10470

THE ST. BERNARD PROJECT, INC.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2010

CASCIO & SCHMIDT, LLC
Certified Public Accountants

THE ST. BERNARD PROJECT, INC.

TABLE OF CONTENTS

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of financial position of the St. Bernard Project, Inc. (a nonprofit corporation) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The St. Bernard Project, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The St. Bernard Project, Inc.'s 2009 financial statements which were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated May 3, 2010.

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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated July 19, 2011, 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 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 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 and should be considered in assessing the results of our audit.

3000 Kingman Street • Suite 104 • Metairie, Louisiana 70006 • 504.455.3182 • Fax 504.455.3076

Our audit was performed for the purpose of forming an opinion on the financial statements of the St. Bernard Project, Inc. taken as a whole. The accompanying supplemental Statement of Activities by Program and Statement of Activities - CDBG and HOME grants are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cascio & Schmidt, LLC.

Metairie, Louisiana
July 19, 2011

THE ST. BERNARD PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

		MEMORANDUM ONLY December 31, 2009
Cash	$ 411,117	$ 368,102
Receivables		
Grants (Note B)	510,723	136,168
Other, less allowance for doubtful receivables of $59,738 (2009 - $62,238)	2,587	63,088
	513,310	199,256
Real estate held for sale (Note A5)	313,347	12,500
Total current assets	1,237,774	579,858
Property and equipment - at cost (Note A4 and C)	28,209	39,494
Other assets (Note D)	16,306	6,570
Total Assets	$ 1,282,289	$ 625,922

LIABILITIES AND NET ASSETS

Notes payable to banks	$ 500,032	$ -
Accounts payable and accrued liabilities	127,189	42,378
Total current liabilities	627,221	42,378
Long-term obligation (Note E)	125,000	-
Commitments (Note F)	-	-
Net Assets		
Unrestricted	530,068	583,544
Temporarily restricted	-	-
Total Net Assets	530,068	583,544
Total liabilities and net assets	$ 1,282,289	$ 625,922

The accompanying notes are an integral part of this statement.

THE ST. BERNARD PROJECT, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	MEMORANDUM ONLY December 31, 2009
REVENUES				
Grants appropriations	$ -	$ 1,628,000	$ 1,628,000	$ 515,862
United Way				
Grants	-	354,583	354,583	119,917
Designations	23,601	-	23,601	10,819
Other	60,227	-	60,227	-
Corporate donations/Foundations	497,238	-	497,238	1,479,859
Donations, individual	801,910	-	801,910	507,412
Homeowner fees	14,505	-	14,505	366,532
Fund-raising	204,756	-	204,756	30,348
Real Estate-donated	-	-	-	12,500
In-kind contributions (Note A12)	2,445,840	-	2,445,840	2,001,881
Other	41,294	-	41,294	50,922
Net assets released from restrictions	1,982,583	(1,982,583)	-	-
Total Revenues	6,071,954	-	6,071,954	5,096,052
EXPENSES				
Program services				
Rebuilding	5,195,581	-	5,195,581	3,896,763
Senior Housing	-	-	-	112,929
Mental Health	248,804	-	248,804	136,233
	5,444,385	-	5,444,385	4,145,925
Supportive services:				
Management and general	472,645	-	472,645	488,604
Fund-raising	208,400	-	208,400	182,668
	681,045	-	681,045	671,272
Total Expenses	6,125,430	-	6,125,430	4,817,197
INCREASE (DECREASE) IN NET ASSETS	(53,476)	-	(53,476)	278,855
NET ASSETS, BEGINNING OF YEAR	583,544	-	583,544	304,689
NET ASSETS, END OF YEAR	$ 530,068	$ -	$ 530,068	$ 583,544

The accompanying notes are an integral part of this statement.

THE ST. BERNARD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	PROGRAM SERVICES		SUPPORTIVE SERVICES		
	REBUILDING	MENTAL HEALTH	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Salaries	$ 845,350	$ 48,271	$ 237,916	$ 136,601	$ 1,268,138
Fringe Benefits	104,438	6,088	30,007	17,229	157,762
Business Development	-	-	4,019	-	4,019
Travel	25,569	1,322	27,489	22,260	76,640
Occupancy	68,605	-	55,086	-	123,691
Supplies	48,310	4,718	70,397	10,895	134,320
Printing	-	-	1,636	-	1,636
Construction Cost	3,856,228	-	-	-	3,856,228
Communication Expense	19,997	570	15,419	-	35,986
Insurance	156,207	3,094	20,171	-	179,472
Professional Fees	-	178,298	-	-	178,298
Other Expense	70,877	6,443	10,505	21,415	109,240
Total Expenses	$ 5,195,581	$ 248,804	$ 472,645	$ 208,400	$ 6,125,430

The accompanying notes are an integral part of this statement.

