

THE ST. BERNARD PROJECT, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 23 2013

THE ST BERNARD PROJECT, INC
CHALMETTE, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The St Bernard Project, Inc (a nonprofit organizations), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The St. Bernard Project, Inc., as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2013 on our consideration of The St. Bernard Project, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The St. Bernard Project, Inc.'s internal control over financial reporting and compliance.

June 26, 2013

Weymann Deget + Company

THE ST BERNARD PROJECT, INC
STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,290,894	\$ 79,217
Accounts receivable	287,024	10,473
Other receivables	6,971	-
Grants receivable	1,246,242	1,849,460
Other current assets	48,410	650
Total current assets	<u>2,879,541</u>	<u>1,939,800</u>
Real estate held for sale	365,055	544,083
Property and equipment, at cost less accumulated depreciation	13,963	18,691
Notes receivable	329,192	90,849
Deposits	1,575	1,575
Total assets	<u>\$ 3,589,326</u>	<u>\$ 2,594,998</u>
LIABILITIES		
Current liabilities		
Line of credit	\$ 96,206	\$ 99,553
Accounts payable and accrued expenses	316,220	438,840
Accrued payroll and related liabilities	20,423	10,380
Current portion of long-term debt	78,629	15,070
Total current liabilities	<u>511,478</u>	<u>563,843</u>
Long-term debt, less current portion	125,000	125,000
Total liabilities	<u>636,478</u>	<u>688,843</u>
NET ASSETS		
Unrestricted	2,747,808	1,800,054
Temporarily restricted	205,040	106,101
Total net assets	<u>2,952,848</u>	<u>1,906,155</u>
Total liabilities and net assets	<u>\$ 3,589,326</u>	<u>\$ 2,594,998</u>

See accompanying Notes to Financial Statements

THE ST BERNARD PROJECT, INC
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 5,344,753	\$ 486,214	\$ 5,830,967
Grants	3,058,928	1,050,000	4,108,928
Homeowner funding	308,820	-	308,820
Sale of properties	726,502	-	726,502
Vendor incentives	14,262	-	14,262
Other income	25,440	-	25,440
Net assets released from restrictions	<u>1,437,275</u>	<u>(1,437,275)</u>	<u>-</u>
Total revenues	<u>10,915,980</u>	<u>98,939</u>	<u>11,014,919</u>
Expenses			
Program services			
Rebuilding	5,362,558	-	5,362,558
Rebuild Joplin	1,166,716	-	1,166,716
Opportunity housing	1,429,746	-	1,429,746
Mental health	277,263	-	277,263
Veteran good work good pay	395,018	-	395,018
Disaster recovery lab	107,474	-	107,474
Supporting services			
General and administrative	1,106,808	-	1,106,808
Fundraising	<u>122,643</u>	<u>-</u>	<u>122,643</u>
Total expenses	<u>9,968,226</u>	<u>-</u>	<u>9,968,226</u>
Change in net assets	947,754	98,939	1,046,693
Net assets			
Beginning of year	<u>1,800,054</u>	<u>106,101</u>	<u>1,906,155</u>
End of year	<u>\$ 2,747,808</u>	<u>\$ 205,040</u>	<u>\$ 2,952,848</u>

See accompanying Notes to Financial Statements

THE ST BERNARD PROJECT, INC
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 5,602,867	\$ 175,000	\$ 5,777,867
Grants	3,769,217	638,163	4,407,380
Homeowner funding	329,088	-	329,088
Sale of properties	180,919	-	180,919
Vendor incentives	12,805	-	12,805
Other income	20,093	-	20,093
Net assets released from restrictions	<u>780,728</u>	<u>(780,728)</u>	<u>-</u>
Total revenues	<u>10,695,717</u>	<u>32,435</u>	<u>10,728,152</u>
Expenses			
Program services			
Rebuilding	7,106,045	-	7,106,045
Rebuild Joplin	18,076	-	18,076
Opportunity housing	234,350	-	234,350
Mental health	965,172	-	965,172
Veteran good work good pay	281,545	-	281,545
Supporting services			
General and administrative	642,114	-	642,114
Fundraising	<u>149,913</u>	<u>-</u>	<u>149,913</u>
Total expenses	<u>9,397,215</u>	<u>-</u>	<u>9,397,215</u>
Change in net assets	1,298,502	32,435	1,330,937
Net assets			
Beginning of year	<u>501,552</u>	<u>73,666</u>	<u>575,218</u>
End of year	<u>\$ 1,800,054</u>	<u>\$ 106,101</u>	<u>\$ 1,906,155</u>

