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

December 31, 2018 and 2017

CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The St. Bernard Project, Inc. d/b/a SBP, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBP, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, on our consideration of SBP, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBP, Inc.'s internal control over financial reporting and compliance.

May 15, 2019

Wegmann Dazet + Company

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

December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,437,443	$ 10,865,670
Investments	6,528,170	5,956,464
Accounts receivable	2,320,191	2,345,137
Other receivables	-	143,196
Grants receivable	3,182,792	1,177,511
Construction in process	810,505	365,914
Real estate held for sale	70,680	879,351
Other current assets	584,884	447,384
Total current assets	18,934,665	22,180,627
Property and equipment, at cost less accumulated depreciation	6,497,439	6,450,832
Notes receivable - promissory notes	198,867	274,383
Notes receivable	6,946,000	6,946,000
Deposits	7,100	7,175
Total assets	$ 32,584,071	$ 35,859,017
LIABILITIES		
Current liabilities		
Line of credit	$ 382,221	$ 40,000
Accounts payable and accrued expenses	1,050,206	625,742
Accrued payroll and related liabilities	129,418	117,653
Deferred revenue	3,635	75,000
Due to related party	563,866	702,350
Current portion of long-term debt	-	86,853
Total current liabilities	2,129,346	1,647,598
Long-term debt, less current portion and unamortized issuance costs	7,772,062	9,162,100
Total liabilities	9,901,408	10,809,698
NET ASSETS		
Without donor restrictions	12,311,305	10,433,527
With donor restrictions	10,371,358	14,615,792
Total net assets	22,682,663	25,049,319
Total liabilities and net assets	$ 32,584,071	$ 35,859,017

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 4,201,708	$ 5,567,661	$ 9,769,369
Grants	2,681,213	11,861,449	14,542,662
Property management fees	615,920	53,192	669,112
Homeowner funding	-	1,722,577	1,722,577
Sale of properties	540,000	-	540,000
Opportunity housing income	106,889	-	106,889
Vendor incentives	64,092	26,998	91,090
Other income	576,530	330	576,860
Net assets released from restrictions	23,476,641	(23,476,641)	-
Total revenues	32,262,993	(4,244,434)	28,018,559
Expenses			
Program services			
Rebuilding	25,366,911	-	25,366,911
Opportunity housing	1,223,208	-	1,223,208
Disaster resilience and recovery lab	736,798	-	736,798
Supporting services			
General and administrative	2,263,340	-	2,263,340
Fundraising	794,958	-	794,958
Total expenses	30,385,215	-	30,385,215
Change in net assets	1,877,778	(4,244,434)	(2,366,656)
Net assets			
Beginning of year	10,433,527	14,615,792	25,049,319
End of year	$ 12,311,305	$ 10,371,358	$ 22,682,663

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, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 4,059,581	$ 16,185,581	$ 20,245,162
Grants	2,393,501	7,053,961	9,447,462
Property management fees	490,707	88,605	579,312
Homeowner funding	-	1,585,480	1,585,480
Sale of properties	978,800	22,500	1,001,300
Opportunity housing income	56,148	-	56,148
Vendor incentives	106,572	-	106,572
Other income	224,970	45,682	270,652
Net assets released from restrictions	13,149,717	(13,149,717)	-
Total revenues	21,459,996	11,832,092	33,292,088
Expenses			
Program services			
Rebuilding	16,462,263	-	16,462,263
Opportunity housing	1,774,680	-	1,774,680
Disaster resilience and recovery lab	622,731	-	622,731
Supporting services			
General and administrative	1,725,095	-	1,725,095
Fundraising	438,078	-	438,078
Total expenses	21,022,847	-	21,022,847
Change in net assets	437,149	11,832,092	12,269,241
Net assets			
Beginning of year	9,996,378	2,783,700	12,780,078
End of year	$ 10,433,527	$ 14,615,792	$ 25,049,319

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, 2018

	Program Services					
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	Total Expenses
Auto	$ 24,483	$ -	$ -	$ -	$ 1,340	$ 25,823
Bad debt expense	23,490	214,933	-	-	-	238,423
Bank service charges	5,423	471	7,668	5,282	6,760	25,604
Construction	10,635,300	510,233	-	-	-	11,145,533
Depreciation	154,434	30,434	-	-	130,682	315,550
Dues and subscriptions	870	145	-	-	3,127	4,142
Employee benefits	-	-	-	-	26,008	26,008
Fundraising	11	-	-	147,167	-	147,178
Grants awarded	1,707,835	-	(80,000)	-	-	1,627,835
Information technology	18,222	655	10,053	7,374	32,019	68,323
Insurance	1,689,631	79,411	18,839	8,381	180,884	1,977,146
Interest expense	11,553	2,294	33,698	23,107	154,115	224,767
In-kind labor	5,340,098	231,987	-	-	-	5,572,085
Licenses and permits	49,947	22,728	3,978	1,339	136,721	214,713
Marketing	38,261	442	46,652	20,370	3,713	109,438
Office supplies	48,487	2,207	41,495	11,313	9,667	113,169
Other expense	148,583	6,063	29,254	(19,224)	73,371	238,047
Occupancy	323,122	6,326	2,779	2,365	59,727	394,319
Payroll taxes	380,745	4,903	22,599	24,932	92,800	525,979
Postage and delivery	23,495	1,030	-	2,432	4,511	31,468
Program expense	-	-	4,119	-	-	4,119
Professional services	137,559	24,421	102,915	168,825	149,378	583,098
Property tax	-	-	-	-	6,256	6,256
Repairs and maintenance	13,680	23,125	3	56	18,397	55,261
Salaries	4,162,251	59,359	334,589	348,248	1,070,889	5,975,336
Seminars	41,852	550	-	316	4,533	47,251
Travel	213,465	108	157,504	41,624	76,753	489,454
Workers comp insurance	174,114	1,383	653	1,051	21,689	198,890
Total expenses	$ 25,366,911	$ 1,223,208	$ 736,798	$ 794,958	$ 2,263,340	$ 30,385,215

