

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

YEARS ENDED DECEMBER 31, 2011 AND 2010

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

Years Ended December 31, 2011 and 2010



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

This page was left blank intentionally.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Financial Statements		
Comparative Statement of Financial Position	1	4
Statement of Activity	2	5
Statements of Functional Expenses		
For the Year Ended December 31, 2011	3	6
For the Year Ended December 31, 2010	4	7
Comparative Statement of Cash Flows	5	8
Notes to the Financial Statements		9
Supplementary Information		
Schedule of NRP Activity	A-1	14
Management and Compliance Section		
Schedule of Findings and Recommendations		15
Report on Internal Control Over Financial Reporting		17

This page was left blank intentionally.

This page was left blank intentionally.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE
2011**

<u>Board Members</u>	<u>Term Expires</u>
Arthur Agnew	May 2013
Kim Forbes	May 2013
Gene Gaines	May 2013
Paul Ireland	May 2013
Dean Jacobson	May 2012
Jeff Millikan	May 2012
Brian Nasi	May 2013
Millie Schafer	May 2013
Barett Steenrod	May 2012
Shabir Walji	May 2012
Patti Wettlin	May 2012
Howard Young	May 2012
<u>Executive Director</u>	
Lynn Regnier	Indefinite

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Elliot Park Neighborhood, Inc.

We have audited the statement of the financial position of the Elliot Park Neighborhood, Inc., (EPNI) (a nonprofit corporation) as of December 31, 2011 and 2010, and the related statements of activity, functional expenses, and cash flows for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the EPNI's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 EPNI as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the EPNI's financial statements as a whole. The supplementary information, which is the Schedule of NRP Activity, is presented for purposes of additional analysis and is not a required part of the EPNI's financial statements. The supplementary 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. This 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.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 8, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

FINANCIAL STATEMENTS

This page was left blank intentionally.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 1

**COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
<u>Assets</u>		
Current assets		
Cash and investments	\$ 179,360	\$ 134,164
Pledges receivable	35,000	-
Grants receivable	21,962	42,198
Prepaid items	2,015	3,423
Total current assets	\$ 238,337	\$ 179,785
Property and equipment		
Property and equipment net of depreciation	1,684	1,604
Total Assets	\$ <u>240,021</u>	\$ <u>181,389</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 653	\$ 1,914
Accrued payroll	6,739	6,315
Funds held as fiscal agent	3,840	-
Deferred revenue	28,500	18,500
Other long-term liability	1,222	1,744
Total Liabilities	\$ <u>40,954</u>	\$ <u>28,473</u>
Net Assets		
Unrestricted	\$ 199,067	\$ 123,104
Temporarily restricted	-	29,812
Total Net Assets	\$ <u>199,067</u>	\$ <u>152,916</u>
Total Liabilities and Net Assets	\$ <u>240,021</u>	\$ <u>181,389</u>

The notes to the financial statements are an integral part of this statement.

Page 4

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
Public Support and Other Revenue				
Public support				
Government grants				
Minneapolis Community Planning and Economic Development (CPED)	\$ 4,925	\$ -	\$ 4,925	\$ 16,553
Minneapolis Neighborhood and Community Relations (NCR)	24,004	-	24,004	-
Neighborhood Revitalization Program (NRP)	177,370	-	177,370	197,260
McKnight Foundation	70,000	-	70,000	-
East Downtown Council	-	-	-	400
Contributions	16,045	-	16,045	39,928
Satisfaction of time and purpose restrictions	29,812	(29,812)	-	-
Total public support	\$ 322,156	\$ (29,812)	\$ 292,344	\$ 254,141
Other revenue				
Interest income	33	-	33	65
Total Public Support and Other Revenue	\$ 322,189	\$ (29,812)	\$ 292,377	\$ 254,206
Expenses				
Program services				
CPED	\$ 5,116	\$ -	\$ 5,116	\$ 16,553
NCR	24,320	-	24,320	-
NRP	178,233	-	178,233	197,434
McKnight Foundation	33,747	-	33,747	42,706
Whitney Foundation	-	-	-	8,321
East Downtown Council	400	-	400	-
Total program services	\$ 241,816	\$ -	\$ 241,816	\$ 265,014
Support services				
Management and general	4,410	-	4,410	32,160
Total Expenses	\$ 246,226	\$ -	\$ 246,226	\$ 297,174
Increase (Decrease) in Net Assets	\$ 75,963	\$ (29,812)	\$ 46,151	\$ (42,968)
Net Assets - January 1	123,104	29,812	152,916	195,884
Net Assets - December 31	\$ 199,067	\$ -	\$ 199,067	\$ 152,916

