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

December 31, 2017 (Restated) and 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The St. Bernard Project, Inc. d/b/a SBP, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBP, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2018, on our consideration of SBP, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBP, Inc.'s internal control over financial reporting and compliance.

Wegmann Dazet + Company

June 12, 2018
(Except for Note 20, as to which the date is August 5, 2019)

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

December 31, 2017 (Restated) and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 10,865,670	$ 3,782,707
Investments	5,956,464	26,192
Accounts receivable	2,345,137	2,527,260
Other receivables	143,196	144,394
Grants receivable	1,177,511	1,092,624
Construction in process	365,914	92,905
Real estate held for sale	879,351	1,842,292
Other current assets	447,384	427,237
Total current assets	22,180,627	9,935,611
Property and equipment, at cost less accumulated depreciation	6,450,832	6,502,875
Notes receivable - promissory notes	274,383	458,914
Notes receivable	6,946,000	6,946,000
Deposits	7,175	7,575
Total assets	$ 35,859,017	$ 23,850,975
LIABILITIES		
Current liabilities		
Line of credit	$ 40,000	$ 100,000
Accounts payable and accrued expenses	625,742	653,359
Accrued payroll and related liabilities	117,653	137,045
Deferred revenue	75,000	193,750
Due to related party	702,350	635,899
Current portion of long-term debt	86,853	1,625,000
Total current liabilities	1,647,598	3,345,053
Long-term debt, less current portion and unamortized issuance costs	9,162,100	7,725,844
Total liabilities	10,809,698	11,070,897
NET ASSETS		
Unrestricted	10,433,527	9,996,378
Temporarily restricted	14,615,792	2,783,700
Total net assets	25,049,319	12,780,078
Total liabilities and net assets	$ 35,859,017	$ 23,850,975

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017 (Restated)

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	$ 4,129,828	$ 16,185,581	$ 20,315,409
Grants	2,393,501	7,053,961	9,447,462
Property management fees	490,707	88,605	579,312
Homeowner funding	-	1,585,480	1,585,480
Sale of properties	978,800	22,500	1,001,300
Vendor incentives	106,572	-	106,572
Other income	210,871	45,682	256,553
Net assets released from restrictions	13,149,717	(13,149,717)	-
Total revenues	21,459,996	11,832,092	33,292,088
Expenses			
Program services			
Rebuilding	16,462,263	-	16,462,263
Opportunity housing	1,774,680	-	1,774,680
Disaster resilience and recovery lab	622,731	-	622,731
Supporting services			
General and administrative	1,725,095	-	1,725,095
Fundraising	438,078	-	438,078
Total expenses	21,022,847	-	21,022,847
Change in net assets	437,149	11,832,092	12,269,241
Net assets			
Beginning of year	9,996,378	2,783,700	12,780,078
End of year	$ 10,433,527	$ 14,615,792	$ 25,049,319

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	$ 5,259,110	$ 4,607,993	$ 9,867,103
Grants	4,907,013	3,152,498	8,059,511
Property management fees	982,825	-	982,825
Homeowner funding	-	1,845,841	1,845,841
Sale of properties	1,616,400	-	1,616,400
Vendor incentives	107,725	18	107,743
Other income	402,108	148	402,256
Net assets released from restrictions	9,155,998	(9,155,998)	-
Total revenues	22,431,179	450,500	22,881,679
Expenses			
Program services			
Rebuilding	15,672,453	-	15,672,453
Opportunity housing	2,695,729	-	2,695,729
Veteran good work good pay	5,172	-	5,172
Disaster resilience and recovery lab	810,319	-	810,319
Supporting services			
General and administrative	1,307,540	-	1,307,540
Fundraising	373,689	-	373,689
Total expenses	20,864,902	-	20,864,902
Change in net assets	1,566,277	450,500	2,016,777
Net assets			
Beginning of year	8,430,101	2,333,200	10,763,301
End of year	$ 9,996,378	$ 2,783,700	$ 12,780,078

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017 (Restated)

	Program Services					
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	Total Expenses
Auto	$ 7,206	$ -	$ -	$ -	$ 413	$ 7,619
Bad debt expense	61,667	172,231	-	-	-	233,898
Bank service charges	15,479	75	750	5,410	2,358	24,072
Construction	6,179,215	1,471,143	-	-	79,464	7,729,822
Depreciation	135,785	22,182	1,232	-	126,934	286,133
401k administration fee	-	-	-	-	8,444	8,444
Fundraising	-	-	-	29,960	-	29,960
Hardware rental	456,220	-	4,559	45,400	-	506,179
Information technology	8,039	-	-	-	5,674	13,713
Insurance	1,231,946	27,965	20,129	(4,530)	67,856	1,343,366
Interest expense	93,375	10,644	-	-	142,926	246,945
In-kind labor	4,279,339	-	-	-	-	4,279,339
Licenses and permits	69,326	23,915	2,519	17,283	2,172	115,215
Marketing	75,137	100	50,194	217	90	125,738
Office supplies	37,241	560	7,877	3,013	3,408	52,099
Other expense	237,317	7,562	3,675	2,563	1,054	252,171
Occupancy	163,985	-	-	-	30,712	194,697
Payroll taxes	233,332	2,915	32,814	14,394	77,874	361,329
Postage and delivery	18,152	7	-	2,269	729	21,157
Program expense	-	-	4,807	-	-	4,807
Professional services	225,684	1,029	7,057	61,737	164,913	460,420
Repairs and maintenance	7,127	-	-	-	15,486	22,613
Salaries	2,498,853	33,477	439,742	238,100	930,484	4,140,656
Seminars	36,624	-	-	21	568	37,213
Travel	261,185	116	45,681	21,507	38,651	367,140
Workers comp insurance	130,029	759	1,695	734	24,885	158,102
Total expenses	$ 16,462,263	$ 1,774,680	$ 622,731	$ 438,078	$ 1,725,095	$ 21,022,847