See accompanying Notes to Financial Statements

THE ST BERNARD PROJECT, INC
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

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

See accompanying Notes to Financial Statements

THE ST BERNARD PROJECT, INC
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

	Program Services					Fundraising	General & Administrative	Total Expenses
	Rebuilding	Rebuild Joplin	Opportunity Housing	Mental Health	Veteran			
Auto	\$ -	\$ -	\$ 56	\$ 2,114	\$ -	\$ 277	\$ 1,380	\$ 3,827
Bad debt expense	(2,168)	-	-	-	-	-	8,932	6,764
Bank service charge	2,303	-	-	-	-	(8)	22,951	25,246
Cost of merchandise	366	-	-	-	-	-	15,257	15,623
Construction	2,456,486	9,246	149,632	1,452	-	761	-	2,617,577
Depreciation	11,518	-	-	-	-	-	-	11,518
Fundraising	-	-	-	-	-	78,105	8,101	86,206
Insurance	216,945	-	20,235	(7,426)	8,207	2,540	136,390	376,891
Interest expense	-	-	-	-	-	-	17,022	17,022
In-kind labor	3,263,847	-	-	-	-	-	-	3,263,847
Licenses and permits	-	-	-	-	-	-	4,869	4,869
Office supplies	16,736	-	44	339	-	1,992	126,389	145,500
Other expense	(20)	-	-	30	-	-	(530)	(520)
Occupancy	4,319	-	16,335	8	-	-	61,585	82,247
Payroll taxes	77,646	-	3,942	16,096	24,118	5,184	54,281	181,267
Program administrative fee	(37,731)	3,198	-	93,128	-	-	(96,326)	(37,731)
Program expense	-	-	-	117,382	-	-	-	117,382
Professional services	-	-	-	159,378	-	-	-	159,378
Rental expense	24,200	-	-	-	-	-	750	24,950
Salaries	1,071,598	5,632	44,106	582,671	249,220	61,062	281,063	2,295,352
Total expenses	\$ 7,106,045	\$ 18,076	\$ 234,350	\$ 965,172	\$ 281,545	\$ 149,913	\$ 642,114	\$ 9,397,215

See accompanying Notes to Financial Statements

THE ST BERNARD PROJECT, INC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2012 and 2011

	2012	2011
<i>Cash flows from operating activities</i>		
Change in net assets	\$ 1,046,693	\$ 1,330,937
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	13,077	11,518
(Increase) decrease in operating assets		
Accounts receivable	(276,551)	(7,886)
Grants receivable	603,218	(1,338,737)
Real estate held for sale	179,028	(185,586)
Other current assets	(47,760)	-
Other receivables	(6,971)	-
Deposits	-	14,081
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(122,620)	311,651
Accrued payroll liabilities	10,043	10,380
Net cash provided by operating activities	<u>1,398,157</u>	<u>146,358</u>
 <i>Cash flows from investing activities</i>		
Advances on notes receivable	(238,343)	(90,849)
Purchase of property and equipment	<u>(8,349)</u>	<u>(2,000)</u>
Net cash used by investing activities	<u>(246,692)</u>	<u>(92,849)</u>
 <i>Cash flows from financing activities</i>		
Borrowings under line of credit	-	99,553
Repayments of line of credit	(3,347)	-
Borrowings under long-term debt	80,129	15,070
Repayments of long-term debt	<u>(16,570)</u>	<u>(500,032)</u>
Net cash provided (used) by financing activities	<u>60,212</u>	<u>(385,409)</u>
 Net increase (decrease) in cash	1,211,677	(331,900)
 Cash and cash equivalents at beginning of year	<u>79,217</u>	<u>411,117</u>
 Cash and cash equivalents at end of year	<u>\$ 1,290,894</u>	<u>\$ 79,217</u>

