

THE ST. BERNARD PROJECT, INC.

**FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

DECEMBER 31, 2009

THE ST. BERNARD PROJECT, INC.

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Justin J. Scanlan, C.P.A., L.L.C.

A LIMITED LIABILITY COMPANY

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NEW ORLEANS, LOUISIANA 70122

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The St. Bernard Project, Inc.

We have audited the accompanying statement of financial position of The St. Bernard Project, Inc. (a non-profit corporation) as of December 31, 2009, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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, 2009, and the changes in its 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 our report dated May 3, 2010, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The St. Bernard Project, Inc. taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements of the Corporation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
May 3, 2010

THE ST. BERNARD PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

Cash	\$ 368,102
Receivables	
Homeowners, less allowance for doubtful receivables of \$62,238	63,088
Grants (Note B)	<u>136,168</u>
	<u>199,256</u>
Inventory (Note C)	2,970
Real estate held for resale (Note A5)	12,500
Property and equipment-at cost (Note A6 and D)	39,494
Deposits	<u>3,600</u>
Total assets	<u>\$ 625,922</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	<u>\$ 42,378</u>
Total liabilities	<u>42,378</u>
Commitments (Note E)	-
Net assets	
Unrestricted	<u>583,544</u>
Total net assets	<u>583,544</u>
Total liabilities and net assets	<u>\$ 625,922</u>

The accompanying notes are an integral part of this financial statement.

THE ST. BERNARD PROJECT, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE			
Grant appropriations	\$ -	\$ 515,862	\$ 515,862
United Way			
Grants	-	119,917	119,917
Other	10,819	-	10,819
Homeowner fees	366,532	-	366,532
Contributions	1,987,271	-	1,987,271
Fund-raising	30,348	-	30,348
Real estate – donated	12,500	-	12,500
In-Kind contributions (Note A11)	2,001,881	-	2,001,881
Other	11,522	39,400	50,922
Net assets released from restrictions	<u>675,179</u>	<u>< 675,179 ></u>	<u>-</u>
Total revenues	<u>5,096,052</u>	<u>-</u>	<u>5,096,052</u>
EXPENSES			
Program services:			
Rebuilding	3,896,763	-	3,896,763
Senior Housing	112,929	-	112,929
Mental Health	<u>136,233</u>	<u>-</u>	<u>136,233</u>
	<u>4,145,925</u>	<u>-</u>	<u>4,145,925</u>
Supportive services:			
Management and general	488,604	-	488,604
Fund – raising	<u>182,668</u>	<u>-</u>	<u>182,668</u>
	<u>671,272</u>	<u>-</u>	<u>671,272</u>
Total expenses	<u>4,817,197</u>	<u>-</u>	<u>4,817,197</u>
Increase in net assets	278,855	-	278,855
Net assets, beginning of year	<u>304,689</u>	<u>-</u>	<u>304,689</u>
Net assets, end of year	<u>\$ 583,544</u>	<u>\$ -</u>	<u>\$ 583,544</u>

The accompanying notes are an integral part of the financial statement.

THE ST. BERNARD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2009

	<u>PROGRAM SERVICES</u>			<u>SUPPORTIVE SERVICES</u>		<u>TOTAL</u>
	<u>REBUILDING</u>	<u>SENIOR HOUSING</u>	<u>MENTAL HEALTH</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	
Salaries	\$ 462,546	\$ 20,413	\$ 29,463	\$ 193,832	\$ 86,973	\$ 793,227
Fringe benefits	68,300	1,869	2,698	56,485	8,153	137,505
Travel	3,663	10	-	1,897	27,843	33,413
Occupancy	69,988	-	-	52,096	-	122,084
Supplies	6,461	4	706	40,516	2,027	49,714
Printing	295	-	-	863	-	1,158
Construction costs	3,173,478	90,633	-	-	-	3,264,111
Insurance	80,333	-	-	44,458	-	124,791
Board generated self support	-	-	-	-	33,746	33,746
Professional fees	2,551	-	103,322	19,946	-	125,819
Other expense	29,148	-	44	78,511	23,926	131,629
Total expenses	<u>\$ 3,896,763</u>	<u>\$ 112,929</u>	<u>\$ 136,233</u>	<u>\$ 488,604</u>	<u>\$ 182,668</u>	<u>\$ 4,817,197</u>

The accompanying notes are an integral part of this financial statement.

