate held for sale	1,255,445	329,082
Other current assets	92,045	48,410
Total current assets	4,634,906	3,244,596
Property and equipment, at cost less accumulated depreciatio	11,607	13,963
Notes receivable	504,129	329,192
Deposits	2,975	1,575
Total assets	$ 5,153,617	$ 3,589,326
LIABILITIES		
Current liabilities		
Line of credit	$ -	$ 96,206
Accounts payable and accrued expenses	641,993	316,220
Accrued payroll and related liabilities	63,901	20,423
Current portion of long-term debt	887,667	78,629
Total current liabilities	1,593,561	511,478
Long-term debt, less current portion	125,000	125,000
Total liabilities	1,718,561	636,478
NET ASSETS		
Unrestricted	2,911,616	2,747,808
Temporarily restricted	523,440	205,040
Total net assets	3,435,056	2,952,848
Total liabilities and net assets	$ 5,153,617	$ 3,589,326

See accompanying Notes to Financial Statements.

THE ST. BERNARD PROJECT, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	$ 6,218,137	$ 1,280,358	$ 7,498,495
Grants	3,436,842	1,889,330	5,326,172
Homeowner funding	131,518	186,855	318,373
Sale of properties	582,194	270,800	852,994
Vendor incentives	44,969	-	44,969
Other income	79,628	34,098	113,726
Net assets released from restrictions	3,343,041	(3,343,041)	-
Total revenues	13,836,329	318,400	14,154,729
Expenses			
Program services			
Rebuilding	6,429,783	-	6,429,783
Rebuild Joplin	2,991,383	-	2,991,383
Rebuild New York	190,610	-	190,610
Opportunity housing	1,097,593	-	1,097,593
Tunnel to tower	3,137	-	3,137
Friends of rockaway	840,326	-	840,326
Mental health	191	-	191
Veteran good work good pay	101,765	-	101,765
Disaster recovery lab	85,745	-	85,745
Supporting services			
General and administrative	1,707,601	-	1,707,601
Fundraising	224,387	-	224,387
Total expenses	13,672,521	-	13,672,521
Change in net assets	163,808	318,400	482,208
Net assets			
Beginning of year	2,747,808	205,040	2,952,848
End of year	$ 2,911,616	$ 523,440	$ 3,435,056

See accompanying Notes to Financial Statements.

THE ST. BERNARD PROJECT, INC.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	$ 5,344,753	$ 486,214	$ 5,830,967
Grants	3,058,928	1,050,000	4,108,928
Homeowner funding	161,389	-	161,389
Sale of properties	873,933	-	873,933
Vendor incentives	14,262	-	14,262
Other income	25,440	-	25,440
Net assets released from restrictions	1,437,275	(1,437,275)	-
Total revenues	10,915,980	98,939	11,014,919
Expenses			
Program services			
Rebuilding	5,362,558	-	5,362,558
Rebuild Joplin	1,166,716	-	1,166,716
Opportunity housing	1,429,746	-	1,429,746
Mental health	277,263	-	277,263
Veteran good work good pay	395,018	-	395,018
Disaster recovery lab	107,474	-	107,474
Supporting services			
General and administrative	1,106,808	-	1,106,808
Fundraising	122,643	-	122,643
Total expenses	9,968,226	-	9,968,226
Change in net assets	947,754	98,939	1,046,693
Net assets			
Beginning of year	1,800,054	106,101	1,906,155
End of year	$ 2,747,808	$ 205,040	$ 2,952,848

See accompanying Notes to Financial Statements.