See accompanying Notes to Financial Statements

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

1) Nature of activities

The St Bernard Project, Inc (the "Organization") is a non-profit organization established to create housing opportunities so that disaster survivors can return to their homes and communities. The St Bernard Project, Inc is a community based organization that carries out its mission through two primary programs: Rebuilding Program and Opportunity Housing Program.

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

2) Summary of significant accounting policies

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

(a) Financial statement presentation

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

(b) Basis of presentation

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

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

(c) Public support and revenue

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

(d) Cash and cash equivalents

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

(e) 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.

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

2) Summary of significant accounting policies (continued)

(e) Accounts receivable (continued)

An allowance for uncollectible accounts has been maintained for estimated losses resulting from the inability of its customers to make required payments. The Organization's estimate for the allowance for doubtful accounts is based on a review of the current accounts receivable. Accounts receivable is presented net of an allowance for doubtful accounts of \$14,200 and \$59,488 as of December 31, 2012 and 2011, respectively.

(f) 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>
Equipment	5 years
Vehicles	5 years

(g) Real estate held for sale

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

(h) Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization has filed for and received income tax exemptions in the various jurisdictions where it is required to do so.

The Organization adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. With few exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2009.

(i) Functional expenses

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

(j) Fundraising

All expenses associated with fundraising events are expensed as incurred.

(k) Use of estimates

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

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

2) Summary of significant accounting policies (continued)

(l) Concentrations of credit risk

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

(m) Donated services

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

The Organization received volunteer help to renovate homes destroyed by Hurricane Katrina and Rita. The estimated value of the contributed services for the year ended December 31, 2012 and 2011 was \$2,517,438 and \$3,444,000, respectively.

(n) Donated property and equipment

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

3) Property and equipment

Property and equipment is summarized as follows:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 15,000	\$ 15,000
Vehicles	51,774	43,425
Total costs	66,774	58,425
Less accumulated depreciation	52,811	39,734
Property and equipment	\$ 13,963	\$ 18,691

4) Notes receivable

The Organization has various notes receivable totaling \$329,192 and \$90,849 in connection with the sale of various properties as of December 31, 2012 and 2011, respectively. The promissory notes become due and payable if the borrower fails to occupy the residence for a five or ten year period after initial purchase date, fails to maintain homeowner's and flood insurance during the five or ten years or fails to pay property taxes when they become due during the five or ten year period.

The Organization will reduce the balance on the notes over the next ten years as outlined in the notes based on compliance with the terms of the agreement. A total of \$9,085 was written off in 2012.

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

5) Grants receivable

The Organization was awarded various grants through federal and state agencies. Most of the grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Balances due from the grants at year end are included in grants receivable. Grants receivable for the year ended December 31, 2012 consists of the following:

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

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

5) Grants receivable (continued)

Grants receivable for the year ended December 31, 2011 consists of the following

	<u>Grant Receipts</u>	<u>Grant Expenditures</u>	<u>Due from grant at end of year</u>
<u>Federal financial assistance</u>			
AmeriCorp state grant from			
Louisiana Service Commission	\$ 584,730	\$ 782,001	\$ 197,271
U S Department of Housing and Urban Development - City of New Orleans	490,478	668,260	177,782
U S Department of Housing and Urban Development - Louisiana Housing Finance	378,957	1,233,538	854,581
U S Department of Housing and Urban Development - City of New Orleans	-	141,495	141,495
U S Department of Housing and Urban Development - NORA	-	301,339	301,339
U S Department of Housing and Urban Development - Louisiana Housing Finance	-	37,240	37,240
U S Department of Health and Human Services	-	46,568	46,568
Total federal financial assistance	1,454,165	3,210,441	1,756,276
 <u>Louisiana state grants</u>			
Metropolitan Human Services District for Louisiana Spirit Services			
	532,748	616,932	84,184
 <u>Other grants</u>			
The United Way for the Greater New Orleans Area			
	-	9,000	9,000
Total	\$ 1,986,913	\$ 3,836,373	\$ 1,849,460

6) Line of credit

The Organization has a \$250,000 unsecured line of credit with a bank for its working capital needs. The interest rate on the line is 4.5%. The balance at December 31, 2012 and 2011 was \$96,206 and \$99,553, respectively.