THE ST. BERNARD PROJECT, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

Increase (Decrease) in Cash and Cash Equivalents

		MEMORANDUM ONLY December 31, 2009
Cash Flows from Operating Activities:		
Increase (decrease) in net asset	$ (53,476)	$ 278,855
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation	11,285	10,098
Provision for bad debts	-	62,238
Changes in assets and liabilities:		
Increase in receivables	(314,054)	(261,494)
Increase in real estate held for sale	(300,847)	(12,500)
Increase in other assets	(9,736)	(2,370)
Increase in accounts payable and accrued liabilities	84,811	14,433
Net Cash Provided (Used) by Operating Activities	(582,017)	89,260
Cash Flows from Investing Activities		
Acquisition of equipment	-	(16,600)
Net Cash Used in Investing Activities	-	(16,600)
Cash flows from Financing Activities		
Proceeds from bank loans	500,032	-
Proceeds from recoverable grant	125,000	-
Net cash provided by Financing Activities	625,032	-
Net Increase in Cash and Cash Equivalents	43,015	72,660
Cash and Cash Equivalents at Beginning of Year	368,102	295,442
Cash and Cash Equivalents at End of Year	$ 411,117	$ 368,102
Noncash Operating Activities		
In-kind Contributions (see Note A - 12)	$ 2,445,840	$ 2,001,881

The accompanying notes are an integral part of this statement.

THE ST. BERNARD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. **Nature of Activities**

The mission of the St. Bernard Project is to create housing opportunities so that Hurricane Katrina survivors can return to their homes and communities. The St. Bernard Project, a nonprofit, community-based organization carries out its mission through three primary programs: Rebuilding Program, Center for Wellness and Mental Health and Opportunity Housing Program.

Opened in January 2009 through an innovative partnership with Louisiana State University Health Sciences Center, the St. Bernard Project's Center for Wellness and Mental Health provides evaluation, treatment and support for residents of St. Bernard Parish and New Orleans sufferings from storm, or oil-spill-related mental health problems.

2. **Presentation of Financial Statements**

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There are no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. **Revenue Recognition**

Grant revenue is recognized as it is earned in accordance with approved contracts. Contributions are recognized as income in the period received and is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, also when grant services are performed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Real estate sales are recognized on the full accrual method and are recognized at the time the sales are completed an all risks and rewards or ownership have been transferred to the buyer.

4. **Property and Equipment**

Property and equipment acquired by The St. Bernard Project, Inc. are considered to be owned by The St. Bernard Project, Inc. However, State and Federal funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. **Property and Equipment - Continued**

The St. Bernard Project, Inc. follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of $5,000. Leasehold improvements are capitalized and amortized over the life of the lease. Depreciation is computed principally on the straight-line basis over the useful lives of the assets.

5. **Real Estate Held for Sale**

Real estate hold for sale is carried at cost, 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.

6. **Estimates**

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. **Fair Values of Financial Instruments**

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which is its practical to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

8. **Cash Equivalents**

For the purpose of the statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

9. **Receivables**

The corporation considers grants receivable to be fully collectible since the balance consists of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

A valuation allowance has been established for Other Receivables, and is available for absorbing losses incurred on those receivables. All losses are charged to the allowance for doubtful receivables when the loss actually occurs or when a determination is made that a loss is likely to occur. Revenues are credited to the allowance at the time of recovery.

10. **Functional Allocation of Expense**

The expenses of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Certain of those expenses have been allocated among the program and supporting services benefitted based on estimates by management of the costs involved.

11. **Total Columns - Overview**

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

12. In-Kind contributions

The St. Bernard Project receives volunteer help to renovate homes destroyed by Hurricane Katrina. The estimated value of the contributed services ($2,445,840) is recognized as revenue and expense in the Statement of Activities, (2009 - $2,001,881).

13. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (July 19, 2011).