THE ST. BERNARD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	Program Services											
	Rebuilding	Rebuild Joplin	Rebuild New York	Opportunity Housing	Tunnel to Tower	Friend of Rockaway	Mental Health	Veteran	Disaster Recovery Lab	Fundraising	General & Administrative	Total Expenses
Auto	$ 33,812	$ -	$ -	$ 900	$ -	$ 8,180	$ -	$ -	$ 170	$ 1,629	$ 14,647	$ 59,338
Bank service charges	408	40	110	-	-	1,293	-	-	-	1,172	12,794	15,817
Construction	1,548,205	1,386,907	5,209	940,425	-	172,471	-	72,208	-	-	9,687	4,135,112
Depreciation	-	-	-	-	-	-	-	-	-	-	7,355	7,355
Dues and subscriptions	145	-	-	-	-	-	-	-	-	-	3,254	3,399
Equipment rental	-	36,536	-	-	-	-	-	-	-	-	-	36,536
Fundraising	-	-	-	-	-	-	-	-	-	79,627	-	79,627
Information technology	731	-	-	-	-	-	-	-	-	82	32,553	33,366
Insurance	268,271	511	-	16,736	-	114,284	-	2,069	823	1,159	409,008	812,861
Interest expense	320	-	-	8,262	-	-	-	-	-	-	9,312	17,894
In-kind labor	2,296,532	1,361,682	184,338	-	-	312,970	-	-	-	-	-	4,155,522
Licenses and permits	86,766	-	-	44,915	-	1,000	-	150	-	-	3,566	136,397
Marketing	1,262	103	-	-	-	-	-	-	-	796	11,639	13,800
Meeting expense	-	-	-	-	-	-	-	-	-	-	4,995	4,995
Forgiveness of note receivable	16,353	-	-	-	-	-	-	-	-	-	-	16,353
Office supplies	1,630	113	-	179	-	11,925	-	-	-	1,832	29,610	45,289
Other expense	8,913	-	-	403	-	-	-	-	238	-	65,927	75,481
Occupancy	11,988	-	-	135	-	22,376	(58)	-	254	40	110,597	145,332
Payroll taxes	154,387	15,305	-	5,915	-	457	89	7,655	3,787	7,964	70,156	265,715
Postage and delivery	420	-	-	301	-	-	-	-	-	-	7,392	8,113
Program expense	-	-	-	-	-	-	-	-	3,591	-	-	3,591
Professional services	15,604	-	-	11,193	-	-	-	41	-	220	85,314	112,372
Repairs and maintenance	1,194	-	-	-	-	-	-	-	-	-	1,464	2,658
Salaries	1,731,372	169,749	-	54,270	3,137	180,038	160	19,445	50,732	118,536	676,386	3,003,825
Seminars	2,232	-	-	1,545	-	-	-	-	300	-	1,148	5,225
Travel	57,084	20,437	-	2,595	-	6,732	-	-	25,355	10,145	117,982	240,330
Workers comp insurance	192,154	-	953	9,819	-	8,600	-	197	495	1,185	22,815	236,218
Total expenses	$ 6,429,783	$ 2,991,383	$ 190,610	$ 1,097,593	$ 3,137	$ 840,326	$ 191	$ 101,765	$ 85,745	$ 224,387	$ 1,707,601	$ 13,672,521

See accompanying Notes to Financial Statements.

THE ST. BERNARD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

	Program Services								
	Rebuilding	Rebuild Joplin	Opportunity Housing	Mental Health	Veteran	Disaster Recovery Lab	Fundraising	General & Administrative	Total Expenses
Auto	$ 4,447	$ 1,235	$ 6,757	$ 1,385	$ 3,316	$ 1,243	$ 835	$ 18,390	$ 37,608
Bad debt expense	(1,222)	-	-	-	-	-	-	13,671	12,449
Bank service charges	6,360	439	-	-	785	-	1,546	26,504	35,634
Cost of merchandise	-	-	-	-	-	411	-	13,495	13,906
Construction	1,497,663	999,518	1,287,211	-	-	-	-	2,424	3,786,816
Development	10,066	7,287	-	-	-	12,038	7,361	50,970	87,722
Depreciation	-	-	-	-	-	-	-	13,077	13,077
Fundraising	-	-	-	-	-	-	21,685	-	21,685
Insurance	135,697	-	37,513	17,347	31,367	10,193	4,849	289,518	526,484
Interest expense	-	-	65	-	-	-	-	3,241	3,306
In-kind labor	2,517,438	-	-	-	-	-	-	-	2,517,438
Legal fees	-	-	-	-	-	-	-	6,004	6,004
Licenses and permits	1,652	-	-	241	-	-	-	4,332	6,225
Mental health services	-	-	-	132,390	-	-	-	-	132,390
Forgiveness of note receivable	9,085	-	-	-	-	-	-	-	9,085
Office supplies	15,571	-	13,631	5,122	1,802	466	7,097	146,111	189,800
Other expense	372	-	-	-	-	-	-	2,196	2,568
Occupancy	9,411	-	246	7,998	-	2,872	-	53,367	73,894
Payroll taxes	73,158	9,646	3,538	6,662	26,831	4,146	4,700	45,362	174,043
Postage and delivery	-	-	-	-	-	-		1,144	1,144
Program administrative fee	-	-	-	-	-	-	-	(67)	(67)
Program expense	-	-	-	3,947	-	-	-	-	3,947
Professional services	-	-	-	6,450	-	-	-	-	6,450
Rental expense	16,525	-	-	1,300	1,275	-	-	649	19,749
Salaries	1,066,335	148,591	80,785	94,421	329,642	76,105	74,570	416,420	2,286,869
Total expenses	$ 5,362,558	$ 1,166,716	$ 1,429,746	$ 277,263	$ 395,018	$ 107,474	$ 122,643	$ 1,106,808	$ 9,968,226