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, 2017

	Program Services					
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	Total Expenses
Auto	$ 7,206	$ -	$ -	$ -	$ 413	$ 7,619
Bad debt expense	61,667	172,231	-	-	-	233,898
Bank service charges	15,479	75	750	5,410	2,358	24,072
Construction	6,179,215	1,471,143	-	-	79,464	7,729,822
Depreciation	135,785	22,182	1,232	-	126,934	286,133
Employee benefits	-	-	-	-	8,444	8,444
Fundraising	-	-	-	29,960	-	29,960
Grants awarded	456,220	-	4,559	45,400	-	506,179
Information technology	8,039	-	-	-	5,674	13,713
Insurance	1,231,946	27,965	20,129	(4,530)	67,856	1,343,366
Interest expense	93,375	10,644	-	-	142,926	246,945
In-kind labor	4,279,339	-	-	-	-	4,279,339
Licenses and permits	69,326	23,915	2,519	17,283	2,172	115,215
Marketing	75,137	100	50,194	217	90	125,738
Office supplies	37,241	560	7,877	3,013	3,408	52,099
Other expense	237,317	7,562	3,264	2,563	1,054	251,760
Occupancy	163,985	-	411	-	30,712	195,108
Payroll taxes	233,332	2,915	32,814	14,394	77,874	361,329
Postage and delivery	18,152	7	-	2,269	729	21,157
Program expense	-	-	4,807	-	-	4,807
Professional services	225,684	1,029	7,057	61,737	164,913	460,420
Repairs and maintenance	7,127	-	-	-	15,486	22,613
Salaries	2,498,853	33,477	439,742	238,100	930,484	4,140,656
Seminars	36,624	-	-	21	568	37,213
Travel	261,185	116	45,681	21,507	38,651	367,140
Workers comp insurance	130,029	759	1,695	734	24,885	158,102
Total expenses	$ 16,462,263	$ 1,774,680	$ 622,731	$ 438,078	$ 1,725,095	$ 21,022,847

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (2,366,656)	$ 12,269,241
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	315,550	286,134
Deferred loan costs	23,109	23,109
Donated vehicles and furniture included in contributions	(3,000)	(144,594)
Forgiveness of debt	-	(125,000)
(Gain) loss on disposal of assets	(7,464)	-
(Increase) decrease in operating assets:		
Accounts receivable	24,946	182,123
Other receivables	143,196	1,198
Grants receivable	(2,005,281)	(84,887)
Construction in process	(126,432)	1,164,820
Real estate held for rental	-	(226,915)
Real estate held for sale	172,354	(247,973)
Other current assets	(137,500)	(20,147)
Deposits	75	400
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	424,463	(27,617)
Accrued payroll and related liabilities	11,765	(19,392)
Deferred revenue	(71,365)	(118,750)
Due to related party	(138,484)	66,451
Net cash (used) provided by operating activities	(3,740,724)	12,978,201
Cash flows from investing activities:		
Advances on notes receivable - promissory notes	75,516	184,531
Proceeds from disposal of assets	20,153	-
Purchase of property and equipment	(53,687)	(89,497)
Purchase of investments	(5,000,000)	(6,000,000)
Proceeds from sale of investments	4,428,294	69,728
Net cash used by investing activities	(529,724)	(5,835,238)
Cash flows from financing activities:		
Borrowings under line of credit	382,221	-
Repayments of line of credit	(40,000)	(60,000)
Repayments of long-term debt	(1,500,000)	-
Net cash used by financing activities	(1,157,779)	(60,000)
Net (decrease) increase in cash	(5,428,227)	7,082,963
Cash and cash equivalents at beginning of year	10,865,670	3,782,707
Cash and cash equivalents at end of year	$ 5,437,443	$ 10,865,670

See accompanying Notes to Consolidated Financial Statements.

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 Opportunity Housing Program.

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

2) Summary of significant accounting policies

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

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

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

(b) Basis of presentation
Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958, *Financial Statements for Not-for-Profit Entities*, requires the net assets and changes in net assets be reported for 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 if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to net assets without donor restrictions.

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

2) Summary of significant accounting policies (continued)

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

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

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

An allowance for uncollectible accounts has been maintained for estimated losses resulting from the inability of its customers to make required payments. The Organization's estimate for the allowance for doubtful accounts is based on a review of the current accounts receivable. Accounts receivable is presented net of an allowance for doubtful accounts of $24,413 and $123,634 as of December 31, 2018 and 2017, respectively.

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

	Useful Lives
Building	39 years
Real Estate Held for Rental	39 years
Equipment	5 years
Vehicles	5 years

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

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

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

2) Summary of significant accounting policies (continued)

(k) Income taxes

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

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

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

(l) Functional expenses

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

(m) Fundraising

All expenses associated with fundraising events are expensed as incurred.

(n) Use of estimates

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

(o) Concentrations of credit risk

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

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

(p) Donated services

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

The Organization received volunteer help to renovate homes destroyed by natural disasters. The estimated value of the contributed services for the years ended December 31, 2018 and 2017 was $5,572,000 and $4,673,000, respectively.

