



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

December 31, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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 October 27, 2021, 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
October 27, 2021

Wegmann Bazet

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,441,010	\$ 3,827,070
Investments	5,476,057	4,661,545
Accounts receivable	3,826,744	2,564,704
Grants receivable - other	524,896	2,303,289
Grants receivable - federal	1,707,687	2,993,066
Construction in process	1,623,798	1,869,985
Real estate held for sale	70,680	70,680
Due from related party	310,968	543,821
Other current assets	405,542	474,988
Total current assets	23,387,382	19,309,148
Property and equipment, at cost less accumulated depreciation	5,986,195	6,293,459
Notes receivable - promissory notes	85,210	132,092
Notes receivable - related party	2,122,500	-
Notes receivable	4,823,500	6,946,000
Development partnership investment	1,100,000	600,000
Deposits	33,200	158,361
Total assets	\$ 37,537,987	\$ 33,439,060
LIABILITIES		
Current liabilities		
Line of credit	\$ -	\$ 262,280
Accounts payable and accrued expenses	739,454	1,451,913
Accrued payroll and related liabilities	499,162	157,203
Deferred revenue	75,000	100,000
Due to related party	138,741	334,176
Current portion of long-term debt	1,369,900	-
Total current liabilities	2,822,257	2,305,572
Long-term debt, less current portion and unamortized issuance costs	8,212,580	7,795,171
Total liabilities	11,034,837	10,100,743
NET ASSETS		
Without donor restrictions	20,854,797	16,142,073
With donor purpose restrictions	5,648,353	7,196,244
Total net assets	26,503,150	23,338,317
Total liabilities and net assets	\$ 37,537,987	\$ 33,439,060

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 ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 5,801,729	\$ 5,305,733	\$ 11,107,462
Grants	13,480,654	6,028,342	19,508,996
Property management fees	327,508	114,668	442,176
Homeowner funding	359,011	(69,828)	289,183
Sale of properties	800,000	-	800,000
Opportunity housing income	101,965	-	101,965
Vendor incentives	185,791	-	185,791
Interest income	306,674	-	306,674
Realized and unrealized gain on investments	75,143	-	75,143
Gain on sale of assets	12,772	-	12,772
Developers fees	1,710,296	-	1,710,296
Other income	8,239	10,090	18,329
Net assets released from restrictions	14,564,119	(14,564,119)	-
	37,733,901	(3,175,114)	34,558,787
Expenses			
Program services			
Rebuilding	28,285,187	-	28,285,187
Opportunity housing	1,466,344	-	1,466,344
Disaster resilience and recovery lab	2,089,097	-	2,089,097
Supporting services			
General and administrative	1,287,923	-	1,287,923
Fundraising	806,523	-	806,523
	33,935,074	-	33,935,074
Change in net assets	3,798,827	(3,175,114)	623,713
Net assets			
Beginning of year	12,343,246	10,371,358	22,714,604
End of year	\$ 16,142,073	\$ 7,196,244	\$ 23,338,317

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			Fundraising	General & Administrative	Total Expenses
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab			
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
Forgivable 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	930,619	123,177	-	-	-	1,053,796
Insurance	2,316,779	29,448	37,702	7,047	134,263	2,525,239
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	\$ 24,010,796	\$ 1,302,250	\$ 4,488,916	\$ 429,558	\$ 1,539,399	\$ 31,770,919

