



THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020



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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

Opinion

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, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SBP, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of SBP, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SBP, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SBP, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SBP, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated 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*, and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and is not a required part of the consolidated 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, 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.

Metairie, Louisiana
June 30, 2022

Wegmann Bazet

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,425,669	\$ 9,441,010
Investments - current	3,637,596	3,457,057
Accounts receivable	3,319,038	3,826,744
Grants receivable - other	1,456,656	524,896
Grants receivable - federal	2,291,095	1,707,687
Construction in process	3,492,986	1,623,798
Real estate held for sale	70,680	70,680
Due from related party	22,847	310,968
Other current assets	274,417	405,542
Total current assets	25,990,984	21,368,382
Investments - noncurrent	3,987,296	2,019,000
Property and equipment, at cost less accumulated depreciation	5,610,820	5,986,195
Notes receivable - promissory notes	49,819	85,210
Notes receivable - related party	-	2,122,500
Notes receivable	4,823,500	4,823,500
Development partnership investment	1,100,000	1,100,000
Deposits	6,100	33,200
Total assets	\$ 41,568,519	\$ 37,537,987
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 722,064	\$ 739,454
Accrued payroll and related liabilities	465,701	499,162
Deferred revenue	800,000	75,000
Due to related party	221,762	138,741
Current portion of long-term debt	3,026,000	1,369,900
Total current liabilities	5,235,527	2,822,257
Long-term debt, less current portion and unamortized issuance costs	4,815,389	8,212,580
Other long-term liabilities	22,000	-
Total liabilities	10,072,916	11,034,837
NET ASSETS		
Without donor restrictions	25,494,895	20,854,797
With donor purpose restrictions	6,000,708	5,648,353
Total net assets	31,495,603	26,503,150
Total liabilities and net assets	\$ 41,568,519	\$ 37,537,987

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 4,144,383	\$ 3,511,338	\$ 7,655,721
Grants	10,895,769	15,256,681	26,152,450
Property management fees	103,596	-	103,596
Homeowner funding	69,434	364,917	434,351
Sale of properties	550,400	-	550,400
Opportunity housing income	103,970	-	103,970
Vendor incentives	86,414	-	86,414
Interest income	253,897	-	253,897
Realized and unrealized loss on investments	(92,403)	-	(92,403)
Gain on sale of assets	187,730	-	187,730
Developers fees	360,000	-	360,000
PPP loan forgiveness	1,764,200	-	1,764,200
Other income	276,845	5,070	281,915
Net assets released from restrictions	<u>18,785,651</u>	<u>(18,785,651)</u>	<u>-</u>
Total revenues	<u>37,489,886</u>	<u>352,355</u>	<u>37,842,241</u>
Expenses			
Program services			
Rebuilding	25,080,579	-	25,080,579
Opportunity housing	1,271,963	-	1,271,963
Disaster resilience and recovery lab	2,136,837	-	2,136,837
Supporting services			
General and administrative	3,894,722	-	3,894,722
Fundraising	<u>465,687</u>	<u>-</u>	<u>465,687</u>
Total expenses	<u>32,849,788</u>	<u>-</u>	<u>32,849,788</u>
Change in net assets	4,640,098	352,355	4,992,453
Net assets			
Beginning of year	<u>20,854,797</u>	<u>5,648,353</u>	<u>26,503,150</u>
End of year	<u>\$ 25,494,895</u>	<u>\$ 6,000,708</u>	<u>\$ 31,495,603</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 4,831,078	\$ 1,849,553	\$ 6,680,631
Grants	13,766,567	12,402,436	26,169,003
Property management fees	131,250	23,574	154,824
Homeowner funding	64,393	157,537	221,930
Sale of properties	1,185,000	-	1,185,000
Opportunity housing income	106,478	-	106,478
Vendor incentives	133,302	-	133,302
Interest income	281,583	-	281,583
Realized and unrealized loss on investments	(41,432)	-	(41,432)
Gain on sale of assets	20,356	-	20,356
Other income	2,530	21,547	24,077
Net assets released from restrictions	<u>16,002,538</u>	<u>(16,002,538)</u>	<u>-</u>
Total revenues	<u>36,483,643</u>	<u>(1,547,891)</u>	<u>34,935,752</u>
Expenses			
Program services			
Rebuilding	24,010,796	-	24,010,796
Opportunity housing	1,302,250	-	1,302,250
Disaster resilience and recovery lab	4,488,916	-	4,488,916
Supporting services			
General and administrative	1,539,399	-	1,539,399
Fundraising	<u>429,558</u>	<u>-</u>	<u>429,558</u>
Total expenses	<u>31,770,919</u>	<u>-</u>	<u>31,770,919</u>
Change in net assets	4,712,724	(1,547,891)	3,164,833
Net assets			
Beginning of year	<u>16,142,073</u>	<u>7,196,244</u>	<u>23,338,317</u>
End of year	<u>\$ 20,854,797</u>	<u>\$ 5,648,353</u>	<u>\$ 26,503,150</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, 2021

	Program Services			Supporting Services		Total Expenses
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	
Advertising	\$ 27,662	\$ 594	\$ 7,069	\$ 1,040	\$ 268	\$ 36,633
Bad debt writeoff	166,931	1,795	-	1,533	2,122,500	2,292,759
Building maintenance and repairs	22,852	325	-	10	6,810	29,997
Construction	13,662,938	2,300,747	13,387	101	112	15,977,285
Construction WIP	(225,660)	(2,168,288)	-	-	-	(2,393,948)
Contract services	859,574	141,007	212,351	-	231,542	1,444,474
Cost of property sold	-	654,538	-	-	-	654,538
Depreciation expense	62,557	30,434	-	-	130,012	223,003
Dues and subscriptions	3,123	49	1,980	538	11,336	17,026
Education and seminars	-	1,440	4,405	1,995	-	7,840
Forgivable promissory note	-	35,390	-	-	-	35,390
Fundraising expenses	669	-	22,513	3,272	116	26,570
Grants and awards expenses	2,612,691	-	-	6,173	-	2,618,864
Information tech	41,294	2,351	26,352	2,398	33,530	105,925
In-kind labor	288,569	-	-	-	-	288,569
Insurance	1,456,046	80,814	84,555	21,115	118,776	1,761,306
Interest expense	19,816	685	38,397	6,171	146,254	211,323
Miscellaneous expenses	52,985	18,606	35,436	5,953	55,161	168,141
Office rent	209,787	15,664	35,258	-	-	260,709
Office supplies	35,902	1,185	2,774	1,142	1,770	42,773
Payroll - direct	5,252,947	148,349	1,286,147	362,590	937,730	7,987,763
Postage and mailing service	15,082	547	964	2,159	3,079	21,831
Printing	18,381	1,773	19,262	6,729	601	46,746
Professional services	-	-	-	-	2,068	2,068
Signature support	2,194	-	583	-	-	2,777
Software licenses and fees	18,789	637	116,196	33,685	43,834	213,141
Special events	4,579	-	8,555	592	4,206	17,932
Travel and meetings	368,160	2,163	217,104	8,440	22,780	618,647
Utilities	56,022	1,158	-	51	21,416	78,647
Vehicle expenses	46,689	-	3,549	-	821	51,059
Total expenses	<u>\$ 25,080,579</u>	<u>\$ 1,271,963</u>	<u>\$ 2,136,837</u>	<u>\$ 465,687</u>	<u>\$ 3,894,722</u>	<u>\$ 32,849,788</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, 2020