2) Summary of significant accounting policies (continued)

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

(r) Financing and loan acquisition costs
Certain costs related to the New Market Tax Credit Financing Commitment have been capitalized and are being amortized over the estimated life of the related note payable. Financing and loan acquisition costs totaled $808,820 as of December 31, 2018 and 2017. Accumulated amortization totaled $80,882 and $57,773 as of December 31, 2018 and 2017, respectively.

(s) 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 balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019. The Organization is currently assessing the impact of these pronouncements on its financial statements.

(t) Reclassifications
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3) Property and equipment

Property and equipment is summarized as follows:

	2018	2017
Land	$ 1,080,000	$ 1,080,000
Building	4,198,759	4,187,464
Equipment	72,824	32,232
Real estate held for rental	1,268,662	950,503
Vehicles	793,936	818,417
Total costs	7,414,181	7,068,616
Less: accumulated depreciation	916,742	617,784
Property and equipment	$ 6,497,439	$ 6,450,832

4) Notes receivable - promissory notes

The Organization has various notes receivable totaling $198,867 and $274,383 in connection with the sale of various properties as of December 31, 2018 and 2017, 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, 2018.

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 $75,516 and $184,531 was written off in 2018 and 2017, respectively.

5) Notes receivable

SBP, Inc. entered into an agreement on January 16, 2014, as part of a New Markets Tax Credit Transaction, to lend FNBC NMTC Hybrid Fund, LLC, $2,122,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2018 and 2017 totaled $2,122,500. The note accrues interest at a rate of 1.41% and interest is paid quarterly. Interest earned and received on the loan as of December 31, 2018 and 2017 was $30,000 and $30,000, respectively.

SBP, Inc. entered into an agreement on June 30, 2015, as part of a New Markets Tax Credit Transaction, to lend GSNMF SUB-CDE 13, LLC, $4,823,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2018 and 2017 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, 2018 and 2017 was $97,500 and $97,500, respectively.

6) Commitments and contingencies

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between SBP Real Estate, Inc. and a bank. Should a recapture event occur, SBP, Inc. could be obligated to pay the recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2018.

SBP, Inc. is a guarantor in a credit agreement between SBP Real Estate, Inc. and a lender. The note payable balance at December 31, 2018 and 2017 was $3,000,000.

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between Toulouse Commercial, Inc. and a bank. Should a recapture event occur, SBP, Inc. could be obligated to pay the recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2018.

SBP, Inc. is a guarantor in a credit agreement between Toulouse Commercial, Inc. and a lender. The note payable balance at December 31, 2018 and 2017 was $7,000,000.

Any breach of the loan agreement between Toulouse Commercial, Inc. and GSNMF SUB-CDE 13, LLC may require the Organization to pay a recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2018.

7) New markets tax credit

Toulouse Commercial, Inc. acquired land and developed of a commercial facility located in New Orleans. In order to obtain the land and start development of the building a credit agreement was executed on June 30, 2015 by and among Toulouse Commercial, Inc. and GSNMF SUB-CDE 13, LLC, a Delaware limited liability company ("Lender"). The loans qualify as a "quality low income community investment" and generate certain tax credits called New Markets Tax Credits ("NMTC") under Section 45D of the Internal Revenue Code. To qualify, Toulouse Commercial must comply with certain representations, warranties, and covenants, including but not limited to, maintaining its' non-profit status and will continue to qualify as a qualified low-income community business. Toulouse Commercial, Inc. will potentially realize benefits from the New Markets Tax Credit Program of the Community Development Financial Institution Fund ("CDFI"), a branch of the U.S. Department of Treasury.

8) Investments

Investments are carried at fair value and consist of the following at December 31, 2018 and 2017:

	2018 Fair Value	2017 Fair Value
Equity securities	$ 24,869	$ 16,106
U.S. treasury securities	794,082	1,297,432
U.S. government bonds	1,041,426	878,821
Corporate bonds	4,667,793	3,764,105
Total investments	$ 6,528,170	$ 5,956,464

A summary of return on investments consists of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividends	$ 270,211	$ 380
Net unrealized loss	(53,330)	(1,227)
Total return	$ 216,881	$ (847)

9) Grants receivable

SBP, Inc. was awarded various grants through federal, state and other agencies. Most of the grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Balances due from the grants at year end are included in grants receivable. Grants receivable for the year ended December 31, 2018 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
Federal financial assistance				
AmeriCorp national grant from Corporation for National and Community Service	$ 564,905	$ 2,930,206	$ 2,893,107	$ 527,806
U.S. Dept. of Housing and Urban Development - City of New Orleans	303,768	631,515	458,485	130,738
U.S. Dept. of Housing and Urban Development - New York	253,572	702,418	2,393,921	1,945,075
U.S. Dept. of Housing and Urban Development - City of New Orleans	-	-	211,527	211,527
U.S. Dept. of Housing and Urban Development - County of Lexington	18,550	64,286	90,176	44,440
U.S. Dept. of Housing and Urban Development - City of San Marcos	36,716	36,726	10	-
U.S. Dept. of Housing and Urban Development - City of New Orleans	-	66	323,272	323,206
Total federal financial assistance	$ 1,177,511	$ 4,365,217	$ 6,370,498	$ 3,182,792

9) Grants receivable (continued)