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, 2019

	Program Services				General & Administrative	Total Expenses
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising		
Advertising	\$ 25,283	\$ 712	\$ 60,625	\$ 48,480	\$ 314	\$ 135,414
Bad debt writeoff	40,000	3,164	-	40,000	-	83,164
Building maintenance and repairs	29,044	438	146	228	16,753	46,609
Construction	13,341,073	1,082,670	18,630	1,816	107	14,444,296
Construction WIP	(1,541,840)	(1,244,628)	-	-	-	(2,786,468)
Contract services	418,691	77,068	214,110	69,949	23,443	803,261
Cost of property sold	-	881,079	-	-	-	881,079
Depreciation expense	148,422	30,434	-	-	130,012	308,868
Disaster deployment	13,629	-	55,438	-	(35)	69,032
Dues and subscriptions	3,434	259	7,049	112	3,085	13,939
Education and seminars	8,347	-	274	4,770	1,885	15,276
Fogiveable promissory note	-	66,774	-	-	-	66,774
Fundraising expenses	8,642	-	50	104,052	262	113,006
Grants and awards expenses	1,785,301	-	30,000	400	-	1,815,701
Information tech	52,303	2,837	4,698	4,649	8,613	73,100
In-kind labor	4,859,567	426,942	-	-	-	5,286,509
Insurance	2,058,159	29,428	77,614	1,960	54,402	2,221,563
Interest expense	19,855	16,874	28,955	19,855	140,529	226,068
Miscellaneous expenses	68,626	2,885	38,548	18,136	42,525	170,720
Office rent	280,498	2,091	3,172	1,826	1,770	289,357
Office supplies	50,848	1,473	3,977	3,523	6,062	65,883
Payroll - direct	6,073,734	81,240	1,308,480	389,104	754,965	8,607,523
Postage and mailing service	20,426	281	2,748	7,108	1,784	32,347
Printing	30,013	837	41,775	17,538	4,328	94,491
Professional services	13,695	-	-	-	24,094	37,789
Signature support	42,150	544	244	3,239	1,348	47,525
Software licenses and fees	91,447	400	61,838	21,561	12,463	187,709
Special events	52,009	485	4,910	10,166	9,719	77,289
Travel and meetings	221,495	1,501	125,521	36,996	20,968	406,481
Utilities	40,565	556	-	1,055	28,522	70,698
Vehicle expenses	29,771	-	295	-	5	30,071
Total expenses	<u>\$ 28,285,187</u>	<u>\$ 1,466,344</u>	<u>\$ 2,089,097</u>	<u>\$ 806,523</u>	<u>\$ 1,287,923</u>	<u>\$ 33,935,074</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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 3,164,833	\$ 623,713
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	307,219	308,868
Amortization of debt issuance costs	23,109	23,109
Reductions made to notes receivable - promissory notes	46,882	66,774
Gain on disposal of assets	(20,356)	(12,772)
Realized and unrealized loss (gain) on investments	41,432	(75,143)
(Increase) decrease in operating assets:		
Accounts receivable	(1,262,040)	(1,465,600)
Grants receivable	3,063,772	(860,535)
Other current assets	69,445	109,894
Due from related party	232,853	(543,821)
Deposits	125,161	(151,261)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(712,459)	401,710
Accrued payroll and related liabilities	341,959	27,785
Deferred revenue	(25,000)	96,365
Due to related party	(195,435)	(229,690)
Net cash provided (used) by operating activities	<u>5,201,375</u>	<u>(1,680,604)</u>
Cash flows from investing activities:		
Proceeds from disposal of assets	20,402	12,772
Construction in process	246,187	(1,059,480)
Purchase of property and equipment	-	(104,888)
Purchase of investments	(8,111,701)	(5,637,766)
Proceeds from sale of investments	7,255,757	7,579,534
Development partnership investment	(500,000)	(600,000)
Net cash (used) provided by investing activities	<u>(1,089,355)</u>	<u>190,172</u>
Cash flows from financing activities:		
Advance on note payable - Paycheck Protection Program	1,764,200	-
Repayments of line of credit	(262,280)	(119,941)
Net cash provided (used) by financing activities	<u>1,501,920</u>	<u>(119,941)</u>
Net increase (decrease) in cash	5,613,940	(1,610,373)
Cash and cash equivalents at beginning of year	<u>3,827,070</u>	<u>5,437,443</u>
Cash and cash equivalents at end of year	<u>\$ 9,441,010</u>	<u>\$ 3,827,070</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, 2020 and 2019

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. and 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. and 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 and 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, 2020 and 2019

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.

Real estate sales are recognized at the time the sale is complete and title has transferred to the buyer.