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services						
	Rebuilding	Opportunity Housing	Veteran	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	Total Expenses
Auto	$ 32,603	$ -	$ -	$ -	$ -	$ 950	$ 33,553
Bad debt expense	-	76,285	-	-	1,000	-	77,285
Bank service charges	2,679	-	-	77	737	3,669	7,162
Construction	5,606,557	2,364,816	4,784	-	-	50,873	8,027,030
Depreciation	107,447	22,182	-	1,232	-	84,623	215,484
Dues and subscriptions	570	-	-	-	-	15	585
Fundraising	-	-	-	-	43,331	-	43,331
Hardware rental	311,228	-	-	-	-	-	311,228
Information technology	3,462	-	-	-	-	19,976	23,438
Insurance	838,610	61,494	-	34,420	8,864	185,859	1,129,247
Interest expense	14,828	10,147	-	-	-	128,120	153,095
In-kind labor	5,515,652	-	-	-	-	-	5,515,652
Licenses and permits	157,123	61,775	-	946	10,114	3,726	233,684
Marketing	-	-	-	-	3,105	435	3,540
Office supplies	989	77	-	12,943	828	4,894	19,731
Other expense	53,077	-	-	5,285	323	43,067	101,752
Occupancy	78,255	-	-	8,423	101	39,980	126,759
Payroll taxes	235,572	8,673	388	36,750	13,662	6,026	301,071
Postage and delivery	13,873	68	-	-	673	1,642	16,256
Program expense	-	-	-	1,450	-	-	1,450
Professional services	245,656	6,268	-	22,443	70,879	134,076	479,322
Property tax	5,778	-	-	-	-	23,193	28,971
Repairs and maintenance	1,799	-	-	-	-	948	2,747
Salaries	2,143,655	83,692	-	530,830	204,250	566,658	3,529,085
Seminars	8,196	50	-	-	-	66	8,312
Travel	111,968	202	-	155,238	15,641	8,115	291,164
Workers comp insurance	182,876	-	-	282	181	629	183,968
Total expenses	$ 15,672,453	$ 2,695,729	$ 5,172	$ 810,319	$ 373,689	$ 1,307,540	$ 20,864,902

See accompanying Notes to Consolidated Financial Statements.

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 (Restated) and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 12,269,241	$ 2,016,777
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	286,134	215,483
Deferred loan costs	23,109	23,109
Donated vehicles included in contributions	(144,594)	-
Forgiveness of debt	(125,000)	-
(Gain) loss on disposal of assets	-	(1,900)
(Increase) decrease in operating assets:		
Accounts receivable	182,123	(1,572,956)
Other receivables	1,198	33,971
Grants receivable	(84,887)	(146,597)
Construction in process	(273,009)	1,164,820
Real estate held for rental	-	(226,915)
Real estate held for sale	962,941	(1,331,912)
Other current assets	(20,147)	(130,963)
Deposits	400	(5,600)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(27,617)	(526,167)
Accrued payroll and related liabilities	(19,392)	12,943
Deferred revenue	(118,750)	193,750
Due to related party	66,451	164,507
Net cash provided (used) by operating activities	12,978,201	(117,650)
Cash flows from investing activities:		
Advances on notes receivable - promissory notes	184,531	72,835
Proceeds from disposal of assets	-	1,900
Purchase of property and equipment	(89,497)	(1,801,259)
Purchase of investments, net	(6,000,000)	-
Proceeds from sale of investments, net	69,728	1,529
Net cash used by investing activities	(5,835,238)	(1,724,995)
Cash flows from financing activities:		
Repayments of line of credit	(60,000)	(151,088)
Borrowings under long-term debt	-	738,106
Repayments of long-term debt	-	(1,073,585)
Net cash used by financing activities	(60,000)	(486,567)
Net increase (decrease) in cash	7,082,963	(2,329,212)
Cash and cash equivalents at beginning of year	3,782,707	6,111,919
Cash and cash equivalents at end of year	$ 10,865,670	$ 3,782,707

See accompanying Notes to Consolidated Financial Statements.

1) Nature of activities

The St. Bernard Project, Inc. d/b/a SBP, Inc. (SBP, Inc.) is a non-profit organization established to shrink the time between disaster and recovery. The St. Bernard Project, Inc. is a community based organization that carries out its mission through three primary programs: Rebuilding Programs, Disaster Resilience and Recovery Lab, and Opportunity Housing Program.