Grants receivable for the year ended December 31, 2017 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
Federal financial assistance				
AmeriCorp national grant from Corporation for National and Community Service	$ 219,216	$ 1,122,880	$ 1,468,569	$ 564,905
U.S. Dept. of Housing and Urban Development - City of New Orleans	9,467	539,036	833,337	303,768
U.S. Dept. of Housing and Urban Development - City of New Orleans	61,738	61,738	-	-
U.S. Dept. of Housing and Urban Development - New York	305,753	808,786	756,605	253,572
U.S. Dept. of Housing and Urban Development - City of New Orleans	366,450	366,450	-	-
U.S. Dept. of Housing and Urban Development - County of Lexington	-	-	18,550	18,550
U.S. Dept. of Housing and Urban Development - City of San Marcos	-	157,717	194,433	36,716
Total federal financial assistance	962,624	3,056,607	3,271,494	1,177,511
Other Grants				
The American National Red Cross	60,000	60,000	-	-
Louisiana Housing Corporation / HRP	70,000	70,000	-	-
Total	$ 1,092,624	$ 3,186,607	$ 3,271,494	$ 1,177,511

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 September 24, 2019. The interest rate on the line is determined based on the LIBOR base rate. The balance at December 31, 2018 and 2017 was $382,221 and $40,000, respectively.

11) Grant note payable

SBP, Inc. was awarded a grant from the New Orleans Redevelopment Authority ("NORA") to assist with the development of single family housing for low income families. The grant awarded up to $100,000 of assistance per property and of this total $75,000 per property is payable back to NORA. As of December 31, 2018 and 2017, SBP, Inc. had a $207,892 and $143,256 payable to NORA, respectively, recorded in accrued expenses.

12) Long-term debt

Long-term debt of the Organization at December 31, 2018 and 2017 consists of the following:

	2018	2017
Notes payable to a bank with interest at a rate of 5.5%, payable in quarterly interest only payments through the maturity date and full principal balance due at maturity, secured by the assets of the Organization. The note matures July 29, 2022.	$ 1,500,000	$ 1,500,000
Notes payable to a lender with interest at a rate of 1%, payable in monthly principal and interest payments of $10,855 starting April 10, 2018, secured by the assets of the Organization. The notes mature June 10, 2030.	-	1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and remaining principal and interest due on maturity date of the loan, secured by the assets of the Organization. The notes mature in July 2022.	1,500,000	1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	1,500,000	1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	1,823,500	1,823,500

12) Long-term debt (continued)

	2018	2017
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	2,176,500	2,176,500
Total long-term debt	8,500,000	10,000,000
Less current portion	-	86,853
Less unamortized issuance costs	727,938	751,047
Long-term debt, less current portion	$ 7,772,062	$ 9,162,100

The maturities of long-term debt are as follows:

2019	$ -
2020	-
2021	-
2022	3,000,000
2023	-
Thereafter	5,500,000

13) With donor restrictions on net assets

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

	2018	2017
AmeriCorp Grant	$ -	$ 856,062
Disaster Resilience & Recovery Lab	1,391,334	976,721
Capital Campaign	82,604	82,604
Rebuild West Virginia	-	50,000
Rebuild Baton Rouge	161,714	659,027
Rebuild Texas	8,370,544	11,694,551
Rebuild New Orleans	219,412	296,827
Rebuild Florida	145,750	-
Total net assets with donor restrictions	$ 10,371,358	$ 14,615,792

14) Operating leases

SBP, Inc. leases office space for its headquarters and warehouse space from Toulouse Commercial, Inc. The lease runs through 2050. Total rent expense, which is included in occupancy expense under the lease was $359,972 and $249,097 for the years ended December 31, 2018 and 2017, respectively. The rent expense associated with this lease agreement has been eliminated on the consolidated statements of activities.

Future minimum rental payments under the leases are as follows:

2019	$	279,188
2020		287,564
2021		296,191
2022		305,076
2023		314,229
Thereafter		12,652,432

The Organization leases office space for its New York, South Carolina, Baton Rouge, Louisiana, Texas, Puerto Rico and New Jersey locations. The leases expire at various dates through March 2021. Total rent expense, which is included in occupancy expense; under the leases was $204,997 and $58,120 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rental payments under the leases are as follows:

2019	$	80,900
2020		60,134
2021		14,909

SBP, Inc. subleases office space to various other non-profit organizations. The leases expire at various dates through December 2022.

Future minimum rental income under the leases are as follows:

2019	$	67,500
2020		68,864
2021		70,229
2022		71,636

15) Fair value measurement

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level l measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Equity securities and U.S. treasury securities: Valued at net asset value, which approximates fair value.
U.S. government bonds and Corporate bonds: Valued at net asset value, which approximates fair value.

15) Fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Total Fair Value Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 24,869	$ 24,869	$ -	$ -
U.S. treasury securities	794,082	794,082	-	-
U.S. government bonds	1,041,426	1,041,426	-	-
Corporate bonds	4,667,793	4,667,793	-	-
Total	$ 6,528,170	$ 6,528,170	$ -	$ -

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Total Fair Value Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 16,106	$ 16,106	$ -	$ -
U.S. treasury securities	1,297,432	1,297,432	-	-
U.S. government bonds	878,821	878,821	-	-
Corporate bonds	3,764,105	3,764,105	-	-
Total	$ 5,956,464	$ 5,956,464	$ -	$ -

16) Economic dependence

In 2018, the Organization received approximately 52% of its revenue from federal, state and other grants and 15% from contributions. Another 20% of the Organization's revenue was volunteer labor that was contributed in 2018.

In 2017, the Organization received approximately 28% of its revenue from federal, state and other grants and 47% from contributions. Another 14% of the Organization's revenue was volunteer labor that was contributed in 2017.