(d) Cash and cash equivalents

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

(e) Investments

Investments in equity securities with readily determinable fair values are reported at their fair values in the 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 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 \$94,338 and \$4,185 as of December 31, 2020 and 2019, 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) 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.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

2) Summary of significant accounting policies (continued)

(i) Real estate held for sale

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

(j) Real estate held for rental

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

(k) Income taxes

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

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

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.

THE ST. BERNARD PROJECT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 2020 or 2019 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 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, 2020 and 2019 was \$1,053,796 and \$5,286,510, 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, 2020 and 2019 was \$2,121,580 and \$1,289,314, 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, 2020 and 2019. Accumulated amortization totaled \$127,100 and \$103,991 as of December 31, 2020 and 2019, respectively.

(t) New accounting pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

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2) Summary of significant accounting policies (continued)

(t) New accounting pronouncements (continued)

The Organization has adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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.

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.

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2) Summary of significant accounting policies (continued)

(v) Reclassification

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

3) Property and equipment

Property and equipment is summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,080,000	\$ 1,080,000
Building	4,198,759	4,198,759
Equipment	85,664	72,824
Real estate held for rental	1,268,662	1,268,662
Vehicles	708,346	898,825
Total cost	<u>7,341,431</u>	<u>7,519,070</u>
Less: accumulated depreciation	<u>(1,355,236)</u>	<u>(1,225,611)</u>
Property and equipment, net	<u>\$ 5,986,195</u>	<u>\$ 6,293,459</u>

4) 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, 2020 and 2019 was \$524,896 and \$2,303,289, respectively. Federal financial assistance included in grants receivable at year end is as follows:

	<u>2020</u>			
	<u>Due from grant at beginning of year</u>	<u>Grant receipts</u>	<u>Grant expenditures</u>	<u>Due from grant at end of year</u>
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>

THE ST. BERNARD PROJECT, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

4) Grants receivable (continued)

	2019			
	Due from grant at beginning of year	Grant receipts	Grant expenditures	Due from grant at end of year
AmeriCorp National Grant	\$ 527,806	\$(3,147,726)	\$2,970,750	\$ 350,830
U.S. Department of HUD				
City of New Orleans (\$1M)	130,738	(128,249)	-	2,489
City of New Orleans (NORA)	211,527	(541,527)	600,000	270,000
City of New Orleans (\$875K)	323,206	(578,786)	428,845	173,265
City of New Orleans (\$375k)	-	-	5,000	5,000
City of New Orleans (Sub Rehab)	-	(1,000)	1,000	-
New York	1,945,075	(2,314,189)	2,305,638	1,936,524
County of Lexington	44,440	(491,980)	559,175	111,635
County of Richland	-	(468)	117,974	117,506
City of Baton Rouge	-	-	25,817	25,817
Total federal assistance	\$3,182,792	\$(7,203,925)	\$7,014,199	\$2,993,066

5) 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 statement 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.

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:

THE ST. BERNARD PROJECT, INC.
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5) Investments and fair value measurement (continued)

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, 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>

Investments consist of the following at December 31, 2019:

	<u>Level 1</u>
Equity securities	\$ 43,741
U.S. treasury securities	349,775
U.S. government bonds	500,506
Corporate bonds	3,767,523
	<u>\$ 4,661,545</u>

A summary of return on investments consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 161,030	\$ 178,240
Realized and unrealized (loss) income	(41,432)	75,143
Total return	<u>\$ 119,598</u>	<u>\$ 253,383</u>

6) Notes receivable - promissory notes

The Organization has various notes receivable totaling \$85,210 and \$132,092 in connection with the sale of various properties as of December 31, 2020 and 2019, 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, 2020 or 2019.

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 \$46,882 and \$66,774 was written off in 2020 and 2019, respectively.