	Program Services			Supporting Services		Total Expenses
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	
Advertising	\$ 18,560	\$ -	\$ 36,388	\$ -	\$ -	\$ 54,948
Bad debt writeoff	491,593	6,971	-	-	-	498,564
Building maintenance and repairs	44,844	272	13,467	-	15,106	73,689
Business expense	1,253	-	-	-	-	1,253
Construction	10,732,371	616,833	2,375	-	141	11,351,720
Construction WIP	(226,430)	(950,707)	-	-	-	(1,177,137)
Contract services	909,328	97,493	288,360	118,151	73,698	1,487,030
Cost of property sold	-	1,174,935	-	-	-	1,174,935
Depreciation expense	146,773	30,434	-	-	130,012	307,219
Disaster deployment	2,211	-	-	-	-	2,211
Dues and subscriptions	12,191	499	7,685	127	11,392	31,894
Education and seminars	6,953	-	194	-	69	7,216
Fogiveable promissory note	-	46,882	-	-	-	46,882
Fundraising expenses	3,834	-	2,102	868	45	6,849
Grants and awards expenses	2,020,853	52,469	1,976,923	13,539	2,123	4,065,907
Information tech	46,314	1,577	26,908	671	3,989	79,459
In-kind labor	930,618	123,177	-	-	-	1,053,795
Insurance	2,316,780	29,448	37,702	7,047	134,263	2,525,240
Interest expense	-	6,102	82,441	-	128,119	216,662
Miscellaneous expenses	85,454	1,032	78,413	2,258	37,640	204,797
Office rent	177,560	-	196,019	-	-	373,579
Office supplies	26,668	951	6,712	1,850	2,635	38,816
Payroll - direct	5,953,045	58,838	1,524,572	238,917	955,408	8,730,780
Postage and mailing service	8,187	-	2,942	1,738	1,482	14,349
Printing	12,697	685	8,513	2,242	495	24,632
Professional services	5,000	-	-	-	4,613	9,613
Signature support	18,509	-	310	14	-	18,833
Software licenses and fees	77,644	13	124,150	38,278	6,299	246,384
Special events	10,753	1,177	3,494	824	1,795	18,043
Travel and meetings	82,997	2,154	69,246	2,983	3,313	160,693
Utilities	50,250	1,015	-	51	24,515	75,831
Vehicle expenses	43,986	-	-	-	2,247	46,233
Total expenses	<u>\$ 24,010,796</u>	<u>\$ 1,302,250</u>	<u>\$ 4,488,916</u>	<u>\$ 429,558</u>	<u>\$ 1,539,399</u>	<u>\$ 31,770,919</u>

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,992,453	\$ 3,164,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	223,003	307,219
Amortization of debt issuance costs	23,109	23,109
Forgiveness of note payable - Paycheck Protection Program	(1,764,200)	-
Reductions made to notes receivable - promissory notes	35,390	46,882
Gain on disposal of assets	(187,730)	(20,356)
Reserve for expected forgiveness of related party note receivable	2,122,500	-
Realized and unrealized loss on investments	92,403	41,432
(Increase) decrease in operating assets:		
Accounts receivable	507,706	(1,262,040)
Grants receivable	(1,515,168)	3,063,772
Other current assets	131,125	69,445
Due from related party	288,121	232,853
Deposits	49,100	125,161
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(17,389)	(712,459)
Accrued payroll and related liabilities	(33,461)	341,959
Deferred revenue	725,000	(25,000)
Due to related party	83,021	(195,435)
Net cash provided by operating activities	<u>5,754,983</u>	<u>5,201,375</u>
Cash flows from investing activities:		
Proceeds from disposal of assets	310,255	20,402
Construction in process	(1,869,188)	246,187
Purchase of property and equipment	29,847	-
Purchase of investments	(12,596,936)	(8,111,701)
Proceeds from sale of investments	10,355,698	7,255,757
Development partnership investment	-	(500,000)
Net cash used by investing activities	<u>(3,770,324)</u>	<u>(1,089,355)</u>
Cash flows from financing activities:		
Advance on note payable - Paycheck Protection Program	-	1,764,200
Repayments of line of credit	-	(262,280)
Net cash provided by financing activities	<u>-</u>	<u>1,501,920</u>
Net increase in cash	1,984,659	5,613,940
Cash and cash equivalents at beginning of year	<u>9,441,010</u>	<u>3,827,070</u>
Cash and cash equivalents at end of year	<u>\$ 11,425,669</u>	<u>\$ 9,441,010</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, 2021 and 2020

1) Nature of activities

The St. Bernard Project, Inc. d/b/a SBP, Inc. (SBP, Inc.) is a non-profit organization established to shrink the time between disaster and recovery. 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 an 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.

SBP St. Peter Developer, LLC is a Louisiana limited liability company, owned 100% by SBP, Inc. which entered into a developer service agreement on June 1, 2017, with SBP St. Peter, LLC, a non-consolidated Louisiana limited liability company, to provide services related to the 50-unit apartment project located in New Orleans, Louisiana and commonly known as "SBP St. Peter Apartments".

SBP L9 Developer, LLC is a Louisiana limited liability company, owned 100% by SBP, Inc. which entered into a developer service agreement on June 1, 2017, with SBP L9, LLC, a non-consolidated Louisiana limited liability company, to provide services related to the 60-unit, or 30 duplexes, scattered-site project located in New Orleans, Louisiana and commonly known as "St. Claude Gardens".

The accompanying consolidated financial statements present the consolidated statements of financial position, changes in net assets and cash flows of The St. Bernard Project, Inc., Toulouse Commercial, Inc., SBP L9 Developer, LLC and SBP St. Peter Developer, LLC (together referred to as the "Organization"). All significant inter-company accounts and transactions have been eliminated.

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 consolidated 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 two classifications – without donor restrictions and with donor restrictions based on the existence or absence of donor imposed restrictions.

The Organization reports gifts of cash and other assets as with donor restrictions when 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 net assets without donor restrictions.

(c) Revenue recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

2) Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal, state and local contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Revenue from rental agreements with tenants is recognized as earned in accordance with ASC 840, *Leases*. 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 and bonds 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 maturity dates later than 2022 are classified as long-term.

(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 tenants or donors to make 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 \$-0- and \$94,338 as of December 31, 2021 and 2020, 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
Real estate held for rental	39 years
Equipment	5 years
Vehicles	5 years

(h) 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.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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) 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.

(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.

SBP L9 Developer, LLC and SBP St. Peter Developer, LLC are both disregarded entities for income tax purpose. SBP, Inc. is the sole member of both entities.