17) Supplementary disclosures of cash flows information

Cash paid during the year for:

	2018	2017
Interest	$ 201,658	$ 216,153

The Organization had noncash financing transactions of $1,500,000 relating to the refinancing of a loan in 2017.

18) 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. received property management fees from SBP Real Estate, Inc. in the amount of $75,077 for the year ended December 31, 2018.

SBP, Inc. received property management fees from SBP Real Estate, Inc. in the amount of $38,226 for the year ended December 31, 2017.

SBP, Inc. had a balance of $563,866 due to SBP Real Estate, Inc. and a $913,255 balance due from SBP Real Estate, included in accounts receivable, at December 31, 2018. SBP, Inc. had a balance of $702,350 due to SBP Real Estate, Inc. and a $1,040,242 balance due from SBP Real Estate, included in accounts receivable, at December 31, 2017.

19) 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, 2018 and 2017, the Organization contributed $26,008 and $8,444, respectively.

20) Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets:	
Cash and cash equivalents	$ 5,437,443
Investments	6,528,170
Grants receivable	3,182,792
Accounts receivable	2,320,191
Financial assets, at year end	17,468,596
Less those unavailable for general expenditure within one year, due to:	
Restricted by donor purpose restrictions	(10,371,358)
Financial assets available to meet cash needs for general expenditure within one year	$ 7,097,238

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments.

21) Subsequent events

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wegmann Dazet & Company

May 15, 2019

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

December 31, 2018

	SBP, Inc.	Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Current assets					
Cash and cash equivalents	$ 5,190,175	$ 247,268	$ 5,437,443	$ -	$ 5,437,443
Investments	6,528,170	-	6,528,170	-	6,528,170
Accounts receivable	2,320,191	790	2,320,981	(790)	2,320,191
Grants receivable	3,182,792	-	3,182,792	-	3,182,792
Construction in process	810,505	-	810,505	-	810,505
Real estate held for sale	70,680	-	70,680	-	70,680
Other current assets	520,347	64,537	584,884	-	584,884
Total current assets	18,622,860	312,595	18,935,455	(790)	18,934,665
Property and equipment, at cost less accumulated depreciation	1,531,331	5,818,565	7,349,896	(852,457)	6,497,439
Notes receivable - promissory notes	198,867	-	198,867	-	198,867
Notes receivable	6,946,000	-	6,946,000	-	6,946,000
Deposits	1,000	6,100	7,100	-	7,100
Total assets	$ 27,300,058	$ 6,137,260	$ 33,437,318	$ (853,247)	$ 32,584,071
LIABILITIES					
Current liabilities					
Line of credit	$ 382,221	$ -	$ 382,221	$ -	$ 382,221
Accounts payable and accrued expenses	1,042,294	8,702	1,050,996	(790)	1,050,206
Accrued payroll and related liabilities	129,418	-	129,418	-	129,418
Deferred revenue	3,635	-	3,635	-	3,635
Due to related party	563,866	-	563,866	-	563,866
Total current liabilities	2,121,434	8,702	2,130,136	(790)	2,129,346
Long-term debt, less current portion	1,500,000	6,272,062	7,772,062	-	7,772,062
Total liabilities	3,621,434	6,280,764	9,902,198	(790)	9,901,408
NET ASSETS					
Without donor restrictions	13,307,266	(143,504)	13,163,762	(852,457)	12,311,305
With donor restrictions	10,371,358	-	10,371,358	-	10,371,358
Total net assets	23,678,624	(143,504)	23,535,120	(852,457)	22,682,663
Total liabilities and net assets	$ 27,300,058	$ 6,137,260	$ 33,437,318	$ (853,247)	$ 32,584,071

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

December 31, 2017

	SBP, Inc.	Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Current assets					
Cash and cash equivalents	$ 10,786,776	$ 78,894	$ 10,865,670	$ -	$ 10,865,670
Investments	5,956,464	-	5,956,464	-	5,956,464
Accounts receivable	2,345,137	52,645	2,397,782	(52,645)	2,345,137
Other receivables	143,196	-	143,196	-	143,196
Grants receivable	1,177,511	-	1,177,511	-	1,177,511
Construction in process	365,914	-	365,914	-	365,914
Real estate held for sale	879,351	-	879,351	-	879,351
Due from related party	-	32,851	32,851	(32,851)	-
Other current assets	413,335	34,049	447,384	-	447,384
Total current assets	22,067,684	198,439	22,266,123	(85,496)	22,180,627
Property and equipment, at cost less accumulated depreciation	1,394,925	5,908,364	7,303,289	(852,457)	6,450,832
Notes receivable - promissory notes	274,383	-	274,383	-	274,383
Notes receivable	6,946,000	-	6,946,000	-	6,946,000
Deposits	1,075	6,100	7,175	-	7,175
Total assets	$ 30,684,067	$ 6,112,903	$ 36,796,970	$ (937,953)	$ 35,859,017
LIABILITIES					
Current liabilities					
Line of credit	$ 40,000	$ -	$ 40,000	$ -	$ 40,000
Accounts payable and accrued expenses	678,387	-	678,387	(52,645)	625,742
Accrued payroll and related liabilities	117,653	-	117,653	-	117,653
Deferred revenue	75,000	-	75,000	-	75,000
Due to related party	735,201	-	735,201	(32,851)	702,350
Current portion of long-term debt	86,853	-	86,853	-	86,853
Total current liabilities	1,733,094	-	1,733,094	(85,496)	1,647,598
Long-term debt, less current portion	2,913,147	6,248,953	9,162,100	-	9,162,100
Total liabilities	4,646,241	6,248,953	10,895,194	(85,496)	10,809,698
NET ASSETS					
Without donor restrictions	11,422,034	(136,050)	11,285,984	(852,457)	10,433,527
With donor restrictions	14,615,792	-	14,615,792	-	14,615,792
Total net assets	26,037,826	(136,050)	25,901,776	(852,457)	25,049,319
Total liabilities and net assets	$ 30,684,067	$ 6,112,903	$ 36,796,970	$ (937,953)	$ 35,859,017