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 3

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>CPED</u>	<u>NCR</u>	<u>NRP</u>	<u>McKnight Foundation</u>	<u>East Downtown Council</u>	<u>Management and General</u>	<u>Total</u>
<u>Expenses</u>							
Payroll							
Salaries	\$ 4,648	\$ 18,051	\$ 123,752	\$ 15,794	\$ -	\$ -	\$ 162,245
Payroll taxes	468	1,286	12,846	1,653	-	133	16,386
Benefits	-	2,528	11,364	2,663	-	111	16,666
Insurance	-	193	418	191	-	9	811
Professional services	-	725	5,185	8,315	-	-	14,225
Occupancy	-	-	13,707	3,183	-	47	16,937
Office supplies	-	-	1,181	-	-	-	1,181
Office equipment	-	-	6,006	448	-	660	7,114
Telephone	-	-	766	1,051	-	-	1,817
Postage and delivery	-	148	938	249	-	-	1,335
Printing	-	1,318	557	150	400	-	2,425
Travel	-	71	146	-	-	21	238
Board and staff training	-	-	369	-	-	-	369
Meeting expenses	-	-	-	50	-	1,437	1,487
Advertising fees	-	-	181	-	-	963	1,144
Depreciation expense	-	-	-	-	-	517	517
Bank fees	-	-	280	-	-	199	479
Subscriptions and dues	-	-	537	-	-	313	850
Total Expenses	<u>\$ 5,116</u>	<u>\$ 24,320</u>	<u>\$ 178,233</u>	<u>\$ 33,747</u>	<u>\$ 400</u>	<u>\$ 4,410</u>	<u>\$ 246,226</u>

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 4

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>CPED</u>	<u>NRP</u>	<u>McKnight Foundation</u>	<u>Whitney Foundation</u>	<u>Management and General</u>	<u>Total</u>
<u>Expenses</u>						
Payroll						
Salaries	\$ 12,487	\$ 122,468	\$ 27,113	\$ -	\$ -	\$ 162,068
Payroll taxes	1,041	12,785	2,074	-	-	15,900
Benefits	1,000	17,731	1,446	1,533	-	21,710
Insurance	73	1,989	40	366	-	2,468
Professional services	-	22,865	7,910	363	25,568	56,706
Occupancy	1,352	9,578	2,546	2,885	-	16,361
Office supplies	-	312	100	554	343	1,309
Office equipment	250	5,486	606	1,059	40	7,441
Telephone	350	1,260	33	441	-	2,084
Postage and delivery	-	552	50	337	5	944
Printing	-	931	670	-	-	1,601
Travel	-	90	-	163	98	351
Board and staff training	-	505	-	620	40	1,165
Meeting expenses	-	85	118	-	715	918
Advertising fees	-	181	-	-	281	462
Depreciation expense	-	-	-	-	4,482	4,482
Bank fees	-	40	-	-	523	563
Subscriptions and dues	-	576	-	-	-	576
Miscellaneous expenses	-	-	-	-	65	65
Total Expenses	\$ 16,553	\$ 197,434	\$ 42,706	\$ 8,321	\$ 32,160	\$ 297,174

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT 5

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 46,151	\$ (42,968)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	\$ 517	\$ 4,482
(Increase) decrease in prepaids	1,408	(1,119)
(Increase) decrease in grants receivable	20,236	(14,091)
(Increase) decrease in pledges receivable	(35,000)	36,049
Increase (decrease) in accounts payable	(1,261)	1,759
Increase (decrease) in accrued payroll	424	(148)
Increase (decrease) in funds held for fiscal agent	3,840	-
Increase (decrease) in deferred revenue	10,000	-
Increase (decrease) in other long-term liabilities	(522)	1,744
Total adjustments	\$ (358)	\$ 28,676
Net cash provided by (used in) operating activities	\$ 45,793	\$ (14,292)
Cash Flows from Investing Activities		
Acquisition of fixed assets	(597)	(2,005)
Net Increase (Decrease) in Cash	\$ 45,196	\$ (16,297)
Cash - January 1	134,164	150,461
Cash - December 31	\$ 179,360	\$ 134,164

This page was left blank intentionally.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

1. Summary of Significant Accounting Policies

A. Organization

The Elliot Park Neighborhood, Inc., (EPNI) is bounded by Fifth Street on the north, Fifth Avenue on the west, Interstate 94 on the south, and Interstate 35W on the east.