The Organization has 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.

Program and supporting expenses, when specifically identifiable, are classified to the function which incurred the expense. Expenses allocated using management's estimate of time include payroll, employee benefits and retirement plan expenses. Expenses allocated using management's estimate of usage include professional services, certain insurance, and depreciation and amortization.

(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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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2) Summary of significant accounting policies (continued)

(o) Impairment of long-lived assets

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The Organization did not recognize any impairment losses in 2021 or 2020 related to assets held for use or sale.

(p) 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 up to certain limits. The Organization may at times have amounts in excess of these insured 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.

(q) Donated services

The Organization's policy is to recognize donations of in-kind services as revenue at fair value in the period such contributions are made. 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, 2021 and 2020 was \$288,569 and \$1,053,795, respectively.

(r) 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. The estimated value of the donated goods for the years ended December 31, 2021 and 2020 was \$794,699 and \$2,121,580, respectively.

(s) 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, 2021 and 2020. Accumulated amortization totaled \$150,209 and \$127,100 as of December 31, 2021 and 2020, respectively.

(t) New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statements of financial position as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021. The Organization is currently assessing the impact of this pronouncement on its consolidated financial statements.

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2) Summary of significant accounting policies (continued)

(t) New accounting pronouncements (continued)

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This accounting standard improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. The standard is effective for annual periods beginning after December 15, 2021. SBP, Inc. is currently assessing the impact of this pronouncement on its consolidated financial statements.

(u) Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations are not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(v) Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current presentation. Total net assets and net income are unchanged due to these reclassifications.

3) Grants receivable

SBP, Inc. was awarded various grants through federal, state and other agencies. Most of the grants are considered to be exchange transactions. Balances due from the grants at year end are included in grants receivable. Grants receivable of state and other agencies for the years ended December 31, 2021 and 2020 was \$1,456,656 and \$524,896, respectively. Federal financial assistance included in grants receivable at year end is as follows:

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3) Grants receivable (continued)

	2021			
	Due from grant at beginning of year	Grant receipts	Grant expenditures	Due from grant at end of year
AmeriCorp National Grant	\$ 400,036	\$(2,902,959)	\$3,116,295	\$ 613,373
U.S. Department of HUD				
City of New Orleans (\$875k)	174,177	(175,997)	1,820	-
City of New Orleans (\$375k)	190,415	-	184,585	375,000
City of New Orleans (Sub Rehab)	66,858	-	351,329	418,187
New York	619,176	(931,214)	493,155	181,117
County of Richland	222,804	(222,804)	667	667
City of Columbia	-	(489,679)	1,124,644	634,964
HUD – VHRMP 2019	-	-	57,713	57,713
HUD – VHRMP 2020	-	-	10,074	10,074
City of Baton Rouge	34,221	(34,221)	-	-
Total federal assistance	<u>\$1,707,687</u>	<u>\$(4,756,874)</u>	<u>\$5,340,282</u>	<u>\$2,291,095</u>
	2020			
	Due from grant at beginning of year	Grant receipts	Grant expenditures	Due from grant at end of year
AmeriCorp National Grant	\$ 350,830	\$(4,009,583)	\$4,058,789	\$ 400,036
U.S. Department of HUD				
City of New Orleans (\$1M)	2,489	(2,489)	-	-
City of New Orleans (NORA)	270,000	(270,000)	-	-
City of New Orleans (\$875k)	173,265	-	912	174,177
City of New Orleans (\$375k)	5,000	-	185,415	190,415
City of New Orleans (Sub Rehab)	-	-	66,858	66,858
New York	1,936,524	(2,716,447)	1,399,099	619,176
County of Lexington	111,635	(114,255)	2,620	-
County of Richland	117,506	(146,996)	252,294	222,804
City of Baton Rouge	25,817	-	8,404	34,221
Total federal assistance	<u>\$2,993,066</u>	<u>\$(7,259,770)</u>	<u>\$5,974,391</u>	<u>\$1,707,687</u>

4) Investments and fair value measurement

Investments are the only assets measured at fair value on a recurring basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1—Quoted prices in active markets for identical assets.

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4) Investments and fair value measurement (continued)

Level 2—Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3—Unobservable inputs that reflect management’s assumptions and best estimates based on available data.

The Organization uses Level 1 measurements whenever possible, as they result in the most reliable measure of fair value. Investments are measured at fair value in the consolidated statements of financial position. Investment income and gains restricted by donors are reported as increases in net assets free of donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized. There were no changes in the valuation techniques during the year.

The Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. The Organization uses the following ways to determine the fair value of its investments:

Corporate and government bonds: Determined by the closing bid price on the last business day of the fiscal year if actively traded.

U.S. treasury securities and equity securities: Determined on quoted market prices in active markets.

Investments consist of the following at December 31, 2021:

	<u>Level 1</u>
Equity securities	\$ 533,392
U.S. treasury securities	202,204
U.S. government bonds	537,276
Corporate bonds	6,352,020
	<u>\$ 7,624,892</u>

Investments consist of the following at December 31, 2020:

	<u>Level 1</u>
Equity securities	\$ 154,544
U.S. treasury securities	455,469
U.S. government bonds	385,815
Corporate bonds	4,480,229
	<u>\$ 5,476,057</u>

A summary of return on investments consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 159,767	\$ 161,030
Realized and unrealized (loss) income	<u>(92,403)</u>	<u>(41,432)</u>
Total return	<u>\$ 67,364</u>	<u>\$ 119,598</u>

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5) Property and equipment

Property and equipment is summarized as follows:

	2021	2020
Land	\$ 1,080,000	\$ 1,080,000
Building	4,206,509	4,198,759
Equipment	115,511	85,664
Real estate held for rental	1,138,885	1,268,662
Vehicles	316,196	708,346
Total cost	6,857,101	7,341,431
Less: accumulated depreciation	(1,246,281)	(1,355,236)
Property and equipment, net	<u>\$ 5,610,820</u>	<u>\$ 5,986,195</u>

6) Notes receivable - promissory notes

The Organization has various notes receivable totaling \$49,819 and \$85,210 in connection with the sale of various properties as of December 31, 2021 and 2020, 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, 2021 or 2020.

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 \$35,390 and \$46,882 was written off in 2021 and 2020, respectively.

7) Notes receivable

As part of a New Markets Tax Credit transaction, SBP, Inc. entered into an agreement on January 16, 2014 to lend FNBC NMTC Hybrid Fund, LLC ("NMTC, LLC"), \$2,122,500 in the form of a subordinate loan note. NMTC, LLC then loaned these funds to SPB Real Estate, Inc, which is a related party of the organization as further discussed in Note 19. The note receivable accrues interest at a rate of 1.41% and interest is paid quarterly. Interest earned and received on the loan was approximately \$-0- and \$22,500 as of December 31, 2021 and 2020, respectively. On October 23, 2020, NMTC, LLC exercised its redemption and assignment option transferring its note receivable due from SBP Real Estate, Inc. over to SBP, Inc. Accordingly, the balance of this note receivable is presented as notes receivable – related party. The outstanding principal as of December 31, 2021 and 2020 was \$2,122,500. During 2021, the balance of this note receivable was fully reserved in anticipation that the note receivable will be forgiven.