See accompanying Notes to Financial Statements.

THE ST. BERNARD PROJECT, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 482,208	$ 1,046,693
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,355	13,077
Donated investments included in contributions	(69,647)	-
Net unrelaized gain on investments	(5,065)	-
(Increase) decrease in operating assets:		
Accounts receivable	141,746	(276,551)
Other receivables	(74,379)	(6,971)
Grants receivable	117,268	603,218
Construction in process	(418,855)	(35,973)
Real estate held for sale	(926,363)	215,001
Other current assets	(38,312)	(47,760)
Deposits	(1,400)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	325,773	(122,620)
Accrued payroll and related liabilities	43,478	10,043
Net cash (used) provided by operating activities	(416,193)	1,398,157
Cash flows from investing activities:		
Advances on notes receivable	(174,937)	(238,343)
Purchase of property and equipment	(5,000)	(8,349)
Net cash used by investing activities	(179,937)	(246,692)
Cash flows from financing activities:		
Repayments of line of credit	(96,206)	(3,347)
Borrowings under long-term debt	1,312,353	80,129
Repayments of long-term debt	(503,314)	(16,570)
Net cash provided by financing activities	712,833	60,212
Net increase in cash	116,703	1,211,677
Cash and cash equivalents at beginning of year	1,290,894	79,217
Cash and cash equivalents at end of year	$ 1,407,597	$ 1,290,894

See accompanying Notes to Financial Statements.

1) Nature of activities

The St. Bernard Project, Inc. (the "Organization") 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 Recovery Lab, and Opportunity Housing Program.

The St. Bernard Project, Inc.'s Center for Wellness and Mental Health Center opened in January 2009 through an innovative partnership with Louisiana State University Health Sciences Center. The Center provides evaluation, treatment and support for residents of St. Bernard Parish and New Orleans suffering from storm or oil-spill-related mental health problems. The Center was closed December 31, 2012.

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.

(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.

(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 statement 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.

2) Summary of significant accounting policies (continued)

(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 $10,125 and $14,200 as of December 31, 2013 and 2012, 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:

	Useful Lives
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 transfered to real estate held for sale once it is completed and ready to be put on the market for sale.

(i) Real estate held for sale

Real estate held for sale is carried at cost plus construction costs and an overhead allocation, not to exceed estimates of net realizable value determined on an individual project basis. The real estate has been acquired to be rehabilitated and sold to qualified homeowners.

(j) Income taxes

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

The Organization adopted the provisions of ASC 740, *Accounting for Uncertainty in 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 no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2010.

(k) Functional expenses

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

2) Summary of significant accounting policies (continued)

(l) Fundraising
All expenses associated with fundraising events are expensed as incurred.

(m) 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.

(n) 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.

(o) 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, 2013 and 2012 was $4,156,000 and $2,517,000, respectively.

(p) 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.

3) Property and equipment

Property and equipment is summarized as follows:

	2013	2012
Equipment	$ 15,000	$ 15,000
Vehicles	56,774	51,774
Total costs	71,774	66,774
Less: accumulated depreciation	60,167	52,811
Property and equipment	$ 11,607	$ 13,963

4) Notes receivable

The Organization has various notes receivable totaling $504,129 and $329,192 in connection with the sale of various properties as of December 31, 2013 and 2012, 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.

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 $16,353 and $9,085 was written off in 2013 and 2012, respectively.