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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 \$22,500 and \$30,000 as of December 31, 2020 and 2019, respectively. On October 23, 2020, NMTC, LLC exercised its redemption and assignment option transferring its note receivable due from SBP Real Estate, Inc. to SBP, Inc. Accordingly, as of December 31, 2020, the balance of this note receivable is presented as notes receivable – related party. The outstanding principal as of December 31, 2020 and 2019 totaled \$2,122,500.

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, 2020 and 2019 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, 2020 and 2019 was approximately \$97,500.

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	\$ 9,441,010
Investments	5,476,057
Accounts receivable	3,826,744
Grants receivable - other	524,896
Grants receivable - federal	1,707,687
Less with donor restrictions for a specific purpose	<u>(5,648,353)</u>
Financial assets available for general expenditure	<u>\$ 15,328,041</u>

This amount is approximately 48% of the total expenditures for 2020, 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, 2020 and 2019, as disclosed in Note 14. 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, 2020.

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9) Commitments and contingencies (continued)

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 February 27, 2021. The interest rate on the line is determined based on the LIBOR base rate (2.904% at December 31, 2020). Subsequent to year-end, this line was renewed with a new expiration date of March 10, 2022.

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, 2020 and 2019, SBP, Inc. had a \$195,000 and \$270,000 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.

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13) Development partnership investment (continued)

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) Long-term debt

Long-term debt of the Organization at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</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	10,264,200	8,500,000
Less: current portion	(1,369,900)	-
Less: unamortized issuance costs	(681,720)	(704,829)
Long-term debt, net	<u>\$ 8,212,580</u>	<u>\$ 7,795,171</u>

THE ST. BERNARD PROJECT, INC.
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14) Long-term debt (continued)

The maturities of long-term debt are as follows:

2021	\$	1,369,900
2022		3,420,300
2023		39,100
2024		46,700
2025		54,500
Thereafter		5,333,700

15) Net assets with donor restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Disaster Resilience & Recovery Lab	\$ 453,979	\$ 1,319,583
Capital Campaign	-	82,604
Rebuild Bahamas	1,067,014	893,126
Rebuild Lake Charles	968,786	-
Rebuild Texas	3,158,573	4,592,982
Rebuild North Carolina	-	307,949
Total net assets with donor purpose restrictions	<u>\$ 5,648,353</u>	<u>\$ 7,196,244</u>

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 \$345,482 and \$335,106 for the years ended December 31, 2020 and 2019, 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:

2021	\$	355,514
2022		366,179
2023		377,165
2024		388,480
2025		400,133
Thereafter		14,397,922

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 August 2021. Total rent expense for these leases, which is included in occupancy expense; was approximately \$189,670 and \$204,997 for the years ended December 31, 2020 and 2019, respectively.

THE ST. BERNARD PROJECT, INC.
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16) Operating leases (continued)

Future minimum rental payments under the leases are as follows:

2021	\$ 64,550
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SBP, Inc. subleases office space to various other organizations. The leases expire at various dates through December 2022.

Future minimum rental income under the leases are as follows:

2021	\$ 70,874
2022	38,803

17) Economic dependence

In 2020, the Organization received approximately 74% of its revenue from federal, state and other grants and 10% from contributions. Another 9% of the Organization's revenue was volunteer labor and donated goods that were contributed in 2020. In 2019, the Organization received approximately 56% of its revenue from federal, state and other grants and 13% from contributions. Another 21% of the Organization's revenue was volunteer labor and donated goods that were contributed in 2019.

18) Supplementary disclosures of cash flows information

	<u>2020</u>	<u>2019</u>
Cash paid for interest	<u>\$ 193,553</u>	<u>\$ 202,959</u>

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 \$9,054 and \$29,653 for the years ended December 31, 2020 and 2019, respectively.

SBP, Inc. has a balance of \$138,741 and \$334,176 due to SBP Real Estate, Inc. as of December 31, 2020 and 2019, respectively. SBP, Inc. has a \$704,241 and \$660,120 balance due from SBP Real Estate, Inc. included in accounts receivable at December 31, 2020 and 2019, 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, 2020 and 2019, the Organization contributed \$54,855 and \$42,367, respectively.