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

For the Year Ended December 31, 2018

	SBP, Inc. Without Donor Restrictions	SBP, Inc. With Donor Restrictions	Toulouse Commercial, Inc. Without Donor Restrictions	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues						
Contributions	$ 4,201,708	$ 5,567,661	$ -	$ 9,769,369	$ -	$ 9,769,369
Grants	2,681,213	11,861,449	-	14,542,662	-	14,542,662
Property management fees	615,920	53,192	-	669,112	-	669,112
Homeowner funding	-	1,722,577	-	1,722,577	-	1,722,577
Sale of properties	540,000	-	-	540,000	-	540,000
Opportunity housing income	106,889	-	-	106,889	-	106,889
Vendor incentives	64,092	26,998	-	91,090	-	91,090
Rental income	-	-	359,972	359,972	(359,972)	-
Other income	576,530	330	-	576,860	-	576,860
Net assets released from restrictions	23,476,641	(23,476,641)	-	-	-	-
Total revenues	32,262,993	(4,244,434)	359,972	28,378,531	(359,972)	28,018,559
Expenses						
Program services						
Rebuilding	25,517,505	-	-	25,517,505	(150,594)	25,366,911
Opportunity housing	1,270,005	-	-	1,270,005	(46,797)	1,223,208
Disaster resilience and recovery lab	799,793	-	-	799,793	(62,995)	736,798
Supporting services						
General and administrative	1,951,097	-	367,426	2,318,523	(55,183)	2,263,340
Fundraising	839,361	-	-	839,361	(44,403)	794,958
Total expenses	30,377,761	-	367,426	30,745,187	(359,972)	30,385,215
Change in net assets	1,885,232	(4,244,434)	(7,454)	(2,366,656)	-	(2,366,656)
Net assets						
Beginning of year	11,422,034	14,615,792	(136,050)	25,901,776	(852,457)	25,049,319
End of year	$ 13,307,266	$ 10,371,358	$ (143,504)	$ 23,535,120	$ (852,457)	$ 22,682,663

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

For the Year Ended December 31, 2017

	SBP, Inc. Without Donor Restrictions	SBP, Inc. With Donor Restrictions	Toulouse Commercial, Inc. Without Donor Restrictions	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues						
Contributions	$ 4,209,581	$ 16,185,581	$ -	$ 20,395,162	$ (150,000)	$ 20,245,162
Grants	2,393,501	7,053,961	-	9,447,462	-	9,447,462
Property management fees	490,707	88,605	-	579,312	-	579,312
Homeowner funding	-	1,585,480	-	1,585,480	-	1,585,480
Sale of properties	978,800	22,500	-	1,001,300	-	1,001,300
Opportunity housing income	56,148	-	-	56,148	-	56,148
Vendor incentives	106,572	-	-	106,572	-	106,572
Rental income	-	-	249,097	249,097	(249,097)	-
Other income	224,970	45,682	-	270,652	-	270,652
Net assets released from restrictions	13,149,717	(13,149,717)	-	-	-	-
Total revenues	21,609,996	11,832,092	249,097	33,691,185	(399,097)	33,292,088
Expenses						
Program services						
Rebuilding	16,462,263	-	-	16,462,263	-	16,462,263
Opportunity housing	1,774,680	-	-	1,774,680	-	1,774,680
Disaster resilience and recovery lab	622,731	-	-	622,731	-	622,731
Supporting services						
General and administrative	1,657,807	-	466,385	2,124,192	(399,097)	1,725,095
Fundraising	438,078	-	-	438,078	-	438,078
Total expenses	20,955,559	-	466,385	21,421,944	(399,097)	21,022,847
Change in net assets	654,437	11,832,092	(217,288)	12,269,241	-	12,269,241
Net assets						
Beginning of year	10,767,597	2,783,700	81,238	13,632,535	(852,457)	12,780,078
End of year	$ 11,422,034	$ 14,615,792	$ (136,050)	$ 25,901,776	$ (852,457)	$ 25,049,319