NOTE B - GOVERNMENTAL GRANTS RECEIVABLE AND REVENUE

Governmental grants receivable and revenue at December 31,2010, are as follows:

	Grants receivable	Grant revenue for the year
Corporation for National and Community Service (Americorps)	$ 75,719	$ 606,412
Louisiana Housing Finance Agency Rural Owner Rehab Initiative	160,720	450,800
City of New Orleans (SBP NOLA CDBG-1)	130,231	256,929
Home Investment Partnership Program (HOME)	71,292	71,292
Louisiana Housing Finance Agency Nonprofit Rebuilding Pilot Program (NRPP)	-	169,806
Louisiana Spirit Grant	72,761	72,761
	$ 510,723	$ 1,628,000

NOTE C - PROPERTY AND EQUIPMENT OBLIGATIONS

Property and equipment at December 31, 2010 consists of the following:

Office equipment	$ 15,000
Transportation equipment	41,425
	56,425
Less accumulated depreciation	(28,216)
	$ 28,209

Depreciation and amortization amounted to $11,285 for the year ended December 31, 2010 ($10,098 for 2009).

NOTE D - OTHER ASSETS

Other assets at December 31, 2010 consist of the following:

Building supplies	$ 12,506
Deposits	3,150
Employee advance	650
	$ 16,306

NOTE E - LONG - TERM OBLIGATION

The long-term obligation consists of a Recoverable Grant to be used for eligible expenses incurred beginning January 1, 2010 and ending December 31, 2015 (the maturity date). The Recoverable Grant is payable to Living Cities in full no later than February 15, 2015 (the Repayment Date).

NOTE F - COMMITMENTS

The St. Bernard Project has operating lease agreements for the rental of office and warehouse space for its operations. Rental expense charged to operations totaled $35,200 for the year ended December 31, 2010 (2009 - $33,250).

The operating leases expired on January 6, 2011 and April 18, 2011. The option to renew was exercised.

Future minimum lease payments are as follows:

Year ending December 31, 2011	$ 5,900

Housing for volunteers is leased by the St. Bernard Project, Inc, with a sublease to its volunteers. The rental expense for the year ended December 31, 2010 totaled $46,261, net of subleases amounting to $18,916.

NOTE G - INCOME TAXES

The St. Bernard Project, Inc. is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

NOTE H - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2010.

NOTE I - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), as set forth in FASB ASC 820-10, requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.
Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3- Unobservable inputs that are not corroborated by market data.

Fair value instruments whithin the scope of FASB ASC 820 - 10 are included in the table below:

		Fair Value Measurement of Reporting Date		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash and cash equivalents	$ 411,117	$ 411,117	$ -	$ -
Receivables	513,310	513,310		
Financial Liabilities:				
Accounts payable and accrued liabilities	(127,189)	(127,189)	-	-
	$ 797,238	$ 797,238	$ -	$ -

The assumptions to fair values are as follows

1. Cash and cash equivalents carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments.

2. Receivables and liabilities are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk.

NOTE J - ECONOMIC DEPENDENCY

The Corporation received a substantial amount of its revenue from funds provided through grants administered by the federal government and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

Approximately 45% of the corporation's support for the year ended December 31, 2010 came from government grants.

SUPPLEMENTAL INFORMATION

THE ST. BERNARD PROJECT, INC.

STATEMENT OF ACTIVITIES - CDBG and HOME Grants
City of New Orleans

Year Ended December 31, 2010

	CDBG Grant	HOME Grant
REVENUE		
Grant appropriations	$ 256,927	$ 71,292
Total Revenue	256,927	71,292
EXPENSES		
Salaries	83,048	-
Fringe benefits	11,505	-
Travel	1,512	-
Occupancy	2,470	-
Construction Costs	143,351	71,292
Communication Expenses	1,880	-
Insurance	8,598	-
Other	103	-
Total direct program expenses	252,467	71,292
Supportive services	4,462	-
Total Expenses	256,929	71,292
Increase (Decrease) in Net Assets	$ -	$ -

THE ST. BERNARD PROJECT, INC.

STATEMENT OF ACTIVITIES BY PROGRAM

Year Ended December 31, 2010

	Rebuilding	Mental Health	Total
REVENUE			
Grant appropriations	$ 1,628,000	$ -	$1,628,000
Corporate donations/Foundations	347,238	150,000	497,238
In-kind contribution	2,445,840	-	2,445,840
Fund raising	204,756	-	204,756
Individual donations	801,910	-	801,910
Homeowner fees	14,505	-	14,505
United Way designations	23,601	-	23,601
Other revenue	101,521	-	101,521
Total self-generated revenue	5,567,371	150,000	5,717,371
United Way	354,583	-	354,583
Total Revenue	5,921,954	150,000	6,071,954
EXPENSES			
Salaries	845,350	48,271	893,621
Fringe benefits	104,438	6,088	110,526
Travel	25,569	1,322	26,891
Occupancy	68,605	-	68,605
Supplies	48,310	4,718	53,028
Construction cost	3,856,228	-	3,856,228
Communication Expenses	19,997	570	20,567
Insurance	156,207	3,094	159,301
Professional Services	-	178,298	178,298
Other Expenses	70,887	6,443	77,320
Total Direct program expenses	5,195,581	248,804	5,444,385
Supportive services	681,045	-	681,045
Total expenses	5,876,626	248,804	6,125,430
Increase (Decrease) in Net Assets	$ 45,328	$ (98,804)	$ (53,476)