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

2) Summary of significant accounting policies

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

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

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

(b) Basis of presentation
Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958, *Financial Statements for Not-for-Profit Entities*, requires the net assets and changes in net assets be reported for 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) Revenue recognition
Contributions are recorded as revenue when received and are generally available for unrestricted use unless specifically restricted by the donor. Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met. Unreimbursed expenses are recorded as revenue and as grants receivable when requests for reimbursement are submitted to the grantors. Real estate sales are recognized at the time the sale is complete and title has transferred to the buyer.

2) Summary of significant accounting policies (continued)

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

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

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

An allowance for uncollectible accounts has been maintained for estimated losses resulting from the inability of its customers to make required payments. The Organization's estimate for the allowance for doubtful accounts is based on a review of the current accounts receivable. Accounts receivable is presented net of an allowance for doubtful accounts of $123,634 and $23,858 as of December 31, 2017 and 2016, respectively.

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

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

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

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

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

2) Summary of significant accounting policies (continued)

(k) Income taxes

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

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

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

(l) Functional expenses

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

(m) Fundraising

All expenses associated with fundraising events are expensed as incurred.

(n) Use of estimates

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

(o) Concentrations of credit risk

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

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

(p) Donated services

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

The Organization received volunteer help to renovate homes destroyed by natural disasters. The estimated value of the contributed services for the years ended December 31, 2017 and 2016 was $4,673,000 and $5,516,000, respectively.

2) Summary of significant accounting policies (continued)

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

(r) Financing and loan acquisition costs
Certain costs related to the New Market Tax Credit Financing Commitment have been capitalized and are being amortized over the estimated life of the related note payable. Financing and loan acquisition costs totaled $808,820 as of December 31, 2017 and 2016. Accumulated amortization totaled $57,773 and $34,664 as of December 31, 2017 and 2016, respectively.

(s) New accounting standard
In 2017, the Organization adopted new Financial Accounting Standards Board (FASB) guidance regarding the presentation on the statement of financial position of the costs of issuance of debt and related amortization expense in the statement of activities. The new guidance requires presenting such unamortized costs as a direct deduction from the face amount of the debt (See Note 12, Long-term debt). Amortization is required to be included with interest expense in the statement of activities. Previously, the Organization reflected unamortized debt issuance costs as deferred loan costs in the statements of financial position, and has retroactively reclassified 2016 amounts to accord with the new debt deduction presentation. The reclassification reduced total assets and debt at December 31, 2016 by $774,156 with no effect on net assets.

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

3) Property and equipment

Property and equipment is summarized as follows:

	2017	2016
Land	$ 1,080,000	$ 1,080,000
Building	4,187,464	4,097,967
Equipment	32,232	32,232
Real estate held for rental	950,503	950,503
Vehicles	818,417	675,423
Total costs	7,068,616	6,836,125
Less: accumulated depreciation	617,784	333,250
Property and equipment	$ 6,450,832	$ 6,502,875

4) Notes receivable - promissory notes

The Organization has various notes receivable totaling $274,383 and $458,914 in connection with the sale of various properties as of December 31, 2017 and 2016, respectively. The promissory notes become due and payable if the borrower fails to occupy the residence for a five or ten year period after initial purchase date, fails to maintain homeowner's and flood insurance during the five or ten years or fails to pay property taxes when they become due during the five or ten year period. There has been no breach of the promissory notes as of December 31, 2017.

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 $184,531 and $72,835 was written off in 2017 and 2016, respectively.

5) Notes receivable

SBP, Inc. entered into an agreement on January 16, 2014, as part of a New Markets Tax Credit Transaction, to lend FNBC NMTC Hybrid Fund, LLC, $2,122,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2017 and 2016 totaled $2,122,500. The note accrues interest at a rate of 1.41% and interest is paid quarterly. Interest earned and received on the loan as of December 31, 2017 and 2016 was $30,000 and $30,000, respectively.

SBP, Inc. entered into an agreement on June 30, 2015, as part of a New Markets Tax Credit Transaction, to lend GSNMF SUB-CDE 13, LLC, $4,823,500 in the form of a subordinate loan note. The outstanding principal as of December 31, 2017 and 2016 totaled $4,823,500. The note accrues interest at a rate of 2.02% and interest is paid quarterly. Interest earned and received on the loan as of December 31, 2017 and 2016 was $97,500 and $97,500, respectively.

6) Commitments and contingencies

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between SBP Real Estate, Inc. and a bank. Should a recapture event occur, SBP, Inc. could be obligated to pay the recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2017.

SBP, Inc. is a guarantor in a credit agreement between SBP Real Estate, Inc. and a lender. The note payable balance at December 31, 2017 and 2016 was $3,000,000.

SBP, Inc. is the guarantor in a New Markets Tax Credit Indemnity Agreement between Toulouse Commercial, Inc. and a bank. Should a recapture event occur, SBP, Inc. could be obligated to pay the recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2017.

SBP, Inc. is a guarantor in a credit agreement between Toulouse Commercial, Inc. and a lender. The note payable balance at December 31, 2017 and 2016 was $7,000,000.

Any breach of the loan agreement between Toulouse Commercial, Inc. and GSNMF SUB-CDE 13, LLC may require the Organization to pay a recapture amount according to the agreement. Management believes there are no breaches of the agreement as of December 31, 2017.