5) Grants receivable

The Organization was awarded various grants through federal and state 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, 2013 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
Federal financial assistance				
AmeriCorp state grant from Louisiana Service Commission	$ 174,122	$ 1,187,529	$ 1,631,631	$ 618,224
U.S. Dept. of Housing and Urban Development - City of New Orleans	46,937	46,937	-	-
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	510,481	1,369,444	904,028	45,065
U.S. Dept. of Housing and Urban Development - City of New Orleans	106,835	106,835	-	-
U.S. Dept. of Housing and Urban Development - City of New Orleans	3,230	595,892	848,969	256,307
U.S. Dept. of Housing and Urban Development - NORA	199,441	199,441	-	-
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	199,920	-	349	200,269
Total federal financial assistance	1,240,966	3,506,078	3,384,977	1,119,865
Louisiana state grants				
Metropolitan Human Services District for Louisiana Spirit Services	5,276	1,490	-	3,786
Total	$ 1,246,242	$ 3,507,568	$ 3,384,977	$ 1,123,651

5) Grants receivable (continued)

Grants receivable for the year ended December 31, 2012 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
Federal financial assistance				
AmeriCorp state grant from Louisiana Service Commission	$ 197,271	$ 848,088	$ 824,939	$ 174,122
U.S. Dept. of Housing and Urban Development - City of New Orleans	177,782	197,517	66,672	46,937
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	854,581	965,368	621,268	510,481
U.S. Dept. of Housing and Urban Development - City of New Orleans	141,495	246,722	212,062	106,835
U.S. Dept. of Housing and Urban Development - City of New Orleans	-	95,159	98,389	3,230
U.S. Dept. of Housing and Urban Development - NORA	301,339	684,623	582,725	199,441
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	37,240	27,440	190,120	199,920
U.S. Dept. of Health and Human Services	46,568	100,000	53,432	-
Total federal financial assistance	1,756,276	3,164,917	2,649,607	1,240,966
Louisiana state grants				
Metropolitan Human Services District for Louisiana Spirit Services	84,184	297,383	218,475	5,276
Other grants				
The United Way for the Greater New Orleans Area	9,000	9,000	-	-
Total	$ 1,849,460	$ 3,471,300	$ 2,868,082	$ 1,246,242

6) Investments

Investments are carried at fair value and consist of the following at December 31, 2013:

	2013	
	Costs	Fair Value
Equity securities	$ 30,632	$ 74,712

A summary of return on investments consists of the following for the year ended December 31, 2013:

	2013
Interest and dividends	$ 15
Net unrealized gain	5,065
Total return	$ 5,080

7) Line of credit

The Organization has a $250,000 unsecured line of credit with a bank for its working capital needs. The interest rate on the line is 4.5%. The balance at December 31, 2013 and 2012 was $-0- and $96,206, respectively.

8) Long-term debt

Long-term debt at December 31, 2013 and 2012 consists of the following:

	2013	2012
Notes payable to two grantors with interest at a rate of 2%, secured by the assets of the organization. The notes mature at various dates through February 2015.	$ 739,051	$ 125,000
Notes payable to various banks with interest at a rate of 2% to 5.5%, secured by the assets of the organization, due in full at maturity. The notes mature at varous dates through September 28, 2014.	273,616	78,629
Total long-term debt	1,012,667	203,629
Less current portion	887,667	78,629
Long-term debt, less current portion	$ 125,000	$ 125,000

8) Long-term debt (continued)

The maturities of long-term debt are as follows:

2014	$	887,667
2015		125,000

9) Restrictions on net assets

Temporarily restricted net assets are available for the following programs:

	2013	2012
Rebuild New York	$ 209,005	$ -
Rebuild Joplin	314,435	205,040
Total temporarily restricted assets	$ 523,440	$ 205,040

10) Operating leases

The Organization leases office space for its headquarters and warehouse space. The leases expired at various dates through April 2013 and are now on a month to month basis. Total rent expense, which is included in occupancy expense; under the leases was $39,450 and $39,450 for the years ended December 31, 2013 and 2012, respectively.

The Organization leases office space for its Joplin location. The lease expires in September 2014. Total rent expense, which is included in occupancy expense; under the lease was $24,129 for the year ended December 31, 2013.

Future minimum rental payments under the lease is as follows:

2014	$24,615

11) Fair value measurement

Financial Accounting Standards Board Accounting Standards Codification 820-10, *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 l measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 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;

11) Fair value measurement (continued)

- 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 following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2013:

	Total Fair Value Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 74,712	$ 74,712	$ -	$ -
Total	$ 74,712	$ 74,712	$ -	$ -

12) Economic dependence

In 2013, the Organization received approximately 39% of its revenue from federal, state and other grants and 23% from contributions. Another 29% of the Organization's revenue was volunteer labor that was contributed in 2013.