THE ST. BERNARD PROJECT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

PROGRAM TITLE	PASS THROUGH GRANTOR NO.	FEDERAL CFDA NUMBER	TOTAL FEDERAL EXPENDITURES
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Louisiana Housing Finance Agency:			
Community Development Block Grant			
Rural Owner Rehab Initiative	-	14.228	$ 450,800
Nonprofit Rebuilding Pilot Program	-	14.228	169,806
Passed through the City of New Orleans			
Home Improvement Partnership Program	HO 10-001	14.229	71,292
Passed throught the City of New Orleans			
SBP NOLA CDBG -1	10-097 (09)	14.218	256,929
Total U.S. Department of Housing and Urban Development			948,827
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Passed through State of Louisiana, Office of the Lieutenant Governor, Louisiana Service Commission:			
Americorps	-	94.006	606,412
Total Corporation for National and Community Services			606,412
TOTAL FEDERAL AWARDS			$ 1,555,239

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Presentation of Federal Statements

The accompanying schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

B. Non-federal contributions

The matching contributions for the year ended December 31, 2010 relative to the Americorps grant totaled $198,460.

// CASCIO & SCHMIDT, LLC
CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

We have audited the financial statements of the St. Bernard Project, Inc. (a non-profit corporation) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 19, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The St. Bernard Project, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The St. Bernard Project, Inc. 's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibly that a material misstatement of the organization's financial statements will not be prevented and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

3000 Kingman Street • Suite 104 • Metairie, Louisiana 70006 • 504.455.3182 • Fax 504.455.3076

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The St. Bernard Project, Inc.'s financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

This report is intended solely for the information of the audit committee, management, Louisiana Legislative Auditor and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cassio & Schmiolt, LLC.

Metairie, Louisiana
July 19, 2011

Cascio & Schmidt, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

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

Compliance

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, 2010. 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. Compliance with the requirement of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The St. Bernard Project, Inc.'s management. Our responsibility is to express an opinion on The St. Bernard Project, Inc.'s compliance based on our audit.

We conduct 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. 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. Our audit does not provide a legal determination of The St. Bernard Project, Inc.'s compliance with those requirements.

In our opinion, The St. Bernard Project, Inc. complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of The St. Bernard Project, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The St. Bernard Project, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

3000 Kingman Street • Suite 104 • Metairie, Louisiana 70006 • 504.455.3182 • Fax 504.455.3076

A deficiency in internal control over compliance 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 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cascio & Schmidt, LLC.

Metairie, Louisiana
July 19, 2011

THE ST. BERNARD PROJECT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

A. SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued		Unqualified
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	X no
• Significant deficiency(ies) identified?	___ yes	X no
Noncompliance material to financial statements noted?	X yes	___ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	X no
• Significant deficiency(ies) identified?	___ yes	X none reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	___ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	U.S. Department of Housing and Urban Development
	Passed through Louisiana Housing Finance Agency
14.228	CDBG - Rural Owner Rehab Initiative
	Passed through the City of New Orleans
14.228	Nonprofit Rebuilding Pilot Program
	Corporation for National and Community Services
	Passed through State of Louisiana, Office of the Lieutenant Governor, Louisiana Service Commission:
94.006	Americorps

Dollar threshold used to distinguish between type A and B programs:	$300,000	
Auditee qualified as low-risk auditee?	___ yes	X no

THE ST. BERNARD PROJECT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

For the year ended December 31, 2010

B. FINDINGS - FINANCIAL STATEMENTS

Compliance and Other Matters

2010-1 FINANCIAL STATEMENTS - LATE FILING

Condition: The St. Bernard Project Inc's annual financial statements for the year ended December 31, 2010 were not filed timely.

Criteria: The financial statements should be filed within six months of the year end.

Questioned Costs: None

Effect: The financial statements were not timely filed.

Recommendation: We recommend that the financial statements be timely filed.

Response: See Corrective Action Plan.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no items identified in the course of our testing during the year ended December 31, 2010 required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year findings.

ST BERNARD
PROJECT

CORRECTIVE ACTION PLAN

The St Bernard Project experienced turnover in the accounting department in 2010 and a Controller was hired the second half of the calendar year.