SBP, Inc. entered into an agreement on June 30, 2015, as part of a New Markets Tax Credit Transaction, to lend Toulouse Investment Fund, LLC, \$4,823,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2021 and 2020 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, 2021 and 2020 was approximately \$97,500 per year.

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8) Liquidity and availability

Financial assets available for general expenditure without donor or other restrictions limiting their use within the coming year comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 11,425,669
Investments - current	3,637,596
Accounts receivable	3,319,038
Grants receivable - other	1,456,656
Grants receivable - federal	2,291,095
Less with donor restrictions for a specific purpose	<u>(6,000,708)</u>
Financial assets available for general expenditure	<u>\$ 16,129,346</u>

This amount is approximately 49% of the total expenditures for 2021, so the Organization should have the ability to conduct its activities at a similar level for the coming year even if revenues decline.

9) Commitments and contingencies

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between Toulouse Commercial, Inc. and a bank. The notes payable balance related to the New Market Tax Credit Indemnity Agreement was \$7,000,000 at December 31, 2021 and 2020, as disclosed in Note 15 . Any breach of the loan agreements between Toulouse Commercial, Inc. and the bank could be considered a recapture event according to the agreement. 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, 2021.

SBP, Inc. provided certain guarantees on its SBP L9 low-income housing tax credit (LIHTC) project, including payment and performance of all obligations of the developer (SBP L9 Developer, LLC) under the development agreement, payment and performance of all obligations of SBP L9 Manager, LLC under the SBP L9 operating agreement, and payment and performance of all obligations associated with the operating entity (SBP L9, LLC) to its commercial lender and government loans.

SBP, Inc. provided certain guarantees on its SBP St. Peter LIHTC project, including payment and performance of all obligations of the developer (SBP St. Peter Developer, LLC) under the development agreement, payment and performance of all obligations of SBP St. Peter GP, LLC under the SBP St. Peter operating agreement and payment and performance of all obligations associated with the operating entity (SBP St. Peter, LLC) to its commercial lender and government loans.

10) Line of credit

The Organization has an \$850,000 unsecured line of credit with a bank for its working capital needs with a maturity date of March 10, 2023. The interest rate on the line is variable, as per the agreement (3.25% at December 31, 2021).

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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 \$100,000 of assistance per property and of this total, up to \$75,000 per property is payable back to NORA. As of December 31, 2021 and 2020, SBP, Inc. had a \$180,000 and \$195,000 payable to NORA, respectively, recorded in accrued expenses.

12) New markets tax credit

Toulouse Commercial, Inc. acquired land and developed 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, Inc. must 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.

13) Development partnership investment

SBP St Peter, LLC owns, developed and operates the SBP St. Peter LIHTC Project. SBP, Inc. owns 100% of the membership interests in SBP St. Peter GP, LLC (the “St. Peter GP”). The St. Peter GP is the managing member of SBP St. Peter, LLC and owns 100% of its class of membership interests and .01% of the total equity interests of SBP St. Peter, LLC.

The other members of SBP St. Peter, LLC are Boston Financial Institutional Tax Credits XLIX, LP, as the investor member contributing the tax credit equity and owning 100% of the class of members receiving the LIHTCs and 99.9% of the equity interests of SBP St. Peter, LLC; and BFIM Special Limited Partner, Inc, which owns no equity interest in SBP St. Peter, LLC but owns 100% of its class of membership as the special member. The special member has certain administrative rights on behalf of the investor member. SBP, Inc., through the St. Peter GP, has contributed \$1,100,000 to capital of SBP St. Peter, LLC.

14) Net assets with donor restrictions

Net assets with donor purpose restrictions are available for the following programs:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Disaster Resilience & Recovery Lab	\$ -	\$ 453,979
Rebuild Bahamas	-	1,067,014
Rebuild Lake Charles	283,850	968,786
Rebuild Texas	1,790,660	3,158,574
Winter Storm Uri	198,660	-
Hurricane Ida	2,872,561	-
Kentucky Tornado	713,594	-
National Share	141,383	-
Total net assets with donor purpose restrictions	<u>\$ 6,000,708</u>	<u>\$ 5,648,353</u>

THE ST. BERNARD PROJECT, INC.
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15) Long-term debt

Long-term debt of the Organization at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
A senior note payable to a lender with interest at a rate of 5.5% with interest only payments due quarterly. Any unpaid accrued interest and principal is due at maturity, July 29, 2022. The note is secured by assets of the Organization.	\$ 1,500,000	\$ 1,500,000
A note payable to a lender with interest at a rate of 1.5% with interest only payments due quarterly. Any unpaid accrued interest and principal is due at maturity, July 2022. The note is secured by assets of the Organization.	1,500,000	1,500,000
Notes payable to a lender with interest at a rate of 1.5% with interest only payments due quarterly through June 2022. Quarterly interest and principal payments begin September 2022 through maturity in June 2050. Any unpaid accrued interest and principal is due at maturity. The notes are secured by assets of the Organization.	5,500,000	5,500,000
Note payable to a bank under the SBA's Paycheck Protection Program bearing interest at a fixed rate of 1.0% with the first six months of interest deferred. Principal and interest payments of \$98,789 are due monthly in the event this note is not forgiven. The loan matures in April 2022, is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the loan is subject to forgiveness upon the Organization's request. The Organization intends to apply for forgiveness and has recorded the transaction under FASB ASC 470, <i>Debt</i> .	-	1,764,200
Total long-term debt	8,500,000	10,264,200
Less: current portion	(3,026,000)	(1,369,900)
Less: unamortized issuance costs	(658,611)	(681,720)
Long-term debt, net	<u>\$ 4,815,389</u>	<u>\$ 8,212,580</u>

The maturities of long-term debt are as follows:

2022	\$	3,026,000
2023		39,100
2024		46,700
2025		54,500
2026		63,300
Thereafter		5,270,400

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16) 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 \$355,514 and \$345,482 for the years ended December 31, 2021 and 2020, respectively. The rent expense associated with this lease agreement has been eliminated on the consolidated statements of activities.

Future minimum rental payments, including common area maintenance rental payments, under the related party lease is as follows:

2022	\$	366,179
2023		377,165
2024		388,480
2025		400,133
2026		412,138
Thereafter		13,985,784

The Organization also leases office space for its Bahamas, New York, South Carolina, Texas, Puerto Rico, Florida and New Jersey locations. These leases expire at various dates through December 2024. Total rent expense for these leases, which is included in occupancy expense was \$132,082 and \$189,670 for the years ended December 31, 2021 and 2020, respectively.

Future minimum rental payments under the leases are as follows:

2022	\$	140,449
2023		140,681
2024		63,650

SBP, Inc. subleases office space to various other organizations. The Organization recognized \$94,874 and \$89,890 of income on these subleases for the years ended December 31, 2021 and 2020, respectively. The leases expire at various dates through December 2025.