7) New markets tax credit

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

8) Investments

Investments are carried at fair value and consist of the following at December 31, 2017 and 2016:

	2017 Fair Value	2016 Fair Value
Equity securities	$ 16,106	$ 26,192
U.S. treasruy securities	1,297,432	-
U.S. government bonds	878,821	-
Corporate bonds	3,764,105	-
Total investments	$ 5,956,464	$ 26,192

A summary of return on investments consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 380	$ 45
Net unrealized loss	(1,227)	-
Total return	$ (847)	$ 45

9) Grants receivable

SBP, Inc. was awarded various grants through federal, state and other agencies. Most of the grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Balances due from the grants at year end are included in grants receivable. Grants receivable for the year ended December 31, 2017 consists of the following:

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

9) Grants receivable (continued)

Grants receivable for the year ended December 31, 2016 consists of the following:

	Due from grant at beginning of year	Grant Receipts	Grant Expenditures	Due from grant at end of year
Federal financial assistance				
AmeriCorp national grant from Corporation for National and Community Service	$ 301,506	$ 2,809,840	$ 2,727,550	$ 219,216
U.S. Dept. of Housing and Urban Development - Louisiana Housing Finance	35,785	35,785	-	-
U.S. Dept. of Housing and Urban Development - City of New Orleans	51,121	203,749	162,095	9,467
U.S. Dept. of Housing and Urban Development - City of New Orleans	56,098	204,527	210,167	61,738
U.S. Dept. of Housing and Urban Development - New York	-	-	305,753	305,753
U.S. Dept. of Housing and Urban Development - City of New Orleans	356,250	356,250	366,450	366,450
U.S. Dept. of Housing and Urban Development - City of New Orleans	17,199	17,199	-	-
U.S. Dept. of Housing and Urban Development - City of New Orleans	13,058	13,058	-	-
Total federal financial assistance	831,017	3,640,408	3,772,015	962,624
Other Grants				
The American National Red Cross	-	-	60,000	60,000
Louisiana Housing Corporation / HRP	85,000	15,000	-	70,000
Greater New Orleans Housing Alliance	29,960	29,960	-	-
Neighborhood Revitalization NYC, LLC	50	50	-	-
Total	$ 946,027	$ 3,685,418	$ 3,832,015	$ 1,092,624

10) Line of credit

The Organization has a $850,000 unsecured line of credit with a bank for its working capital needs with a maturity date of September 30, 2018. The interest rate on the line is determined based on the LIBOR base rate. The balance at December 31, 2017 and 2016 was $40,000 and $100,000, respectively.

11) Grant note payable

SBP, Inc. was awarded a grant from the New Orleans Redevelopment Authority ("NORA") to assist with the development of single family housing for low income families. The grant awarded up to $75,000 of assistance per property and of this total $50,000 per property is payable back to NORA. As of December 31, 2017 and 2016, SBP, Inc. had a $143,256 and $293,256 payable to NORA, respectively, recorded in accrued expenses.

12) Long-term debt

Long-term debt of the Organization at December 31, 2017 and 2016 consists of the following:

	2017	2016
Note payable to grantor with interest at a rate of 2%, secured by the assets of the Organization. The note matured in February 2015. The note was forgiven in 2017.	$ -	$ 125,000
Notes payable to a bank with interest at a rate of 5.5%, payable in quarterly interest only payments through the maturity date and full principal balance due at maturity, secured by the assets of the Organization. The note matures July 29, 2022.	1,500,000	1,500,000
Notes payable to a lender with interest at a rate of 1%, payable in monthly principal and interest payments of $10,855 starting April 10, 2018, secured by the assets of the Organization. The notes mature June 10, 2030.	1,500,000	-
Note payable to a bank with interest at a rate of LIBOR plus 2.8%, payable in monthly interest only payments through the maturity date and full principal balance due at maturity, secured by the assets of the Organization. The note matured February 28, 2017.	-	1,500,000

12) Long-term debt (continued)

	2017	2016
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and remaining principal and interest due on maturity date of the loan, secured by the assets of the Organization. The notes mature in July 2022.	$ 1,500,000	$ 1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	1,500,000	1,500,000
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	1,823,500	1,823,500
Note payable to GSNMF SUB-CDE 13, LLC with interest at a rate of 1.50%, payable in quarterly interest only payments through June 2022 and quarterly principal and interest payments commencing in September 2022, secured by the assets of the Organization. The notes mature in June 2050.	2,176,500	2,176,500
Total long-term debt	10,000,000	10,125,000
Less current portion	86,853	1,625,000
Less unamortized issuance costs	751,047	774,156
Long-term debt, less current portion	$ 9,162,100	$ 7,725,844

The maturities of long-term debt are as follows:

2018	$ 86,853
2019	116,472
2020	117,658
2021	118,857
2022	3,120,068
Thereafter	6,440,092

13) Restrictions on net assets

Temporarily restricted net assets are available for the following programs:

	2017	2016
AmeriCorp Grant	$ 856,062	$ 700,728
Disaster Resilience & Recovery Lab	976,721	512,327
Capital Campaign	82,604	-
Rebuild New York	-	72,163
Rebuild West Virginia	50,000	266,779
Rebuild South Carolina	-	302,366
Rebuild Baton Rouge	659,027	628,815
Rebuild Texas	11,694,551	-
Rebuild New Orleans	296,827	-
Rebuild New Jersey	-	300,522
Total temporarily restricted assets	$ 14,615,792	$ 2,783,700

14) Operating leases

SBP, Inc. leases office space for its headquarters and warehouse space from Toulouse Commercial, Inc. The lease runs through 2050. Total rent expense, which is included in occupancy expense under the lease was $249,097 and $201,276 for the years ended December 31, 2017 and 2016, respectively. The rent expense associated with this lease agreement has been eliminated on the consolidated statements of activities.