THE ST. BERNARD PROJECT, INC.
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21) 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 14.

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. The extinguishment of debt may not take place until the debtor has legally been released as the primary obligor from the creditor. As of December 31, 2020, the Organization has submitted an application for debt forgiveness with the creditor.

22) 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, 2020, the Organization has deferred \$321,372, which is included in accrued payroll and related liabilities on the consolidated statements of financial position.

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, and to what extent normal economic and operating conditions can resume.

24) Subsequent events

On March 4, 2021, the Organization received notification that the PPP loan disclosed in Notes 14 and 21, has been fully forgiven by the Small Business Administration.

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, 2020 and 2019, and our report thereon dated October 27, 2021, 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.

October 27, 2021

Wegmann Dazet, APC

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	5,476,057	-	-	-	5,476,057	-	5,476,057
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>21,484,548</u>	<u>527,702</u>	<u>1,087,870</u>	<u>840,000</u>	<u>23,940,120</u>	<u>(552,738)</u>	<u>23,387,382</u>
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 FINANCIAL POSITION

December 31, 2019

	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	\$ 3,575,135	\$ 251,935	\$ -	\$ -	\$ 3,827,070	\$ -	\$ 3,827,070
Investments	4,661,545	-	-	-	4,661,545	-	4,661,545
Accounts receivable	927,992	85,380	902,237	734,475	2,650,084	(85,380)	2,564,704
Grants receivable - other	2,303,289	-	-	-	2,303,289	-	2,303,289
Grants receivable - federal	2,993,066	-	-	-	2,993,066	-	2,993,066
Construction in process	1,869,985	-	-	-	1,869,985	-	1,869,985
Real estate held for sale	70,680	-	-	-	70,680	-	70,680
Due from related party	543,821	-	185,633	105,525	834,979	(291,158)	543,821
Other current assets	404,650	70,338	-	-	474,988	-	474,988
Total current assets	17,350,163	407,653	1,087,870	840,000	19,685,686	(376,538)	19,309,148
Property and equipment, net	1,457,363	5,688,553	-	-	7,145,916	(852,457)	6,293,459
Notes receivable - promissory notes	132,092	-	-	-	132,092	-	132,092
Notes receivable	6,946,000	-	-	-	6,946,000	-	6,946,000
Development partnership investment	600,000	-	-	-	600,000	-	600,000
Deposits	152,261	6,100	-	-	158,361	-	158,361
Total assets	\$ 26,637,879	\$ 6,102,306	\$ 1,087,870	\$ 840,000	\$ 34,668,055	\$ (1,228,995)	\$ 33,439,060
LIABILITIES							
Current liabilities							
Line of credit	\$ 262,280	\$ -	\$ -	\$ -	\$ 262,280	\$ -	\$ 262,280
Accounts payable and accrued expenses	1,537,293	-	-	-	1,537,293	(85,380)	1,451,913
Accrued payroll and related liabilities	157,203	-	-	-	157,203	-	157,203
Deferred revenue	100,000	-	-	-	100,000	-	100,000
Due to related party	625,334	-	-	-	625,334	(291,158)	334,176
Total current liabilities	2,682,110	-	-	-	2,682,110	(376,538)	2,305,572
Long-term debt, less current portion and unamortized issuance costs	1,500,000	6,295,171	-	-	7,795,171	-	7,795,171
Total liabilities	4,182,110	6,295,171	-	-	10,477,281	(376,538)	10,100,743
NET ASSETS							
Without donor restrictions	15,259,525	(192,865)	1,087,870	840,000	16,994,530	(852,457)	16,142,073
With donor purpose restrictions	7,196,244	-	-	-	7,196,244	-	7,196,244
Total net assets	22,455,769	(192,865)	1,087,870	840,000	24,190,774	(852,457)	23,338,317
Total liabilities and net assets	\$ 26,637,879	\$ 6,102,306	\$ 1,087,870	\$ 840,000	\$ 34,668,055	\$ (1,228,995)	\$ 33,439,060

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 loss 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 ACTIVITIES
For the Year Ended December 31, 2019