THE ST. BERNARD PROJECT, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	SBP, Inc.					Toulouse Commercial, Inc.			
	Program Services								
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	General & Administrative	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Auto	$ 24,483	$ -	$ -	$ -	$ 1,340	$ -	$ 25,823	$ -	$ 25,823
Bad debt expense	23,490	214,933	-	-	-	-	238,423	-	238,423
Bank service charges	5,423	471	7,668	5,282	6,760	-	25,604	-	25,604
Construction	10,635,300	510,233	-	-	-	-	11,145,533	-	11,145,533
Depreciation	154,434	30,434	-	-	292	130,390	315,550	-	315,550
Dues and subscriptions	870	145	-	-	3,127	-	4,142	-	4,142
Employee benefits	-	-	-	-	26,008	-	26,008	-	26,008
Fundraising	11	-	-	147,167	-	-	147,178	-	147,178
Grants awarded	1,707,835	-	(80,000)	-	-	-	1,627,835	-	1,627,835
Information technology	18,222	655	10,053	7,374	32,019	-	68,323	-	68,323
Insurance	1,689,631	79,411	18,839	8,381	120,706	60,178	1,977,146	-	1,977,146
Interest expense	11,553	2,294	33,698	23,107	25,995	128,120	224,767	-	224,767
In-kind labor	5,340,098	231,987	-	-	-	-	5,572,085	-	5,572,085
Licenses and permits	49,947	22,728	3,978	1,339	136,706	15	214,713	-	214,713
Marketing	38,261	442	46,652	20,370	3,713	-	109,438	-	109,438
Office supplies	48,487	2,207	41,495	11,313	9,547	120	113,169	-	113,169
Other expense	148,583	6,063	29,254	(19,224)	73,371	-	238,047	-	238,047
Occupancy	473,716	53,123	65,774	46,768	91,354	23,556	754,291	(359,972)	394,319
Payroll taxes	380,745	4,903	22,599	24,932	92,800	-	525,979	-	525,979
Postage and delivery	23,495	1,030	-	2,432	4,511	-	31,468	-	31,468
Program expense	-	-	4,119	-	-	-	4,119	-	4,119
Professional services	137,559	24,421	102,915	168,825	147,208	2,170	583,098	-	583,098
Property tax	-	-	-	-	-	6,256	6,256	-	6,256
Repairs and maintenance	13,680	23,125	3	56	1,776	16,621	55,261	-	55,261
Salaries	4,162,251	59,359	334,589	348,248	1,070,889	-	5,975,336	-	5,975,336
Seminars	41,852	550	-	316	4,533	-	47,251	-	47,251
Travel	213,465	108	157,504	41,624	76,753	-	489,454	-	489,454
Workers comp insurance	174,114	1,383	653	1,051	21,689	-	198,890	-	198,890
Total expenses	$ 25,517,505	$ 1,270,005	$ 799,793	$ 839,361	$ 1,951,097	$ 367,426	$ 30,745,187	$ (359,972)	$ 30,385,215

THE ST. BERNARD PROJECT, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	SBP, Inc.					Toulouse Commercial, Inc.			
	Program Services								
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	General & Administrative	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Auto	$ 7,206	$ -	$ -	$ -	$ 413	$ -	$ 7,619	$ -	$ 7,619
Bad debt expense	61,667	172,231	-	-	-	-	233,898	-	233,898
Bank service charges	15,479	75	750	5,410	2,358	-	24,072	-	24,072
Construction	6,179,215	1,471,143	-	-	79,464	-	7,729,822	-	7,729,822
Depreciation	135,785	22,182	1,232	-	-	126,934	286,133	-	286,133
Donations	-	-	-	-	-	150,000	150,000	(150,000)	-
Employee benefits	-	-	-	-	8,444	-	8,444	-	8,444
Fundraising	-	-	-	29,960	-	-	29,960	-	29,960
Grants awarded	456,220	-	4,559	45,400	-	-	506,179	-	506,179
Information technology	8,039	-	-	-	5,674	-	13,713	-	13,713
Insurance	1,231,946	27,965	20,129	(4,530)	21,588	46,268	1,343,366	-	1,343,366
Interest expense	93,375	10,644	-	-	14,806	128,120	246,945	-	246,945
In-kind labor	4,279,339	-	-	-	-	-	4,279,339	-	4,279,339
Licenses and permits	69,326	23,915	2,519	17,283	2,172	-	115,215	-	115,215
Marketing	75,137	100	50,194	217	90	-	125,738	-	125,738
Office supplies	37,241	560	7,877	3,013	3,408	-	52,099	-	52,099
Other expense	237,317	7,562	3,264	2,563	1,054	-	251,760	-	251,760
Occupancy	163,985	-	411	-	266,739	13,070	444,205	(249,097)	195,108
Payroll taxes	233,332	2,915	32,814	14,394	77,874	-	361,329	-	361,329
Postage and delivery	18,152	7	-	2,269	729	-	21,157	-	21,157
Program expense	-	-	4,807	-	-	-	4,807	-	4,807
Professional services	225,684	1,029	7,057	61,737	164,913	-	460,420	-	460,420
Repairs and maintenance	7,127	-	-	-	13,493	1,993	22,613	-	22,613
Salaries	2,498,853	33,477	439,742	238,100	930,484	-	4,140,656	-	4,140,656
Seminars	36,624	-	-	21	568	-	37,213	-	37,213
Travel	261,185	116	45,681	21,507	38,651	-	367,140	-	367,140
Workers comp insurance	130,029	759	1,695	734	24,885	-	158,102	-	158,102
Total expenses	$ 16,462,263	$ 1,774,680	$ 622,731	$ 438,078	$ 1,657,807	$ 466,385	$ 21,421,944	$ (399,097)	$ 21,022,847

UNIFORM GUIDANCE COMPLIANCE AND GOVERNMENT AUDITING STANDARD REPORTS

Jon S. Folse
Lisa D. Englade
Kerney F. Craft, Jr.

Wegmann Dazet & Company

Jonathan P. Koenig
John D. White
Valerie L. Lowry

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, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered SBP, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBP, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Wegmann Dazet + Company

Metairie, Louisiana
May 15, 2019

JON S. FOLSE
LISA D. ENGLADE
KERNEY F. CRAFT, JR.