Future minimum rental payments under the leases are as follows:

2018	$ 271,056
2019	279,188
2020	287,564
2021	296,191
2022	305,076
Thereafter	12,966,661

The Organization leases office space for its New York, South Carolina, Baton Rouge, Louisiana and New Jersey locations. The leases expire at various dates through September 2018. Total rent expense, which is included in occupancy expense; under the leases was $58,120 and $47,710 for the years ended December 31, 2017 and 2016, respectively.

Future minimum rental payments under the leases are as follows:

2018	$ 111,015
2019	81,103

14) Operating leases (continued)

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

Future minimum rental income under the leases are as follows:

2018	$ 74,796
2019	67,500
2020	68,864
2021	70,229
2022	71,636

15) Fair value measurement

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

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

15) Fair value measurement (continued)

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	Total Fair Value Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 26,192	$ 26,192	$ -	$ -
Total	$ 26,192	$ 26,192	$ -	$ -

16) Economic dependence

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

In 2016, the Organization received approximately 34% of its revenue from federal, state and other grants and 19% from contributions. Another 23% of the Organization's revenue was volunteer labor that was contributed in 2016.

17) Supplementary disclosures of cash flows information

Cash paid during the year for:

	2017	2016
Interest	$ 216,153	$ 245,712

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

18) Related party transactions

SBP, Inc. has an economic interest in SBP Real Estate, Inc., it does not have control. Therefore, its operations of SBP Real Estate, Inc. are not consolidated in the financial statements of the Organization.

SBP, Inc. and SBP Real Estate, Inc. share a common focus on providing assistance to disaster-impacted communities through the construction, renovation and promotion of affordable housing.

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

SBP, Inc. received property management fees from SBP Real Estate, Inc. in the amount of $119,403, and paid $98,878 for the purchase of properties from SBP Real Estate, Inc. for the year December 31, 2016.

SBP, Inc. had a balance of $702,350 due to SBP Real Estate, Inc. and a $1,040,242 balance due from SBP Real Estate, included in accounts receivable, at December 31, 2017. SBP, Inc. had a balance of $635,899 due to SBP Real Estate, Inc. and a $956,939 balance due from SBP Real Estate, included in accounts receivable, at December 31, 2016.

19) Employee benefit plan

The Organization maintains a 401(k) retirement plan for the benefit of all eligible employees, whereby the employees may elect to defer compensation pursuant to a salary reduction agreement. The Organization contributions a match as described in the plan documents. For the year ended December 31, 2017, the Organization contributed $8,444.

20) Restatement

The Organization has restated its previously issued financial statements for December 31, 2017 to reclassify the change in real estate held for sale, real estate held for rental, and construction in process on the statement of cash flows. This change had no effect on net assets or the change in net assets as of December 31, 2017.

21) Subsequent events

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

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

Wegmann Dazet & Company

June 12, 2018

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

12/31/2017 (Restated)

	SBP, Inc.	Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Current assets					
Cash and cash equivalents	$ 10,786,776	$ 78,894	$ 10,865,670	$ -	$ 10,865,670
Investments	5,956,464	-	5,956,464	-	5,956,464
Accounts receivable	2,345,137	52,645	2,397,782	(52,645)	2,345,137
Other receivables	143,196	-	143,196	-	143,196
Grants receivable	1,177,511	-	1,177,511	-	1,177,511
Construction in process	365,914	-	365,914	-	365,914
Real estate held for sale	879,351	-	879,351	-	879,351
Due from relaty party	-	32,851	32,851	(32,851)	-
Other current assets	413,335	34,049	447,384	-	447,384
Total current assets	22,067,684	198,439	22,266,123	(85,496)	22,180,627
Property and equipment, at cost less accumulated depreciation	1,394,925	5,908,364	7,303,289	(852,457)	6,450,832
Notes receivable - promissory notes	274,383	-	274,383	-	274,383
Notes receivable	6,946,000	-	6,946,000	-	6,946,000
Deposits	1,075	6,100	7,175	-	7,175
Total assets	$ 30,684,067	$ 6,112,903	$ 36,796,970	$ (937,953)	$ 35,859,017
LIABILITIES					
Current liabilities					
Line of credit	$ 40,000	$ -	$ 40,000	$ -	$ 40,000
Accounts payable and accrued expenses	678,387	-	678,387	(52,645)	625,742
Accrued payroll and related liabilities	117,653	-	117,653	-	117,653
Deferred revenue	75,000	-	75,000	-	75,000
Due to related party	735,201	-	735,201	(32,851)	702,350
Current portion of long-term debt	86,853	-	86,853	-	86,853
Total current liabilities	1,733,094	-	1,733,094	(85,496)	1,647,598
Long-term debt, less current portion	2,913,147	6,248,953	9,162,100	-	9,162,100
Total liabilities	4,646,241	6,248,953	10,895,194	(85,496)	10,809,698
NET ASSETS					
Unrestricted	11,422,034	(136,050)	11,285,984	(852,457)	10,433,527
Temporarily restricted	14,615,792	-	14,615,792	-	14,615,792
Total net assets	26,037,826	(136,050)	25,901,776	(852,457)	25,049,319
Total liabilities and net assets	$ 30,684,067	$ 6,112,903	$ 36,796,970	$ (937,953)	$ 35,859,017