The EPNI's mission is to bring people and resources together to preserve and promote the unique urban character of the historic Elliot Park Neighborhood.

B. Board of Directors and Officers

The EPNI's Board of Directors consists of at least 7 but no more than 20 members. Directors are elected after the annual meeting in May and serve two-year terms. The four officers (President, Vice President, Secretary, and Treasurer) are elected by the Board members at the annual meeting and serve as members of the Executive Committee.

C. Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets for the EPNI and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the EPNI has discretionary control.

Temporarily Restricted - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the EPNI or passage of time.

Permanently Restricted - Those resources subject to a donor-imposed restriction that they be maintained permanently by the EPNI. The donors of these resources permitted the EPNI to use all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

The EPNI is reported on the accrual basis of accounting where revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Expense Allocation

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management in relation to grant budgets. Fundraising expenses are considered to be minimal, and those costs are included in management and general expenses.

F. Income Taxes

The EPNI is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes.

G. Cash and Investments

Cash and investments consist of:

	<u>2011</u>	<u>2010</u>
Checking accounts	\$ 127,721	\$ 82,557
Savings account	24,987	24,975
Certificate of deposit	<u>26,652</u>	<u>26,632</u>
Total	<u>\$ 179,360</u>	<u>\$ 134,164</u>

H. Equipment

All purchased equipment is valued at cost. Donated equipment is valued at fair value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of three to five years, depending on the type of asset.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

I. Grants and Contracts

The EPNI's funding includes cost-reimbursement grants from the Minneapolis Community Planning and Economic Development Department (CPED), the Minneapolis Neighborhood and Community Relations Department (NCR), and the Minneapolis Neighborhood Revitalization Program (NRP). Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced on the above grants but not yet earned are shown as deferred revenue. Expenses under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenses allowed under these grants, the EPNI will record such disallowance at the time the final assessment is made.

J. Donated Services and Facilities

The EPNI had no donated services or facilities during 2011.

K. Accrued Paid Time Off

Employees of the EPNI earn between 19.5 and 39 days of paid time off (PTO) each year, depending on length of service. Since the EPNI cannot charge its primary granting authorities for accrued PTO until it is used, no provision has been made in the accompanying financial statements for recording the accrued PTO liability and related expense at year-end. At December 31, 2011 and 2010, the amount of accrued PTO was \$9,773 and \$8,218, respectively.

2. Property and Equipment

Property and equipment at December 31, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 20,961	\$ 20,364
Less: accumulated depreciation	<u>(19,277)</u>	<u>(18,760)</u>
Total Property and Equipment	<u>\$ 1,684</u>	<u>\$ 1,604</u>

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

3. Deferred Revenue

Deferred revenue at December 31, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
NRP Contract #20795	\$ 8,500	\$ 8,500
NRP Contract #23124	10,000	10,000
NCR Contract #30045	<u>10,000</u>	<u>-</u>
Total	<u>\$ 28,500</u>	<u>\$ 18,500</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010, were:

	<u>2011</u>	<u>2010</u>
McKnight Foundation and matching grants	<u>\$ -</u>	<u>\$ 29,812</u>

5. Operating Leases

The EPNI is committed under various leases for office space and for equipment used in its operations. The EPNI has a month-to-month lease for office space. Lease payments for office space were \$10,740 in 2011 and \$10,740 in 2010. Equipment lease periods vary from one to five years. Payments under equipment lease obligations in 2011 and 2010 were \$1,250 and \$3,000, respectively. The equipment lease ended in 2011, so there are no future minimum lease payments.