THE ST. BERNARD PROJECT, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		
Increase in net assets		\$ 278,855
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation	\$ <10,098	
Provision for bad debts	62,238	
Real estate - donated	< 12,500>	
Changes in assets and liabilities:		
Increase in Homeowner's receivables	< 125,326>	
Increase in grants receivable	< 136,168>	
Decrease in inventory	1,230	
Decrease in deposits	< 3,600>	
Increase in accounts payable and accrued liabilities	<u>14,433</u>	<u>< 189,595></u>
Net cash provided by operating activities		<u>89,260</u>
Cash flows from investing activities:		
Acquisition of equipment		<u>< 16,600></u>
Net cash used in investing activities		<u>< 16,600></u>
Net increase in cash and cash equivalents		72,660
Cash and cash equivalents, beginning of year		<u>295,442</u>
Cash and cash equivalents, end of year		<u>\$ 368,102</u>
Cash flow information:		
Real estate - donated	<u>\$ 12,500</u>	

The accompanying notes are an integral part of this financial statement.

THE ST. BERNARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

The St. Bernard Project, Inc. (SBP) is a nonprofit organization that is dedicated to rebuilding the homes of the victims of Hurricane Katrina. SBP mission is to remove barriers as quickly and efficiently as possible for families in St. Bernard and Orleans Parishes who wish to return to their homes. Utilizing volunteer labor and donations, the organization is able to rebuild homes in fewer than 12 weeks.

2. Financial Statement Presentation

The financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) and the Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Project and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the Project maintains them permanently. Generally, the donors of these assets permit the Project to use all or part of the income earned or related investments for general or specific purposes.

There were no permanently restricted net assets.

3. Revenue Recognition

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

THE ST. BERNARD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Revenue Recognition - Continued

Grant revenue is recognized as it was earned in accordance with approved contracts.

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

4. Allowance for Doubtful Receivables

A valuation allowance has been established and is available for absorbing losses incurred on homeowner's 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.

5. Real Estate Hold for Resale

Real Estate Hold for Resale 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. Property and equipment

SBP records property acquisitions at cost. Donated assets are recorded at estimated value at date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. The depreciation expense for the year ended December 31, 2009 totaled \$10,098.

It is the policy of the corporation to capitalize all furniture and equipment with an acquisition cost in excess of \$5,000. Transportation equipment is capitalized with acquisition costs in excess of \$1,000.

7. Cash equivalents

SBP considers demand deposits and short-term investments with an original maturity of three months or less to be cash equivalents.

8. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

THE ST. BERNARD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Fair Values of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable 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.

10. Functional Allocation of Expenses

The expense of providing the program and other activities has 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 based on estimates by management of the costs involved.

11. In-Kind Contributions

SBP receives volunteer help to renovate homes destroyed by Hurricane Katrina. The estimated value of the contributed services (\$2,001,881) is recognized as revenue and expense in the Statement of Activities.

12. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (May 3, 2010).

NOTE B- GRANTS RECEIVABLE

Grants Receivable at December 31, 2009 consist of the following:

Louisiana Housing Finance Agency	\$ 64,680
Louisiana Recovery Authority	39,400
State of Louisiana – Office of the Lieutenant Governor	<u>32,088</u>
	<u>\$ 136,168</u>

NOTE C- INVENTORY

Inventory consists of T-shirts and is stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method.

THE ST. BERNARD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 consists of the following:

Property and equipment	\$ 15,000
Transportation equipment	<u>41,425</u>
	56,425
Less accumulated depreciation	<u>< 16,931 ></u>
	<u>\$ 39,494</u>

NOTE E – COMMITMENTS

SBP has operating lease agreements for the rental of office and warehouse space for its operations. Rental expense charged to operations totaled \$33,250 for the year ended December 31, 2009.

The operating leases for the corporation's St. Bernard offices expire on January 6, 2011 and April 18, 2011.

Future minimum lease payments are as follows:

Year ending December 31,	
2010	\$ 31,200
2011	<u>3,300</u>
	<u>\$ 34,500</u>

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, 2009 totaled \$45,266, net of subleases amounting to \$17,486.

NOTE F – INCOME TAXES

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

NOTE G - 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, 2009.

THE ST. BERNARD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE H – CONCENTRATION OF CREDIT RISK

As of December 31, 2009, the corporation's cash balances consist of the following:

Cash balance, per bank statements	\$ 382,991
Less: FDIC insurance	<u>< 254,956 ></u>
Unsecured balance	<u>\$ 128,035</u>

The Homeowners' accounts receivables are made primarily to individuals in Southeast Louisiana.

NOTE I – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) and the 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. Financial instruments within the scope of FASB ASC 820-10 are included in the table below.