In 2012, the Organization received approximately 37% of its revenue from federal, state and other grants and 31% from contributions. Another 22% of the Organization's revenue was volunteer labor that was contributed in 2012.

13) Major vendors

In 2012, purchases from one vendor accounted for 18% of total expenses.

14) Supplementary disclosures of cash flows information

Cash paid during the year for:

	2013	2012
Interest	$ 17,894	$ 3,306

14) Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

15) Subsequent events

Management has evaluated subsequent events through June 25, 2014, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

OMB CIRCULAR A-133 COMPLIANCE AND GOVERNMENT AUDITING STANDARD REPORTS

CLIFTON W. NEWLIN
ROBERT D. WATKINS
EDWARD G. BERBUESSE, JR.
JON S. FOLSE

WEGMANN DAZET & COMPANY

MARK D. BOHNET
LISA D. ENGLADE
KERNEY F. CRAFT, JR.
JONATHAN P. KOENIG

JOHN D. WHITE

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.
Chalmette, 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 The St. Bernard Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The St. Bernard Project, 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 The St. Bernard Project, 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 The St. Bernard Project, Inc.'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

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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 Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
June 25, 2014

Wegmann Dazet + Company

Clifton W. Newlin
Robert D. Watkins
Edward G. Berbuesse, Jr.
Jon S. Folse

Wegmann Dazet & Company

Mark D. Bohnet
Lisa D. Englade
Kerney F. Craft, Jr.
Jonathan P. Koenig

John D. White

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
The St. Bernard Project, Inc.
Chalmette, Louisiana

Report on Compliance for Each Major Federal Program

We have audited The St. Bernard Project, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The St. Bernard Project, Inc.'s major federal programs for the year ended December 31, 2013. The St. Bernard Project, Inc.'s major federal programs are identified in the summary of auditor's 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 The St. Bernard Project, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 The St. Bernard Project, 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 The St. Bernard Project, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The St. Bernard Project, 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, 2013.

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Report on Internal Control over Compliance

Management of The St. Bernard Project, 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 The St. Bernard Project, 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 OMB Circular A-133, 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 The St. Bernard Project, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana
June 25, 2014

Wegmann Dazet + Company

THE ST. BERNARD PROJECT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Louisiana Service Commission		
ARRA – AmeriCorp Grant	94.006	$1,631,631
U.S. Department of Housing and Urban Development		
Office of Community Planning and Development	14.252	47,309
Passed through the Louisiana Housing Finance Agency		
Nonprofit Rebuilding Pilot Program	14.228	904,028
Passed through the New Orleans Redevelopment Program		
ARRA - Neighborhood Stabilization Program 2	14.256	254,959
Passed through the City of New Orleans		
HOME Investment Partnerships Act	14.239	848,969
Total Expenditures of Federal Awards		$3,686,896

See accompanying notes to Schedule of Expenditures of Federal Awards.

Note 1 General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of The St. Bernard Project, Inc. The reporting entity is defined in Note 1 to The St. Bernard Project, Inc.'s 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." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3 Risk-based audit approach

The dollar threshold used to distinguish between Type A and Type B programs is $300,000. The Organization does not qualify as a low-risk auditee.

Note 4 Possible ineligible, disallowed and questioned costs

The St. Bernard Project, 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 The St. Bernard Project, Inc. The determination of whether any instances of noncompliance that will ultimately result in remittance by The St. Bernard Project, Inc. of any ineligible or disallowed costs cannot be presently determined.

THE ST. BERNARD PROJECT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

We have audited the basic financial statements of The St. Bernard Project, Inc. as of and for the year ended December 31, 2013, and have issued our report thereon dated June 25, 2014. 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 financial statements as of December 31, 2013 resulted in an unmodified opinion.

SUMMARY OF THE AUDITORS' RESULTS

1. Type of report issued on the 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 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: **No**.
7. Major programs for the fiscal year ended December 31, 2013 were:

Louisiana Service Commission	
AmeriCorp	(CFDA #94.006)
U.S Department of Housing and Urban Development	
Nonprofit Rebuilding Pilot Program	(CFDA #14.228)
HOME Investment Partnerships Act	(CFDA #14.239)

8. Dollar threshold used to distinguish between Type A and Type B programs: **$300,000**.
9. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **No**.
10. A management letter was issued: **No**.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended December 31, 2013.

SCHEDULE OF FINDIINGS 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.