JONATHAN P. KOENIG
JOHN D. WHITE
VALERIE L. LOWRY

WEGMANN DAZET & COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited SBP, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SBP, Inc.'s major federal programs for the year ended December 31, 2018. SBP, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of SBP, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SBP, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, SBP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

WEGMANN DAZET & COMPANY | A PROFESSIONAL CORPORATION | CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS: AICPA PRIVATE COMPANIES PRACTICE SECTION | AN INDEPENDENT MEMBER OF THE BDO SEIDMAN ALLIANCE
NEW ORLEANS OFFICE | 111 VETERANS BLVD. | SUITE 800 | METAIRIE | LA 70005
NORTHSHORE OFFICE | 109 NEW CAMELLIA BLVD. | SUITE 106 | COVINGTON | LA 70433
[504] 837-8844 | FAX [504] 837-0856 | WWW.WDCO.BIZ

Report on Internal Control over Compliance

Management of SBP, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SBP, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SBP, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Wegmann Dazet + Company

Metairie, Louisiana
May 15, 2019

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Corporation for National and Community Service		
ARRA – AmeriCorp Grant	94.006	$2,893,107
U.S. Department of Housing and Urban Development		
Passed through the City of San Marcos		
Community Development Block Grant	14.218	10
Passed through the County of Lexington		
Community Development Block Grant	14.218	90,176
Passed through the Housing Trust Fund Corporation		
Community Development Block Grant	14.269	2,393,921
Passed through the City of New Orleans		
Community Development Block Grant	14.239	323,272
Passed through the City of New Orleans		
Community Development Block Grant	14.218	211,527
Passed through the City of New Orleans		
HOME Investment Partnerships Act	14.239	458,485
Total Expenditures of Federal Awards		$6,370,498

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

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, 2018

We have audited the basic consolidated financial statements of SBP, Inc. as of and for the year ended December 31, 2018, and have issued our report thereon dated May 15, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the consolidated financial statements as of December 31, 2018 resulted in an unmodified opinion.

SUMMARY OF THE AUDITORS' RESULTS

1. Type of report issued on the consolidated financial statements: **Unmodified Opinion**.

2. Significant deficiencies in internal control were disclosed by the audit of the 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 under Section 501(a) of Circular A-133 or in accordance with 2CFR 200.516(a): **No**.

7. Major programs for the fiscal year ended December 31, 2018 were:

U.S. Department of Housing and Urban Development	
Community Development Block Grant	(CFDA #14.239)
Community Development Block Grant	(CFDA #14.269)
HOME Investment Partnership Act	(CFDA #14.239)
Corporation for National and Community Service	
ARRA – AmeriCorp Grant	(CFDA #94.006)

8. Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**.

9. Auditee qualified as a low-risk auditee under Uniform Guidance: **Yes**.

10. A management letter was issued: **No**.

SCHEDULE OF FINDINGS RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

There were no findings related to the consolidated financial statements for the year ended December 31, 2018.

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, 2018

SUMMARY OF COMPENSATION

Zack Rosenburg
CEO & Co-Founder

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

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

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2018

JON S. FOLSE
LISA D. ENGLADE
KERNEY F. CRAFT, JR.

WEGMANN DAZET & COMPANY

JONATHAN P. KOENIG
JOHN D. WHITE
VALERIE L. LOWRY

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, which were agreed to by The St. Bernard Project, Inc. d/b/a SBP, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Board (or Finance Committee, if applicable)

1. 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.

      We performed the procedures noted above and noted no exceptions.

   b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit 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.*

We performed the procedures noted above and noted no exceptions.

Collections

2. 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).

   We performed the procedures noted above and noted no exceptions.

3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (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 that are responsible for cash collections do not share cash drawers/registers.

      We performed the procedures noted above and noted no exceptions.

   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.

      We performed the procedures noted above and noted no exceptions.

   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.

      We performed the procedures noted above and noted no exceptions.

   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 verifies the reconciliation.

      We performed the procedures noted above and noted no exceptions.

4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

   We performed the procedures noted above and noted no exceptions.

5. Randomly select two deposit dates for each deposit site bank account selected for testing (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.

      We performed the procedures noted above and noted no exceptions.

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

      We performed the procedures noted above and noted no exceptions.

   c) Trace the deposit slip total to the actual deposit per the bank statement.

      We performed the procedures noted above and noted no exceptions.

   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

      We performed the procedures noted above and noted no exceptions.

   e) Trace the actual deposit per the bank statement to the general ledger.

      We performed the procedures noted above and noted no exceptions.

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

6. 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).

   We performed the procedures noted above and noted no exceptions.

7. For each location selected under #6 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.

We performed the procedures noted above and noted no exceptions.

b) At least two employees are involved in processing and approving payments to vendors.

We performed the procedures noted above and noted no exceptions.

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.

We performed the procedures noted above and noted no exceptions.

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.

We performed the procedures noted above and noted no exceptions.

8. For each location selected under #6 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 that the disbursement matched the related original invoice/billing statement.

We performed the procedures noted above and noted no exceptions.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #7, as applicable.

We performed the procedures noted above and noted no exceptions.

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

9. 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.

We performed the procedures noted above and noted no exceptions.

10. 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 that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, 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.)]

   We performed the procedures noted above and noted no exceptions.

b) Observe that finance charges and late fees were not assessed on the selected statements.

   We performed the procedures noted above and noted no exceptions.

11. Using the monthly statements or combined statements selected under #10 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). For each transaction, observe that 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).

    We performed the procedures noted above and noted no exceptions.

Other

12. 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.

    We performed the procedures noted above and noted no exceptions.

13. Observe that 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.

    We performed the procedures noted above and noted no exceptions.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

May 15, 2019

Wegmann Dazet + Company