Future minimum rental income under the leases are as follows:

2022	\$	70,225
2023		68,813
2024		70,189
2025		41,417

17) Economic dependence

In 2021, the Organization received approximately 69% of its revenue from federal, state and other grants and 17% from contributions. In 2020, the Organization received approximately 74% of its revenue from federal, state and other grants and 10% from contributions.

18) Supplementary disclosures of cash flows information

Cash paid for interest	<u>2021</u>	<u>2020</u>
	<u>\$ 188,214</u>	<u>\$ 193,553</u>

THE ST. BERNARD PROJECT, INC.
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19) Related party transactions

SBP, Inc. has an economic interest in SBP Real Estate, Inc., it does not have control. Therefore, the 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.

SBP, Inc. charges property management fees to SBP Real Estate, Inc. The property management fees totaled \$591 and \$9,054 for the years ended December 31, 2021 and 2020, respectively.

SBP, Inc. has a balance of \$22,847 and \$(138,741) due from (to) SBP Real Estate, Inc. as of December 31, 2021 and 2020, respectively. SBP, Inc. has a \$221,886 and \$704,241 balance due from SBP Real Estate, Inc. included in accounts receivable at December 31, 2021 and 2020, respectively.

SBP, Inc. has a balance of \$(221,762) and \$310,968 due (to) from SBP Peter, LLC as of December 31, 2021 and 2020, respectively.

20) Employee benefit plan

The Organization maintains a 401(k) retirement plan for the benefit of all eligible employees, whereby the employees may elect to defer compensation pursuant to a salary reduction agreement. The Organization contributes a match as described in the plan documents. For the years ended December 31, 2021 and 2020, the Organization contributed \$84,632 and \$54,855, respectively.

21) Payroll tax deferral

In response to the COVID-19 pandemic, Congress signed into law on March 27, 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act permits the deferral of payment of the Organization's portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of December 31, 2021 and 2020, the Organization had \$172,295 and \$321,372, respectively, of deferred payroll taxes, which are included in accrued payroll and related liabilities on the consolidated statements of financial position.

22) Paycheck Protection Program

During the year ended December 31, 2020 the Organization was able to participate in the Paycheck Protection Program ("PPP"). This program was designed to assist organizations with cash flow requirements necessary to maintain a healthy workforce during the COVID-19 pandemic. Under this program the Organization was able to borrow monies, up to certain amounts, to be used for payroll related costs. Loans under the PPP could be forgiven by the Federal Government if the Organization meets the forgiveness criteria outlined within the CARES Act. The Organization borrowed \$1,764,200 under the terms and conditions of the PPP during the year ended December 31, 2020, as disclosed in Note 15.

The Organization has elected to account for the PPP loan under the provisions of ASC 470, *Debt*. Under these provisions the loan is recorded as a liability and interest is accrued on the loan up until the point when the loan is forgiven. During the year ended December 31, 2021, this PPP loan was fully forgiven and the Organization recognized \$1,764,200 of debt forgiveness income.

THE ST. BERNARD PROJECT, INC.
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For the Years Ended December 31, 2021 and 2020

23) Coronavirus (COVID-19)

The COVID-19 pandemic has impacted and could further impact the Organization's operations and the operations of the Organization's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Organization's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Organization's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments.

24) Subsequent events

In April of 2022, an unwinding of the NMTC agreement discussed in Note 12 was executed. The unwinding resulted in the forgiveness of \$2,176,500 of notes payable discussed in Note 15.

The Organization has evaluated subsequent events through the date of the auditors' report, the date which the consolidated financial statements were available to be issued. Other than the preceding paragraph, there were no material subsequent events that required recognition or additional disclosure in these consolidated 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

We have audited the consolidated financial statements of SBP, Inc. as of and for the year ended December 31, 2021 and 2020, and our report thereon dated June 30, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audits were 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 are presented for purposes of additional analysis and is not a required part of the consolidated 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.

Metairie, Louisiana
June 30, 2022

Wegmann Bazet

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

December 31, 2021

	SBP, Inc.	Toulouse Commercial, Inc.	SBP St. Peter Developer, LLC	SBP L9 Developer, LLC	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS							
Current assets							
Cash and cash equivalents	\$ 10,763,761	\$ 661,908	\$ -	\$ -	\$ 11,425,669	\$ -	\$ 11,425,669
Investments - current	3,637,596	-	-	-	3,637,596	-	3,637,596
Accounts receivable	1,281,371	-	1,087,870	1,135,430	3,504,671	(185,633)	3,319,038
Grants receivable - other	1,456,656	-	-	-	1,456,656	-	1,456,656
Grants receivable - federal	2,291,095	-	-	-	2,291,095	-	2,291,095
Construction in process	3,492,986	-	-	-	3,492,986	-	3,492,986
Real estate held for sale	70,680	-	-	-	70,680	-	70,680
Due from related party	-	-	-	64,570	64,570	(41,723)	22,847
Other current assets	247,676	26,741	-	-	274,417	-	274,417
Total current assets	23,241,821	688,649	1,087,870	1,200,000	26,218,340	(227,356)	25,990,984
Investments - noncurrent	3,987,296	-	-	-	3,987,296	-	3,987,296
Property and equipment, net	1,026,997	5,436,280	-	-	6,463,277	(852,457)	5,610,820
Notes receivable - promissory notes	49,819	-	-	-	49,819	-	49,819
Notes receivable	4,823,500	-	-	-	4,823,500	-	4,823,500
Development partnership investment	1,100,000	-	-	-	1,100,000	-	1,100,000
Deposits	-	6,100	-	-	6,100	-	6,100
Total assets	\$ 34,229,433	\$ 6,131,029	\$ 1,087,870	\$ 1,200,000	\$ 42,648,332	\$ (1,079,813)	\$ 41,568,519
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	\$ 720,773	\$ 1,291	\$ -	\$ -	\$ 722,064	\$ -	\$ 722,064
Accrued payroll and related liabilities	465,701	-	-	-	465,701	-	465,701
Deferred revenue	800,000	-	-	-	800,000	-	800,000
Due to related party	410,307	38,811	-	-	449,118	(227,356)	221,762
Current portion of long-term debt	1,500,000	1,526,000	-	-	3,026,000	-	3,026,000
Total current liabilities	3,896,781	1,566,102	-	-	5,462,883	(227,356)	5,235,527
Long-term debt, less current portion and unamortized issuance costs	-	4,815,389	-	-	4,815,389	-	4,815,389
Other long-term liabilities	22,000	-	-	-	22,000	-	22,000
Total liabilities	3,918,781	6,381,491	-	-	10,300,272	(227,356)	10,072,916
NET ASSETS							
Without donor restrictions	24,309,944	(250,462)	1,087,870	1,200,000	26,347,352	(852,457)	25,494,895
With donor purpose restrictions	6,000,708	-	-	-	6,000,708	-	6,000,708
Total net assets	30,310,652	(250,462)	1,087,870	1,200,000	32,348,060	(852,457)	31,495,603
Total liabilities and net assets	\$ 34,229,433	\$ 6,131,029	\$ 1,087,870	\$ 1,200,000	\$ 42,648,332	\$ (1,079,813)	\$ 41,568,519