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

December 31, 2016

	SBP, Inc.	Toulouse Commercial, Inc.	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Current assets					
Cash and cash equivalents	$ 3,594,853	$ 187,854	$ 3,782,707	$ -	$ 3,782,707
Investments	26,192	-	26,192	-	26,192
Accounts receivable	2,527,260	93,180	2,620,440	(93,180)	2,527,260
Other receivables	144,394	-	144,394	-	144,394
Grants receivable	1,092,624	-	1,092,624	-	1,092,624
Construction in process	92,905	-	92,905	-	92,905
Accrued revenue	-	40,819	40,819	(40,819)	-
Real estate held for sale	1,842,292	-	1,842,292	-	1,842,292
Due from relaty party	-	23,139	23,139	(23,139)	-
Other current assets	414,298	12,939	427,237	-	427,237
Total current assets	9,734,818	357,931	10,092,749	(157,138)	9,935,611
Property and equipment, at cost less accumulated depreciation	1,409,531	5,945,801	7,355,332	(852,457)	6,502,875
Notes receivable - promissory notes	458,914	-	458,914	-	458,914
Notes receivable	6,946,000	-	6,946,000	-	6,946,000
Deposits	1,475	6,100	7,575	-	7,575
Total assets	$ 18,550,738	$ 6,309,832	$ 24,860,570	$ (1,009,595)	$ 23,850,975
LIABILITIES					
Current liabilities					
Line of credit	$ 100,000	$ -	$ 100,000	$ -	$ 100,000
Accounts payable and accrued expenses	784,608	2,750	787,358	(133,999)	653,359
Accrued payroll and related liabilities	137,045	-	137,045	-	137,045
Deferred revenue	193,750	-	193,750	-	193,750
Due to related party	659,038	-	659,038	(23,139)	635,899
Current portion of long-term debt	1,625,000	-	1,625,000	-	1,625,000
Total current liabilities	3,499,441	2,750	3,502,191	(157,138)	3,345,053
Long-term debt, less current portion	1,500,000	6,225,844	7,725,844	-	7,725,844
Total liabilities	4,999,441	6,228,594	11,228,035	(157,138)	11,070,897
NET ASSETS					
Unrestricted	10,767,597	81,238	10,848,835	(852,457)	9,996,378
Temporarily restricted	2,783,700	-	2,783,700	-	2,783,700
Total net assets	13,551,297	81,238	13,632,535	(852,457)	12,780,078
Total liabilities and net assets	$ 18,550,738	$ 6,309,832	$ 24,860,570	$ (1,009,595)	$ 23,850,975

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

For the Year Ended December 31, 2017 (Restated)

	SBP, Inc. Unrestricted	SBP, Inc. Restricted	Toulouse Commercial, Inc. Unrestricted	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues						
Contributions	$ 4,279,828	$ 16,185,581	$ -	$ 20,465,409	$ (150,000)	$ 20,315,409
Grants	2,393,501	7,053,961	-	9,447,462	-	9,447,462
Property management fees	490,707	88,605	-	579,312	-	579,312
Homeowner funding	-	1,585,480	-	1,585,480	-	1,585,480
Sale of properties	978,800	22,500	-	1,001,300	-	1,001,300
Vendor incentives	106,572	-	-	106,572	-	106,572
Rental income	-	-	249,097	249,097	(249,097)	-
Other income	210,871	45,682	-	256,553		256,553
Net assets released from restrictions	13,149,717	(13,149,717)	-	-	-	-
Total revenues	21,609,996	11,832,092	249,097	33,691,185	(399,097)	33,292,088
Expenses						
Program services						
Rebuilding	16,462,263	-	-	16,462,263	-	16,462,263
Opportunity housing	1,774,680	-	-	1,774,680	-	1,774,680
Disaster resilience and recovery lab	622,731	-	-	622,731	-	622,731
Supporting services						
General and administrative	1,657,807	-	466,385	2,124,192	(399,097)	1,725,095
Fundraising	438,078	-	-	438,078	-	438,078
Total expenses	20,955,559	-	466,385	21,421,944	(399,097)	21,022,847
Change in net assets	654,437	11,832,092	(217,288)	12,269,241	-	12,269,241
Net assets						
Beginning of year	10,767,597	2,783,700	81,238	13,632,535	(852,457)	12,780,078
End of year	$ 11,422,034	$ 14,615,792	$ (136,050)	$ 25,901,776	$ (852,457)	$ 25,049,319