	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	\$ 5,801,729	\$ 5,305,733	\$ -	\$ -	\$ -	\$ 11,107,462	\$ -	\$ 11,107,462
Grants	13,480,654	6,028,342	-	-	-	19,508,996	-	19,508,996
Property management fees	327,508	114,668	-	-	-	442,176	-	442,176
Homeowner funding	359,011	(69,828)	-	-	-	289,183	-	289,183
Sale of properties	800,000	-	-	-	-	800,000	-	800,000
Opportunity housing income	101,965	-	-	-	-	101,965	-	101,965
Vendor incentives	185,791	-	-	-	-	185,791	-	185,791
Interest income	306,674	-	-	-	-	306,674	-	306,674
Realized and unrealized gain on investments	75,143	-	-	-	-	75,143	-	75,143
Gain on sale of assets	12,772	-	-	-	-	12,772	-	12,772
Rental income	-	-	335,106	-	-	335,106	(335,106)	-
Developers fees	-	-	-	870,296	840,000	1,710,296	-	1,710,296
Other income	8,239	10,090	-	-	-	18,329	-	18,329
Net assets released from restrictions	14,564,119	(14,564,119)	-	-	-	-	-	-
Total revenues	36,023,605	(3,175,114)	335,106	870,296	840,000	34,893,893	(335,106)	34,558,787
Expenses								
Program services								
Rebuilding	28,389,387	-	-	-	-	28,389,387	(104,200)	28,285,187
Opportunity housing	1,496,638	-	-	-	-	1,496,638	(30,294)	1,466,344
Disaster resilience and recovery lab	2,168,852	-	-	-	-	2,168,852	(79,755)	2,089,097
Supporting services								
General and administrative	968,906	-	384,467	-	-	1,353,373	(65,450)	1,287,923
Fundraising	861,930	-	-	-	-	861,930	(55,407)	806,523
Total expenses	33,885,713	-	384,467	-	-	34,270,180	(335,106)	33,935,074
Change in net assets	2,137,892	(3,175,114)	(49,361)	870,296	840,000	623,713	-	623,713
Net assets								
Beginning of year	13,121,633	10,371,358	(143,504)	217,574	-	23,567,061	(852,457)	22,714,604
End of year	<u>\$ 15,259,525</u>	<u>\$ 7,196,244</u>	<u>\$ (192,865)</u>	<u>\$ 1,087,870</u>	<u>\$ 840,000</u>	<u>\$ 24,190,774</u>	<u>\$ (852,457)</u>	<u>\$ 23,338,317</u>

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					General & Administrative			
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	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
Forgivable 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	930,619	123,177	-	-	-	-	1,053,796	-	1,053,796
Insurance	2,316,779	29,448	37,702	7,047	80,311	53,952	2,525,239	-	2,525,239
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