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

December 31, 2020

	SBP, Inc.	Toulouse Commercial, Inc.	SBP St. Peter Developer, LLC	SBP L9 Developer, LLC	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS							
Current assets							
Cash and cash equivalents	\$ 9,220,281	\$ 220,729	\$ -	\$ -	\$ 9,441,010	\$ -	\$ 9,441,010
Investments - current	3,457,057	-	-	-	3,457,057	-	3,457,057
Accounts receivable	2,190,032	261,580	1,087,870	734,475	4,273,957	(447,213)	3,826,744
Grants receivable - other	524,896	-	-	-	524,896	-	524,896
Grants receivable - federal	1,707,687	-	-	-	1,707,687	-	1,707,687
Construction in process	1,623,798	-	-	-	1,623,798	-	1,623,798
Real estate held for sale	70,680	-	-	-	70,680	-	70,680
Due from related party	330,226	(19,258)	-	105,525	416,493	(105,525)	310,968
Other current assets	340,891	64,651	-	-	405,542	-	405,542
Total current assets	<u>19,465,548</u>	<u>527,702</u>	<u>1,087,870</u>	<u>840,000</u>	<u>21,921,120</u>	<u>(552,738)</u>	<u>21,368,382</u>
Investments - noncurrent	2,019,000	-	-	-	2,019,000	-	2,019,000
Property and equipment, net	1,280,110	5,558,542	-	-	6,838,652	(852,457)	5,986,195
Notes receivable - promissory notes	85,210	-	-	-	85,210	-	85,210
Notes receivable - related party	2,122,500	-	-	-	2,122,500	-	2,122,500
Notes receivable	4,823,500	-	-	-	4,823,500	-	4,823,500
Development partnership investment	1,100,000	-	-	-	1,100,000	-	1,100,000
Deposits	27,100	6,100	-	-	33,200	-	33,200
Total assets	<u>\$ 30,922,968</u>	<u>\$ 6,092,344</u>	<u>\$ 1,087,870</u>	<u>\$ 840,000</u>	<u>\$ 38,943,182</u>	<u>\$ (1,405,195)</u>	<u>\$ 37,537,987</u>
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	\$ 998,096	\$ 2,938	\$ -	\$ -	\$ 1,001,034	\$ (261,580)	\$ 739,454
Accrued payroll and related liabilities	499,162	-	-	-	499,162	-	499,162
Deferred revenue	75,000	-	-	-	75,000	-	75,000
Due to related party	429,899	-	-	-	429,899	(291,158)	138,741
Current portion of long-term debt	1,369,900	-	-	-	1,369,900	-	1,369,900
Total current liabilities	<u>3,372,057</u>	<u>2,938</u>	<u>-</u>	<u>-</u>	<u>3,374,995</u>	<u>(552,738)</u>	<u>2,822,257</u>
Long-term debt, less current portion and unamortized issuance costs	1,894,300	6,318,280	-	-	8,212,580	-	8,212,580
Total liabilities	<u>5,266,357</u>	<u>6,321,218</u>	<u>-</u>	<u>-</u>	<u>11,587,575</u>	<u>(552,738)</u>	<u>11,034,837</u>
NET ASSETS							
Without donor restrictions	20,008,258	(228,874)	1,087,870	840,000	21,707,254	(852,457)	20,854,797
With donor purpose restrictions	5,648,353	-	-	-	5,648,353	-	5,648,353
Total net assets	<u>25,656,611</u>	<u>(228,874)</u>	<u>1,087,870</u>	<u>840,000</u>	<u>27,355,607</u>	<u>(852,457)</u>	<u>26,503,150</u>
Total liabilities and net assets	<u>\$ 30,922,968</u>	<u>\$ 6,092,344</u>	<u>\$ 1,087,870</u>	<u>\$ 840,000</u>	<u>\$ 38,943,182</u>	<u>\$ (1,405,195)</u>	<u>\$ 37,537,987</u>

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

For the Year Ended December 31, 2021

	SBP, Inc. Without Donor Restrictions	SBP, Inc. With Donor Restrictions	Toulouse Commercial, Inc. Without Donor Restrictions	SBP St. Peter Developer, LLC Without Donor Restrictions	SBP L9 Developer, LLC Without Donor Restrictions	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues								
Contributions	\$ 4,144,383	\$ 3,511,338	\$ -	\$ -	\$ -	\$ 7,655,721	\$ -	\$ 7,655,721
Grants	10,895,769	15,256,681	-	-	-	26,152,450	-	26,152,450
Property management fees	103,596	-	-	-	-	103,596	-	103,596
Homeowner funding	69,434	364,917	-	-	-	434,351	-	434,351
Sale of properties	550,400	-	-	-	-	550,400	-	550,400
Opportunity housing income	103,970	-	-	-	-	103,970	-	103,970
Vendor incentives	86,414	-	-	-	-	86,414	-	86,414
Interest income	253,897	-	-	-	-	253,897	-	253,897
Realized and unrealized loss on investments	(92,403)	-	-	-	-	(92,403)	-	(92,403)
Gain on sale of assets	187,730	-	-	-	-	187,730	-	187,730
Rental income	-	-	355,514	-	-	355,514	(355,514)	-
Developers fees	-	-	-	-	360,000	360,000	-	360,000
PPP loan forgiveness	1,764,200	-	-	-	-	1,764,200	-	1,764,200
Other income	276,845	5,070	-	-	-	281,915	-	281,915
Net assets released from restrictions	18,785,651	(18,785,651)	-	-	-	-	-	-
Total revenues	37,129,886	352,355	355,514	-	360,000	38,197,755	(355,514)	37,842,241
Expenses								
Program services								
Rebuilding	25,243,381	-	-	-	-	25,243,381	(162,802)	25,080,579
Opportunity housing	1,304,101	-	-	-	-	1,304,101	(32,138)	1,271,963
Disaster resilience and recovery lab	2,221,450	-	-	-	-	2,221,450	(84,613)	2,136,837
Supporting services								
General and administrative	3,573,750	-	377,102	-	-	3,950,852	(56,130)	3,894,722
Fundraising	485,518	-	-	-	-	485,518	(19,831)	465,687
Total expenses	32,828,200	-	377,102	-	-	33,205,302	(355,514)	32,849,788
Change in net assets	4,301,686	352,355	(21,588)	-	360,000	4,992,453	-	4,992,453
Net assets								
Beginning of year	20,008,258	5,648,353	(228,874)	1,087,870	840,000	27,355,607	(852,457)	26,503,150
End of year	\$ 24,309,944	\$ 6,000,708	\$ (250,462)	\$ 1,087,870	\$ 1,200,000	\$ 32,348,060	\$ (852,457)	\$ 31,495,603