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

7) Long-term debt

Long-term debt at December 31, 2012 and 2011 consists of the following

	<u>2012</u>	<u>2011</u>
Notes payable to two grantors, secured by the assets of the organization The notes mature at various dates through February 2015	\$ 125,000	\$ 125,000
Notes payable to a bank with interest at a rate of 2%, secured by the assets of the organization, due in full at maturity The notes mature October 31, 2013	<u>78,629</u>	<u>-</u>
Total long-term debt	203,629	125,000
Less current portion	<u>78,629</u>	<u>15,070</u>
Long-term debt, less current portion	<u><u>\$ 125,000</u></u>	<u><u>\$ 109,930</u></u>

The maturities of long-term debt are as follows

2013	\$	78,629
2014		-
2015		125,000

8) Restrictions on net assets

Temporarily restricted net assets are available for the following programs

	<u>2012</u>	<u>2011</u>
Rebuilding Program	\$ -	\$ 74,177
Rebuild Joplin	<u>205,040</u>	<u>31,924</u>
Total temporarily restricted assets	<u><u>\$ 205,040</u></u>	<u><u>\$ 106,101</u></u>

9) Operating leases

The Organization leases office space for its headquarters and warehouse space The leases expire at various dates through April 2013 and are on a month to month basis after the expiration date Future minimum rental payments under the leases are as follows

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 4,400

Total rent expense, which was included in occupancy expense, under the operating leases was \$39,450 and \$36,100 for the years ended December 31, 2012 and 2011, respectively

THE ST BERNARD PROJECT, INC
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2012 and 2011

10) Economic dependence

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

In 2011, the Organization received approximately 41% of its revenue from federal, state and other grants. Another 32% of the Organization's revenue was volunteer labor that was contributed in 2011.

11) Major vendors

In 2012 and 2011, purchases from one vendor accounted for 18% and 17% of total expenses, respectively.

12) Supplementary disclosures of cash flows information

Cash paid during the year for

	<u>2012</u>	<u>2011</u>
Interest	<u>\$ 3,306</u>	<u>\$ 17,022</u>

13) Subsequent events

Management has evaluated subsequent events through June 26, 2013, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARD REPORTS**

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



WEGMANN DAZET & COMPANY

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The St Bernard Project, Inc, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2013

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The St Bernard Project, Inc's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions 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.

June 26, 2013

Wegmann Dayt + Company

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



WEGMANN DAZET & COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited The St Bernard Project, Inc 's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The St Bernard Project, Inc 's major federal programs for the year ended December 31, 2012 The St Bernard Project, Inc 's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The St Bernard Project, Inc 's major federal programs based on our audit of the types of compliance requirements referred to above We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred An audit includes examining, on a test basis, evidence about The St Bernard Project, Inc 's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances

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

Opinion on Each Major Federal Program

In our opinion, The St Bernard Project, Inc complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012

Report on Internal Control Over Compliance

Management of The St Bernard Project, Inc is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The St Bernard Project, Inc 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The St Bernard Project, Inc 's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