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	SBP, Inc.					Toulouse Commercial Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services					General & Administrative			
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative				
Advertising	\$ 25,283	\$ 712	\$ 60,625	\$ 48,480	\$ 314	\$ -	\$ 135,414	\$ -	\$ 135,414
Bad debt writeoff	40,000	3,164	-	40,000	-	-	83,164	-	83,164
Building maintenance and repairs	29,044	438	146	228	1,664	15,089	46,609	-	46,609
Construction	13,341,073	1,082,670	18,630	1,816	107	-	14,444,296	-	14,444,296
Construction WIP	(1,541,840)	(1,244,628)	-	-	-	-	(2,786,468)	-	(2,786,468)
Contract services	418,691	77,068	214,110	69,949	12,130	11,313	803,261	-	803,261
Cost of property sold	-	881,079	-	-	-	-	881,079	-	881,079
Depreciation expense	148,422	30,434	-	-	-	130,012	308,868	-	308,868
Disaster deployment	13,629	-	55,438	-	(35)	-	69,032	-	69,032
Dues and subscriptions	3,434	259	7,049	112	3,085	-	13,939	-	13,939
Education and seminars	8,347	-	274	4,770	1,885	-	15,276	-	15,276
Forgiveable promissory note	-	66,774	-	-	-	-	66,774	-	66,774
Fundraising expenses	8,642	-	50	104,052	107	155	113,006	-	113,006
Grants and awards expenses	1,785,301	-	30,000	400	-	-	1,815,701	-	1,815,701
Information tech	52,303	2,837	4,698	4,649	8,613	-	73,100	-	73,100
In-kind labor	4,859,567	426,942	-	-	-	-	5,286,509	-	5,286,509
Insurance	2,058,159	29,428	77,614	1,960	2,030	52,372	2,221,563	-	2,221,563
Interest expense	19,855	16,874	28,955	19,855	12,409	128,120	226,068	-	226,068
Miscellaneous expenses	68,626	2,885	38,548	18,136	19,610	22,915	170,720	-	170,720
Office rent	384,698	32,385	82,927	57,233	67,220	-	624,463	(335,106)	289,357
Office supplies	50,848	1,473	3,977	3,523	5,806	256	65,883	-	65,883
Payroll - direct	6,073,734	81,240	1,308,480	389,104	754,965	-	8,607,523	-	8,607,523
Postage and mailing service	20,426	281	2,748	7,108	1,784	-	32,347	-	32,347
Printing	30,013	837	41,775	17,538	4,328	-	94,491	-	94,491
Professional services	13,695	-	-	-	24,094	-	37,789	-	37,789
Signature support	42,150	544	244	3,239	1,348	-	47,525	-	47,525
Software licenses and fees	91,447	400	61,838	21,561	11,210	1,253	187,709	-	187,709
Special events	52,009	485	4,910	10,166	9,551	168	77,289	-	77,289
Travel and meetings	221,495	1,501	125,521	36,996	20,962	6	406,481	-	406,481
Utilities	40,565	556	-	1,055	5,714	22,808	70,698	-	70,698
Vehicle expenses	29,771	-	295	-	5	-	30,071	-	30,071
Total expenses	\$ 28,389,387	\$ 1,496,638	\$ 2,168,852	\$ 861,930	\$ 968,906	\$ 384,467	\$ 34,270,180	\$ (335,106)	\$ 33,935,074

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, 2020, 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 October 27, 2021.

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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Metairie, Louisiana
October 27, 2021

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, 2020. 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, 2020.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of SBP, Inc. as of and for the year ended December 31, 2020, and have issued our report thereon dated October 27, 2021, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Metairie, Louisiana
October 27, 2021

Wegmann Bazet

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD):		
Community Development Block Grants (CDBG) - Entitlement Grant Cluster:		
Passed through the County of Richland	14.218	\$ 252,294
Passed through the City of Baton Rouge	14.218	8,404
Passed through the City of Lexington	14.218	<u>2,620</u>
Total CDBG Entitlement Grant Cluster		263,318
CDBG - Disaster Recovery Grants Cluster:		
Passed through the Housing Trust Fund Corporation	14.269	1,399,099
Passed through the City of New Orleans - CDBG	14.239	<u>253,185</u>
Total U.S. HUD		1,652,284
Corporation for National and Community Service:		
ARRA- AmeriCorp Grant	94.006	<u>4,058,789</u>
Total Expenditures of Federal Awards		<u>\$ 5,974,391</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, 2020

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, 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 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, 2020 were:

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

SCHEDULE OF FINDINGS RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

There were no findings related to the consolidated financial statements for the year ended December 31, 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.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

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, 2019 were:

U.S. Department of Housing and Urban Development Community Development Block Grant	(CFDA #14.269)
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, 2019.

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, 2020

<u>Agency Head</u>	<u>Job Title</u>	<u>Purpose</u>	<u>2020</u>
Thomas Corley	Executive Director/Improvement Officer	Salary	\$ 48,170
Dulcie Togstad	Executive Director	Salary	11,828
Elizabeth McCartney	Chief Operating Officer	Salary	4,247
Keith McCulloch	Chief Financial Officer	Salary	4,511