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2020

	SBP, Inc. Without Donor Restrictions	SBP, Inc. With Donor Restrictions	Toulouse Commercial, Inc. Without Donor Restrictions	SBP St. Peter Developer, LLC Without Donor Restrictions	SBP L9 Developer, LLC Without Donor Restrictions	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues								
Contributions	\$ 4,831,078	\$ 1,849,553	\$ -	\$ -	\$ -	\$ 6,680,631	\$ -	\$ 6,680,631
Grants	13,766,567	12,402,436	-	-	-	26,169,003	-	26,169,003
Property management fees	131,250	23,574	-	-	-	154,824	-	154,824
Homeowner funding	64,393	157,537	-	-	-	221,930	-	221,930
Sale of properties	1,185,000	-	-	-	-	1,185,000	-	1,185,000
Opportunity housing income	106,478	-	-	-	-	106,478	-	106,478
Vendor incentives	133,302	-	-	-	-	133,302	-	133,302
Interest income	281,583	-	-	-	-	281,583	-	281,583
Realized and unrealized gain on investments	(41,432)	-	-	-	-	(41,432)	-	(41,432)
Gain on sale of assets	20,356	-	-	-	-	20,356	-	20,356
Rental income	-	-	345,482	-	-	345,482	(345,482)	-
Other income	2,530	21,547	-	-	-	24,077	-	24,077
Net assets released from restrictions	16,002,538	(16,002,538)	-	-	-	-	-	-
Total revenues	36,483,643	(1,547,891)	345,482	-	-	35,281,234	(345,482)	34,935,752
Expenses								
Program services								
Rebuilding	24,118,222	-	-	-	-	24,118,222	(107,426)	24,010,796
Opportunity housing	1,304,965	-	-	-	-	1,304,965	(2,715)	1,302,250
Disaster resilience and recovery lab	4,649,039	-	-	-	-	4,649,039	(160,123)	4,488,916
Supporting services								
General and administrative	1,215,555	-	381,491	-	-	1,597,046	(57,647)	1,539,399
Fundraising	447,129	-	-	-	-	447,129	(17,571)	429,558
Total expenses	31,734,910	-	381,491	-	-	32,116,401	(345,482)	31,770,919
Change in net assets	4,748,733	(1,547,891)	(36,009)	-	-	3,164,833	-	3,164,833
Net assets								
Beginning of year	15,259,525	7,196,244	(192,865)	1,087,870	840,000	24,190,774	(852,457)	23,338,317
End of year	<u>\$ 20,008,258</u>	<u>\$ 5,648,353</u>	<u>\$ (228,874)</u>	<u>\$ 1,087,870</u>	<u>\$ 840,000</u>	<u>\$ 27,355,607</u>	<u>\$ (852,457)</u>	<u>\$ 26,503,150</u>

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	SBP, Inc.						Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services			Supporting Services						
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	General & Administrative				
Advertising	\$ 27,662	\$ 594	\$ 7,069	\$ 1,040	\$ 268	\$ -	\$ 36,633	\$ -	\$ 36,633	
Bad debt writeoff	166,931	1,795	-	1,533	2,122,500	-	2,292,759	-	2,292,759	
Building maintenance and repairs	22,852	325	-	10	357	6,453	29,997	-	29,997	
Construction	13,662,938	2,300,747	13,387	101	112	-	15,977,285	-	15,977,285	
Construction WIP	(225,660)	(2,168,288)	-	-	-	-	(2,393,948)	-	(2,393,948)	
Contract services	859,574	141,007	212,351	-	215,969	15,573	1,444,474	-	1,444,474	
Cost of property sold	-	654,538	-	-	-	-	654,538	-	654,538	
Depreciation expense	62,557	30,434	-	-	-	130,012	223,003	-	223,003	
Dues and subscriptions	3,123	49	1,980	538	11,336	-	17,026	-	17,026	
Education and seminars	-	1,440	4,405	1,995	-	-	7,840	-	7,840	
Forgivable promissory note	-	35,390	-	-	-	-	35,390	-	35,390	
Fundraising expenses	669	-	22,513	3,272	116	-	26,570	-	26,570	
Grants and awards expenses	2,612,691	-	-	6,173	-	-	2,618,864	-	2,618,864	
Information tech	41,294	2,351	26,352	2,398	33,530	-	105,925	-	105,925	
In-kind labor	288,569	-	-	-	-	-	288,569	-	288,569	
Insurance	1,456,046	80,814	84,555	21,115	64,089	54,687	1,761,306	-	1,761,306	
Interest expense	19,816	685	38,397	6,171	18,134	128,120	211,323	-	211,323	
Miscellaneous expenses	52,985	18,606	35,436	5,953	32,144	23,017	168,141	-	168,141	
Office rent	372,589	47,802	119,871	19,831	56,130	-	616,223	(355,514)	260,709	
Office supplies	35,902	1,185	2,774	1,142	1,770	-	42,773	-	42,773	
Payroll - direct	5,252,947	148,349	1,286,147	362,590	937,730	-	7,987,763	-	7,987,763	
Postage and mailing service	15,082	547	964	2,159	3,079	-	21,831	-	21,831	
Printing	18,381	1,773	19,262	6,729	601	-	46,746	-	46,746	
Professional services	-	-	-	-	2,068	-	2,068	-	2,068	
Signature support	2,194	-	583	-	-	-	2,777	-	2,777	
Software licenses and fees	18,789	637	116,196	33,685	43,834	-	213,141	-	213,141	
Special events	4,579	-	8,555	592	4,206	-	17,932	-	17,932	
Travel and meetings	368,160	2,163	217,104	8,440	22,780	-	618,647	-	618,647	
Utilities	56,022	1,158	-	51	2,176	19,240	78,647	-	78,647	
Vehicle expenses	46,689	-	3,549	-	821	-	51,059	-	51,059	
Total expenses	\$ 25,243,381	\$ 1,304,101	\$ 2,221,450	\$ 485,518	\$ 3,573,750	\$ 377,102	\$ 33,205,302	\$ (355,514)	\$ 32,849,788	