June 26, 2013

Wegmann Dayt + Company

THE ST BERNARD PROJECT, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Louisiana Service Commission ARRA – AmeriCorp Grant	94 006	\$824,939
U S Department of Health and Human Services		
Substance Abuse and Mental Health Services	93 243	53,432
U S Department of Housing and Urban Development		
Office of Community Planning and Development	14 252	21,988
Passed through the Louisiana Housing Finance Agency Community Development Block Grant – Rural Owner Rehab Initiative	14 228	190,120
Passed through the Louisiana Housing Finance Agency Nonprofit Rebuilding Pilot Program	14 228	621,268
Passed through the New Orleans Redevelopment Program ARRA - Neighborhood Stabilization Program 2	14 256	582,725
Passed through the City of New Orleans HOME Improvement Partnership Program	14 239	212,062
Passed through the City of New Orleans HOME Investment Partnerships Act	14 239	98,389
Passed through the City of New Orleans Community Development Block Grant	14 218	<u>66,672</u>
Total Expenditures of Federal Awards		<u>\$2,671,595</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

THE ST BERNARD PROJECT, INC
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Note 1 General

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

Note 2 Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3 Risk-based audit approach

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

Note 4 Possible ineligible, disallowed and questioned costs

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

THE ST BERNARD PROJECT, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

We have audited the basic financial statements of The St Bernard Project, Inc as of and for the year ended December 31, 2012, and have issued our report thereon dated June 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, Issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

SUMMARY OF THE AUDITORS' RESULTS

- 1 Type of report issued on the financial statements **Unqualified Opinion**
- 2 Significant deficiencies in internal control were disclosed by the audit of the financial statements **No** Material weaknesses **No**
- 3 Noncompliance which is material to the financial statements **No**
- 4 Significant deficiencies in internal control over major programs **No** Material weaknesses **No**
- 5 Type of report issued on compliance for major programs **Unqualified Opinion.**
- 6 Any audit findings which are required to be reported under Section 501(a) of Circular A-133 **No**
- 7 Major programs for the fiscal year ended December 31, 2012 were

Louisiana Service Commission	
AmeriCorp	(CFDA #94 006)
U S Department of Housing and Urban Development	
Nonprofit Rebuilding Pilot Program	(CFDA #14 228)
Neighborhood Stabilization Program 2	(CFDA #14 256)
Rural Owner Rehab Initiative	(CFDA #14 228)
HOME Improvement Partnership Program	(CFDA #14 239)
HOME Investment Partnerships Act	(CFDA #14 239)
- 8 Dollar threshold used to distinguish between Type A and Type B programs **\$300,000**
- 9 Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133 **No**
- 10 A management letter was issued **No**

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended December 31, 2012

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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2011

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Significant Deficiencies

2011-1

Condition Lack of consistent written documentation of approval of invoices

Recommendation Procedures should be implemented requiring that all expenditures have the proper written documentation of management approval before payment

Current Status The St Bernard Project, Inc has implemented the recommendation No similar findings were noted in the 2012 audit

2011-2

Condition Failure to provide audited financial statements to the State of Louisiana within the required six month time frame

Recommendation Procedures should be implemented to ensure that the audit is completed and submitted within the timeframe required by the State of Louisiana's audit law

Current Status Management of The St Bernard Project, Inc addressed the failure by engaging an auditor to perform the audit and once the audit was completed the audit report was submitted

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Significant Deficiencies

2011-3

Condition Lack of consistent written documentation of approval of grant expenditures

Recommendation Procedures should be implemented requiring that all expenditures have the proper written documentation of management approval before payment

Current Status The St Bernard Project, Inc has implemented the recommendation No similar findings were noted in the 2012 audit

MANAGEMENT LETTER

2011-4

Condition Lack of consistent allocation of 2011 expenses to programs and projects

Recommendation Procedures should be implemented to ensure that all expenses are allocated properly at the end of each month

Current Status The St Bernard Project, Inc has implemented the recommendation No similar findings were noted in the 2012 audit

THE ST BERNARD PROJECT, INC
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2011

MANAGEMENT LETTER

2011-5

Condition Accounts receivable and accrued revenue did not accurately reflect all reimbursement due from the grants at year end

Recommendation Procedures should be implemented to ensure that all grant reimbursements are included in the appropriate accounting period

Current Status The St Bernard Project, Inc has implemented the recommendation. No similar findings were noted in the 2012 audit