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

For the Year Ended December 31, 2016

	SBP, Inc. Unrestricted	SBP, Inc. Restricted	Toulouse Commercial, Inc. Unrestricted	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues						
Contributions	$ 5,259,110	$ 4,607,993	$ -	$ 9,867,103	$ -	$ 9,867,103
Grants	4,907,013	3,152,498	-	8,059,511	-	8,059,511
Property management fees	982,825	-	-	982,825	-	982,825
Homeowner funding	-	1,845,841	-	1,845,841	-	1,845,841
Sale of properties	1,616,400	-	-	1,616,400	-	1,616,400
Vendor incentives	107,725	18	-	107,743	-	107,743
Rental income	-	-	201,276	201,276	(201,276)	-
Other income	1,041,451	148	-	1,041,599	(639,343)	402,256
Net assets released from restrictions	9,155,998	(9,155,998)	-	-	-	-
Total revenues	23,070,522	450,500	201,276	23,722,298	(840,619)	22,881,679
Expenses						
Program services						
Rebuilding	15,796,487	-	-	15,796,487	(124,034)	15,672,453
Opportunity housing	2,695,729	-	-	2,695,729	-	2,695,729
Veteran good work good pay	5,172	-	-	5,172	-	5,172
Disaster resilience and recovery lab	810,319	-	-	810,319	-	810,319
Supporting services						
General and administrative	1,121,494	-	263,288	1,384,782	(77,242)	1,307,540
Fundraising	373,689	-	-	373,689	-	373,689
Total expenses	20,802,890	-	263,288	21,066,178	(201,276)	20,864,902
Change in net assets	2,267,632	450,500	(62,012)	2,656,120	(639,343)	2,016,777
Net assets						
Beginning of year	8,499,965	2,333,200	143,250	10,976,415	(213,114)	10,763,301
End of year	$ 10,767,597	$ 2,783,700	$ 81,238	$ 13,632,535	$ (852,457)	$ 12,780,078

THE ST. BERNARD PROJECT, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017 (Restated)

	SBP, Inc.					Toulouse Commercial, Inc.			
	Program Services								
	Rebuilding	Opportunity Housing	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	General & Administrative	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Auto	$ 7,206	$ -	$ -	$ -	$ 413	$ -	$ 7,619	$ -	$ 7,619
Bad debt expense	61,667	172,231	-	-	-	-	233,898	-	233,898
Bank service charges	15,479	75	750	5,410	2,358	-	24,072	-	24,072
Construction	6,179,215	1,471,143	-	-	79,464	-	7,729,822	-	7,729,822
Depreciation	135,785	22,182	1,232	-	-	126,934	286,133	-	286,133
Donations	-	-	-	-	-	150,000	150,000	(150,000)	-
Employee benefits	-	-	-	-	8,444	-	8,444	-	8,444
Fundraising	-	-	-	29,960	-	-	29,960	-	29,960
Grants awarded	456,220	-	4,559	45,400	-	-	506,179	-	506,179
Information technology	8,039	-	-	-	5,674	-	13,713	-	13,713
Insurance	1,231,946	27,965	20,129	(4,530)	21,588	46,268	1,343,366	-	1,343,366
Interest expense	93,375	10,644	-	-	14,806	128,120	246,945	-	246,945
In-kind labor	4,279,339	-	-	-	-	-	4,279,339	-	4,279,339
Licenses and permits	69,326	23,915	2,519	17,283	2,172	-	115,215	-	115,215
Marketing	75,137	100	50,194	217	90	-	125,738	-	125,738
Office supplies	37,241	560	7,877	3,013	3,408	-	52,099	-	52,099
Other expense	237,317	7,562	3,675	2,563	1,054	-	252,171	-	252,171
Occupancy	163,985	-	-	-	266,739	13,070	443,794	(249,097)	194,697
Payroll taxes	233,332	2,915	32,814	14,394	77,874	-	361,329	-	361,329
Postage and delivery	18,152	7	-	2,269	729	-	21,157	-	21,157
Program expense	-	-	4,807	-	-	-	4,807	-	4,807
Professional services	225,684	1,029	7,057	61,737	164,913	-	460,420	-	460,420
Repairs and maintenance	7,127	-	-	-	13,493	1,993	22,613	-	22,613
Salaries	2,498,853	33,477	439,742	238,100	930,484	-	4,140,656	-	4,140,656
Seminars	36,624	-	-	21	568	-	37,213	-	37,213
Travel	261,185	116	45,681	21,507	38,651	-	367,140	-	367,140
Workers comp insurance	130,029	759	1,695	734	24,885	-	158,102	-	158,102
Total expenses	$ 16,462,263	$ 1,774,680	$ 622,731	$ 438,078	$ 1,657,807	$ 466,385	$ 21,421,944	$ (399,097)	$ 21,022,847