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	SBP, Inc.			Toulouse Commercial, Inc.			Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services		Supporting Services						
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	General & Administrative			
Advertising	\$ 18,560	\$ -	\$ 36,388	\$ -	\$ -	\$ -	\$ 54,948	\$ -	\$ 54,948
Bad debt writeoff	491,593	6,971	-	-	-	-	498,564	-	498,564
Building maintenance and repairs	44,844	272	13,467	-	1,414	13,692	73,689	-	73,689
Business expense	1,253	-	-	-	-	-	1,253	-	1,253
Construction	10,732,371	616,833	2,375	-	141	-	11,351,720	-	11,351,720
Construction WIP	(226,430)	(950,707)	-	-	-	-	(1,177,137)	-	(1,177,137)
Contract services	909,328	97,493	288,360	118,151	60,496	13,202	1,487,030	-	1,487,030
Cost of property sold	-	1,174,935	-	-	-	-	1,174,935	-	1,174,935
Depreciation expense	146,773	30,434	-	-	-	130,012	307,219	-	307,219
Disaster deployment	2,211	-	-	-	-	-	2,211	-	2,211
Dues and subscriptions	12,191	499	7,685	127	11,392	-	31,894	-	31,894
Education and seminars	6,953	-	194	-	69	-	7,216	-	7,216
Fogiveable promissory note	-	46,882	-	-	-	-	46,882	-	46,882
Fundraising expenses	3,834	-	2,102	868	45	-	6,849	-	6,849
Grants and awards expenses	2,020,853	52,469	1,976,923	13,539	2,123	-	4,065,907	-	4,065,907
Information tech	46,314	1,577	26,908	671	3,989	-	79,459	-	79,459
In-kind labor	930,618	123,177	-	-	-	-	1,053,795	-	1,053,795
Insurance	2,316,780	29,448	37,702	7,047	80,311	53,952	2,525,240	-	2,525,240
Interest expense	-	6,102	82,441	-	-	128,119	216,662	-	216,662
Miscellaneous expenses	85,454	1,032	78,413	2,258	15,803	21,837	204,797	-	204,797
Office rent	284,986	2,715	356,142	17,571	57,647	-	719,061	(345,482)	373,579
Office supplies	26,668	951	6,712	1,850	2,635	-	38,816	-	38,816
Payroll - direct	5,953,045	58,838	1,524,572	238,917	955,408	-	8,730,780	-	8,730,780
Postage and mailing service	8,187	-	2,942	1,738	1,482	-	14,349	-	14,349
Printing	12,697	685	8,513	2,242	495	-	24,632	-	24,632
Professional services	5,000	-	-	-	4,613	-	9,613	-	9,613
Signature support	18,509	-	310	14	-	-	18,833	-	18,833
Software licenses and fees	77,644	13	124,150	38,278	6,299	-	246,384	-	246,384
Special events	10,753	1,177	3,494	824	1,795	-	18,043	-	18,043
Travel and meetings	82,997	2,154	69,246	2,983	3,313	-	160,693	-	160,693
Utilities	50,250	1,015	-	51	3,838	20,677	75,831	-	75,831
Vehicle expenses	43,986	-	-	-	2,247	-	46,233	-	46,233
Total expenses	\$ 24,118,222	\$ 1,304,965	\$ 4,649,039	\$ 447,129	\$ 1,215,555	\$ 381,491	\$ 32,116,401	\$ (345,482)	\$ 31,770,919

UNIFORM GUIDANCE COMPLIANCE AND
GOVERNMENT AUDITING STANDARDS REPORTS

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, 2021, 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 June 30, 2022.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 financial statements. 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
June 30, 2022

Wegmann Bazet

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

Opinion 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, 2021. SBP, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion

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

We are required to be independent of SBP, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of SBP, Inc.'s compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SBP, Inc.'s compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SBP, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SBP, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

Metairie, Louisiana
June 30, 2022

Wegmann Bazet

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

<u>Federal Grantor/Program Title</u>	<u>AL Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD):		
Veterans Housing Rehabilitation and Modification	14.278	\$ 67,787
Community Development Block Grants (CDBG) - Entitlement Grant Cluster:		
Passed through the County of Richland	14.218	<u>667</u>
Total CDBG Entitlement Grant Cluster		<u>667</u>
CDBG - Disaster Recovery Grants Cluster:		
Passed through the Housing Trust Fund Corporation	14.269	493,155
Passed through the City of Columbia	14.228	1,124,644
Passed through the City of New Orleans - CDBG	14.239	<u>537,734</u>
Total CDBG – Disaster Recovery Grant Cluster		<u>2,155,533</u>
Total U.S. HUD		<u>2,223,987</u>
Passed through the Corporation for National and Community Service:		
ARRA- AmeriCorp Grant	94.006	<u>3,116,295</u>
Total Expenditures of Federal Awards		<u><u>\$ 5,340,282</u></u>

See accompanying notes to the 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, 2021

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 *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, 2021

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 consolidated 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 in accordance with 2CFR 200.516(a): **No.**
7. Major programs for the fiscal year ended December 31, 2021 were:

Corporation for National and Community Service ARRA – AmeriCorp Grant	(AL #94.006)
Community Development Block Grant City of Columbia	(AL #14.228)
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, 2021.

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.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

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 consolidated 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 in accordance with 2CFR 200.516(a): **No.**
7. Major programs for the fiscal year ended December 31, 2020 were:

Corporation for National and Community Service	
ARRA – AmeriCorp Grant	(AL #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, 2020.

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 HEAD
For the Year Ended December 31, 2021

<u>Agency Head</u>	<u>Job Title</u>	<u>Purpose</u>	<u>2021</u>
Thomas Corley	Executive Director/Improvement Officer	Salary	\$ 40,798
David Durand	Executive Director	Salary	3,036
Dulcie Shepard	Executive Director	Salary	14,868
Elizabeth McCartney	Chief Operating Officer	Salary	1,716
Keith McCulloch	Chief Financial Officer	Salary	2,923

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.

STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2021

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of The St. Bernard Project, Inc.
d/b/a SBP, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. SBP, Inc. (Entity) management is responsible for those C/C areas identified in the SAUPs.

The Entity has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) Disbursements, including processing, reviewing, and approving.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) Ethics , including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity’s ethics policy.
- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Procedure Results - We performed the procedures noted above and noted no exceptions. The entity is a private non-profit and accordingly, item i) and item l) above are not applicable.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board’s enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds¹, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to*

public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

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

Procedure Results - We performed the procedures noted above and noted no exceptions. The Entity is not a governmental entity, accordingly, item c) above is not applicable.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts² (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedure Results - We performed the procedures noted above and noted no exceptions.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations³ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Procedure Results - We performed the procedures noted above and noted that some deposits selected for testing were not deposited within one business day of receipt. No other exceptions were noted.

Management’s Response – As a result of COVID a lot of employees are working remotely. This has made depositing payments within one business day a challenge. Management is working on options that may be able to improve this area.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee

job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Results - We performed the procedures noted above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing)⁴. For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3)

documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Procedure Results - We performed the procedures noted above and noted no exceptions.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure Results - We performed the procedures noted above and noted the following exceptions:

- Some reimbursements were missing itemized receipts to support the reimbursed amounts.
- Documentation of approval for reimbursement was not available for one of our selections

Management’s Response –Staff, supervisors and the accounting department will be reminded of proper procedures for travel-related reimbursements to help prevent future exceptions in this area.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Procedure Results - We performed the procedures noted above and noted no exceptions.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Procedure Results - We performed the procedures noted above and noted no exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

Procedure Results – This section is not applicable to the Entity.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Procedure Results - We performed the procedures noted above and noted no exceptions.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure Results - We performed the procedures noted above and noted no exceptions.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Procedure Results - We performed the procedures noted above and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Procedure Results – This section is not applicable to the Entity

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

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

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

Metairie, Louisiana
June 30, 2022

Wegmann Bazet