6. Capital Lease

The EPNI is committed under a capital lease for equipment used in its operations. The EPNI has a month-to-month lease for telephones starting July 2010. Lease payments for the telephones were \$522 and \$261 in 2011 and 2010, respectively. The telephone lease period is for five years.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

6. Capital Lease (Continued)

Future minimum lease payments for the capital lease are:

2012	\$	522
2013		522
2014		522
2015		<u>261</u>
Total	<u>\$</u>	<u>1,827</u>

7. Home Improvement Program

The EPNI has initiated the EPNI Home Improvement Program. The Center for Energy and Environment administers the program. Funding for this program is provided by the NRP. Total funds available for the program are \$786,314. At the end of the fiscal year, the program originated grants and loans totaling \$771,645. Funds remaining in the program budget at year-end were \$14,669.

8. Subsequent Event

The Organization has evaluated subsequent events through November 8, 2012, the date which the financial statements were available to be issued.

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

SCHEDULE OF NRP ACTIVITY

This page was left blank intentionally.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF NRP ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Agreement #20795	Agreement #23124	Total
Revenues	\$ 56,876	\$ 120,494	\$ 177,370
Expenses			
Payroll			
Salaries	\$ 31,746	\$ 92,006	\$ 123,752
Payroll taxes	3,542	9,304	12,846
Benefits	3,694	7,670	11,364
Insurance	209	209	418
Professional services	3,450	1,735	5,185
Occupancy	7,505	6,202	13,707
Office supplies	1,135	46	1,181
Office equipment	3,078	2,928	6,006
Telephone	586	180	766
Postage and delivery	926	12	938
Printing	274	283	557
Travel	146	-	146
Board and staff training	369	-	369
Advertising fees	181	-	181
Bank fees	200	80	280
Subscriptions and dues	218	319	537
	\$ 57,259	\$ 120,974	\$ 178,233
Revenues Over (Under) Expenses	\$ (383)	\$ (480)	\$ (863)

This page was left blank intentionally.

This page was left blank intentionally.

**ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-1 **Segregation of Duties**

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Elliot Park Neighborhood, Inc., (EPNI) assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel performing the business functions of the EPNI, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Context: This is not unusual in operations the size of the EPNI; however, the EPNI management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the EPNI's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The size of the EPNI and its staffing limits the internal control that management can design and implement into the organization.

Recommendation: We recommend that the EPNI's Board of Directors and management be mindful that limited staffing increases the risks in safeguarding the EPNI's assets and the proper recording of its financial activity and, where possible, continue to implement oversight procedures to ensure that internal control policies and procedures are being followed.

Client's Response:

To ensure the maximum segregation of duties within the small office of the EPNI, the organization has instituted and closely follows clear financial policies and procedures as outlined in the document "Elliot Park Neighborhood, Inc. Financial Procedures." These procedures are reviewed annually by management and the EPNI finance committee to ensure accuracy and compliance. These financial procedures define the various duties of the staff, board finance committee, the board and the bookkeeper for the steps of each financial procedure to assist in internal control of duty segregation to the greatest extent possible.

The EPNI finance committee includes the four board officers and additional appointed board members with financial management experience. The consultant/bookkeeper compiles monthly financial reports which are reviewed by the executive director and the finance committee before being presented to the board of directors. The consultant/bookkeeper addresses any unusual items and is available for questions. The consultant/bookkeeper does the monthly bank reconciliations which are then reviewed and signed by the treasurer or another finance committee officer. The finance committee also has responsibilities in the processing and review of payables, allocations and monthly financial reports such as reviewing the biweekly payables and signing checks. The finance committee takes an active role in discussion of annual budgets, plan and budget modifications to NRP/CPED contracts, audit preparation and other financial matters.

EPNI has three staff members, and they each have some of the responsibility for the budgets and check requests of their various committees. They are also responsible for the accuracy of recording their hours in the various programs, grants, contracts or administrative sections on their time sheets; program staff submissions are reviewed by the executive director; executive director submissions are reviewed by one of the finance committee officers. The contracted financial consultant/bookkeeper has responsibility for various accounting functions that further assists the segregation.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors
Elliot Park Neighborhood, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Elliot Park Neighborhood, Inc. (EPNI), (a nonprofit corporation) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the EPNI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EPNI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EPNI's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the EPNI's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency described in the accompanying Schedule of Findings and Recommendations as item 08-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The EPNI's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the EPNI's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Elliot Park Neighborhood, Inc.'s Board of Directors, management, and the Minneapolis Neighborhood and Community Relations Department, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 8, 2012