THE ST. BERNARD PROJECT, INC.
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	SBP, Inc.						Toulouse Commercial, Inc.			
	Program Services									
	Rebuilding	Opportunity Housing	Veteran	Disaster Resilience and Recovery Lab	Fundraising	General & Administrative	General & Administrative	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Auto	$ 32,603	$ -	$ -	$ -	$ -	$ 925	25	$ 33,553	$ -	$ 33,553
Bad debt expense	-	76,285	-	-	1,000	-	-	77,285	-	77,285
Bank service charges	2,679	-	-	77	737	3,649	20	7,162	-	7,162
Construction	5,615,947	2,364,816	4,784	-	-	50,873	-	8,036,420	(9,390)	8,027,030
Depreciation	107,447	22,182	-	1,232	-	-	84,623	215,484	-	215,484
Dues and subscriptions	570	-	-	-	-	-	15	585	-	585
Fundraising	-	-	-	-	43,331	-	-	43,331	-	43,331
Grants awarded	311,228	-	-	-	-	-	-	311,228		311,228
Information technology	3,462	-	-	-	-	19,976	-	23,438	-	23,438
Insurance	838,610	61,494	-	34,420	8,864	163,705	22,154	1,129,247	-	1,129,247
Interest expense	14,828	10,147	-	-	-	-	128,120	153,095	-	153,095
In-kind labor	5,515,652	-	-	-	-	-	-	5,515,652	-	5,515,652
Licenses and permits	157,123	61,775	-	946	10,114	3,726	-	233,684	-	233,684
Marketing	-	-	-	-	3,105	435	-	3,540	-	3,540
Office supplies	989	77	-	12,943	828	4,894	-	19,731	-	19,731
Other expense	53,077	-	-	5,285	323	43,068	(9,390)	92,363	9,390	101,753
Occupancy	192,899	-	-	8,423	101	115,012	11,600	328,035	(201,276)	126,759
Payroll taxes	235,572	8,673	388	36,750	13,662	6,026	-	301,071	-	301,071
Postage and delivery	13,873	68	-	-	673	1,642	-	16,256	-	16,256
Program expense	-	-	-	1,450	-	-	-	1,450	-	1,450
Professional services	245,656	6,268	-	22,443	70,879	131,321	2,755	479,322	-	479,322
Property tax	5,778	-	-	-	-	-	23,193	28,971		28,971
Repairs and maintenance	1,799	-	-	-	-	775	173	2,747		2,747
Salaries	2,143,655	83,692	-	530,830	204,250	566,658	-	3,529,085	-	3,529,085
Seminars	8,196	50	-	-	-	66	-	8,312	-	8,312
Travel	111,968	202	-	155,238	15,641	8,114	-	291,163	-	291,163
Workers comp insurance	182,876	-	-	282	181	629	-	183,968	-	183,968
Total expenses	$ 15,796,487	$ 2,695,729	$ 5,172	$ 810,319	$ 373,689	$ 1,121,494	$ 263,288	$ 21,066,178	$ (201,276)	$ 20,864,902

UNIFORM GUIDANCE COMPLIANCE AND GOVERNMENT AUDITING STANDARD REPORTS

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

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

WEGMANN DAZET & COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of SBP, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 12, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SBP, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

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

Purpose of this Report

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

Wegmann Dazet + Company

Metairie, Louisiana
June 12, 2018

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

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

WEGMANN DAZET & COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited SBP, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SBP, Inc.'s major federal programs for the year ended December 31, 2017. SBP, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, SBP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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Report on Internal Control over Compliance

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

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

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

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

Metairie, Louisiana
June 12, 2018

Wegmann Dazet + Company

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017 (Restated)

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Corporation for National and Community Service		
ARRA – AmeriCorp Grant	94.006	$1,468,569
U.S. Department of Housing and Urban Development		
Passed through the City of San Marcos		
Community Development Block Grant	14.218	194,433
Passed through the County of Lexington		
Community Development Block Grant	14.218	18,550
Passed through the Housing Trust Fund Corporation		
Community Development Block Grant	14.269	756,605
Passed through the City of New Orleans		
HOME Investment Partnerships Act	14.239	833,337
Total Expenditures of Federal Awards		$3,271,494

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017 (Restated)

Note 1 General

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

Note 2 Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance.*) Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. SBP, Inc. has not applied for its own indirect cost rate.

Note 3 Risk-based audit approach

The dollar threshold used to distinguish between Type A and Type B programs is $750,000. The Organization does qualify as a low-risk auditee.

Note 4 Possible ineligible, disallowed and questioned costs

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

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017 (Restated)

We have audited the basic consolidated financial statements of SBP, Inc. as of and for the year ended December 31, 2017, and have issued our report thereon dated June 12, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the consolidated financial statements as of December 31, 2017 resulted in an unmodified opinion.

SUMMARY OF THE AUDITORS' RESULTS

1. Type of report issued on the consolidated financial statements: **Unmodified Opinion**.
2. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **No**. Material weaknesses: **No**.
3. Noncompliance which is material to the consolidated financial statements: **No**.
4. Significant deficiencies in internal control over major programs: **No**. Material weaknesses: **No**.
5. Type of report issued on compliance for major programs: **Unmodified Opinion.**
6. Any audit findings which are required to be reported under Section 501(a) of Circular A-133 or in accordance with 2CFR 200.516(a): **No**.
7. Major programs for the fiscal year ended December 31, 2017 were:

U.S. Department of Housing and Urban Development	
Community Development Block Grant	(CFDA #14.239)
Community Development Block Grant	(CFDA #14.269)
HOME Investment Partnership Act	(CFDA #14.239)

8. Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**.
9. Auditee qualified as a low-risk auditee under Uniform Guidance: **Yes**.
10. A management letter was issued: **No**.

SCHEDULE OF FINDINGS RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

There were no findings related to the consolidated financial statements for the year ended December 31, 2017.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

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

THE ST. BERNARD PROJECT, INC.
D/B/A SBP, INC.
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEADS
For the Year Ended December 31, 2017 (Restated)

SUMMARY OF COMPENSATION

Zack Rosenburg
CEO & Co-Founder

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