<u>Fair Value Measurement of Reporting Date</u>				
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 368,102	\$ 368,102	\$ -	\$ -
Receivables, net of allowances	199,256	199,256	-	-
Accounts payment and accrued liabilities	<u>< 42,378 ></u>	<u>< 42,378 ></u>	<u>-</u>	<u>-</u>
	<u>\$ 524,980</u>	<u>\$ 524,980</u>	<u>\$ -</u>	<u>\$ -</u>

The assumptions to estimate 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.

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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

Board of Directors
The St. Bernard Project, Inc.

We have audited the financial statements of The St. Bernard Project, Inc. (non-profit corporation) as of and for the year December 31, 2009, and have issued our report thereon 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The St. Bernard Project, Inc.'s internal control as a basis for designing our auditing procedures 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 *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of The St. Bernard Project, Inc. in a separate letter dated May 3, 2010.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and 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.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
May 3, 2010

SUPPLEMENTAL INFORMATION

THE ST. BERNARD PROJECT, INC.
STATEMENT OF ACTIVITIES BY PROGRAM
For the year ended December 31, 2009

	<u>REBUILDING</u>	<u>SENIOR HOUSING</u>	<u>MENTAL HEALTH</u>	<u>TOTAL</u>
REVENUE				
Grant appropriations	\$ 515,862	\$ -	\$ -	\$ 515,862
Contributions	1,994,203	-	5,568	1,999,771
In-kind contributions	2,001,881	-	-	2,001,881
Homeowner fees	366,532	-	-	366,532
United Way designations	10,819	-	-	10,819
Other revenue	<u>81,250</u>	<u>-</u>	<u>20</u>	<u>81,270</u>
Total self-generated revenues	4,970,547	-	5,588	4,976,135
United Way	<u>119,917</u>	<u>-</u>	<u>-</u>	<u>119,917</u>
Total revenue	<u>5,090,464</u>	<u>-</u>	<u>5,588</u>	<u>5,096,052</u>
EXPENSES				
Salaries	462,546	20,413	29,463	512,422
Fringe benefits	68,300	1,869	2,698	72,867
Travel	3,663	10	-	3,673
Occupancy	69,988	-	-	69,988
Supplies	6,461	4	706	7,171
Printing	295	-	-	295
Construction costs	3,173,478	90,633	-	3,264,111
Insurance	80,333	-	-	80,333
Professional fees	2,551	-	103,322	105,873
Other expenses	<u>29,148</u>	<u>-</u>	<u>44</u>	<u>29,192</u>
Total direct program expenses	<u>3,896,763</u>	<u>112,929</u>	<u>136,233</u>	<u>4,145,925</u>
Supportive services	<u>630,996</u>	<u>20,138</u>	<u>20,138</u>	<u>671,272</u>
Total expenses	<u>4,527,759</u>	<u>133,067</u>	<u>156,371</u>	<u>4,817,197</u>
Increase <decrease> in net assets	<u>\$ 562,705</u>	<u>\$ < 133,067 ></u>	<u>\$ < 150,783 ></u>	<u>\$ 278,855</u>

THE ST. BERNARD PROJECT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2009

	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the Louisiana Housing Finance Agency: Community Development Block Grant	14.228	\$ <u>99,960</u>
Total U. S. Department of Housing and Urban Development		<u>99,960</u>
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICES		
Passed through State of Louisiana, Office of the Lieutenant Governor, Louisiana Service Commission: Americorps	94.006	<u>415,902</u>
Total Corporation for National and Community Services		<u>415,902</u>
TOTAL FEDERAL AWARDS		<u>\$ 515,862</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Presentation of Financial 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, 2009 relative to the Americorps grant totaled \$131,340.

Justin J. Scanlan, C.P.A., F.T.C.

A LIMITED LIABILITY COMPANY

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
The St. Bernard Project, Inc.

Compliance

We have audited the compliance of The St. Bernard Project, Inc. (non-profit organization) with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 requirements 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 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. 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.'s complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 management, Board of Directors, others within the entity, and 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.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
May 3, 2010

THE ST. BERNARD PROJECT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2009

A. SUMMARY OF THE AUDITOR'S REPORT

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. The statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. No instances of noncompliance that were material to the financial statements of The St. Bernard Project, Inc. were disclosed during the audit.
4. The statement that significant deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
5. The auditor's report on compliance for the major federal award programs for The St. Bernard Project, Inc. expresses an unqualified opinion on all major federal award programs.
6. The audit disclosed no findings that are required to be reported in accordance with Section 510(a) of Circular A-133.
7. The program tested as major programs included:
 - Americorps – CFDA #94.006
8. The threshold used to distinguish between Type A and Type B programs was \$300,000
9. The St. Bernard Project, Inc. did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no findings related to the financial statements for the year ended December 31, 2009.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no items identified in the course of our testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

Since this is the initial audit, there were no prior year audit findings.