

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

## **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.

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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](http://www.auditor.state.mn.us).

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

**Years Ended December 31, 2010 and 2009**



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

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

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

**ORGANIZATION  
2010**

<u>Board Members</u>	<u>Term Expires</u>
Arthur Agnew	May 2011
Elizabeth Beissel	May 2011
Andrea Christenson	May 2012
Jean Cole	May 2010
Kim Forbes	May 2011
Gene Gaines	May 2012
Michael Harristhal	May 2012
Paul Ireland	May 2011
Dean Jacobson	May 2012
Kenneth Lawrence	May 2011
Jeff Millikan	May 2012
Brian Nasi	May 2011
Nancy Nasi	May 2010
Christopher Naumann	May 2011
Millie Schafer	May 2011
Barett Steenrod	May 2012
Shabir Walji	May 2012
Patti Wettlin	May 2012
Howard Young	May 2012
<u>Executive Director</u>	
Lynn Regnier	Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### 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, 2010 and 2009, 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, 2010 and 2009, 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

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 9, 2011

## **FINANCIAL STATEMENTS**

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

*EXHIBIT 1*

**COMPARATIVE STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and investments	\$ 134,164	\$ 150,461
Prepaid items	3,423	2,304
Grants receivable	42,198	28,107
Pledges receivable	-	36,049
<b>Total current assets</b>	<b>\$ 179,785</b>	<b>\$ 216,921</b>
<b>Property and equipment</b>		
Property and equipment net of depreciation	1,604	4,081
<b>Total Assets</b>	<b>\$ 181,389</b>	<b>\$ 221,002</b>
<b><u>Liabilities and Net Assets</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,914	\$ 155
Accrued payroll	6,315	6,463
Deferred revenue	18,500	18,500
Other long-term liability	1,744	-
<b>Total Liabilities</b>	<b>\$ 28,473</b>	<b>\$ 25,118</b>
<b>Net Assets</b>		
Unrestricted	\$ 123,104	\$ 123,366
Temporarily restricted	29,812	72,518
<b>Total Net Assets</b>	<b>\$ 152,916</b>	<b>\$ 195,884</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 181,389</b>	<b>\$ 221,002</b>

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

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

*EXHIBIT 2*

**STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009**

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
<b>Public Support and Other Revenue</b>				
<b>Public support</b>				
Government grants				
Minneapolis Community Planning and Economic Development (CPED)	\$ 16,553	\$ -	\$ 16,553	\$ 10,837
Neighborhood Revitalization Program (NRP)	197,260	-	197,260	157,358
McKnight Foundation with matching grants	-	-	-	85,000
East Downtown Council	400	-	400	-
Contributions	39,928	-	39,928	25,000
Satisfaction of time and purpose restrictions	42,706	(42,706)	-	-
<b>Total public support</b>	<b>\$ 296,847</b>	<b>\$ (42,706)</b>	<b>\$ 254,141</b>	<b>\$ 278,195</b>
<b>Other revenue</b>				
Interest income	65	-	65	224
<b>Total Public Support and Other Revenue</b>	<b>\$ 296,912</b>	<b>\$ (42,706)</b>	<b>\$ 254,206</b>	<b>\$ 278,419</b>
<b>Expenses</b>				
<b>Program services</b>				
CPED	\$ 16,553	\$ -	\$ 16,553	\$ 10,840
NRP	197,434	-	197,434	155,802
McKnight Foundation	42,706	-	42,706	77,987
Whitney Foundation	8,321	-	8,321	3,529
<b>Total program services</b>	<b>\$ 265,014</b>	<b>\$ -</b>	<b>\$ 265,014</b>	<b>\$ 248,158</b>
<b>Support services</b>				
Management and general	32,160	-	32,160	15,954
<b>Total Expenses</b>	<b>\$ 297,174</b>	<b>\$ -</b>	<b>\$ 297,174</b>	<b>\$ 264,112</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (262)</b>	<b>\$ (42,706)</b>	<b>\$ (42,968)</b>	<b>\$ 14,307</b>
<b>Net Assets - January 1</b>	<b>123,366</b>	<b>72,518</b>	<b>195,884</b>	<b>181,577</b>
<b>Net Assets - December 31</b>	<b>\$ 123,104</b>	<b>\$ 29,812</b>	<b>\$ 152,916</b>	<b>\$ 195,884</b>

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

*EXHIBIT 3*

**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>
<b><u>Expenses</u></b>						
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
<b>Total Expenses</b>	<b>\$ 16,553</b>	<b>\$ 197,434</b>	<b>\$ 42,706</b>	<b>\$ 8,321</b>	<b>\$ 32,160</b>	<b>\$ 297,174</b>

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

*EXHIBIT 4*

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>CPED</u>	<u>NRP</u>	<u>McKnight Foundation</u>	<u>Whitney Foundation</u>	<u>Management and General</u>	<u>Total</u>
<b><u>Expenses</u></b>						
Payroll						
Salaries	\$ 6,939	\$ 89,049	\$ 60,788	\$ -	\$ -	\$ 156,776
Payroll taxes	739	10,080	5,165	-	(17)	15,967
Benefits	1,000	20,260	4,614	277	-	26,151
Insurance	61	2,166	236	347	-	2,810
Professional services	-	6,792	1,795	488	9,920	18,995
Occupancy	1,501	11,736	3,393	841	1,449	18,920
Office supplies	-	1,308	150	90	-	1,548
Office equipment	331	4,318	814	587	-	6,050
Telephone	269	720	693	567	64	2,313
Postage and delivery	-	1,285	200	167	-	1,652
Printing	-	2,953	89	-	-	3,042
Travel	-	87	-	33	50	170
Board and staff training	-	163	-	38	-	201
Meeting expenses	-	-	50	29	273	352
Advertising fees	-	4,000	-	-	187	4,187
Depreciation expense	-	-	-	-	3,870	3,870
Bank fees	-	325	-	40	123	488
Subscriptions and dues	-	560	-	25	35	620
<b>Total Expenses</b>	<b><u>\$ 10,840</u></b>	<b><u>\$ 155,802</u></b>	<b><u>\$ 77,987</u></b>	<b><u>\$ 3,529</u></b>	<b><u>\$ 15,954</u></b>	<b><u>\$ 264,112</u></b>

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

*EXHIBIT 5*

**COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>Cash Flows from Operating Activities</b>		
<b>Increase (Decrease) in net assets</b>	<b>\$ (42,968)</b>	<b>\$ 14,307</b>
<b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b>		
Depreciation	\$ 4,482	\$ 3,870
(Increase) decrease in prepaids	(1,119)	2,134
(Increase) decrease in grants receivable	(14,091)	36,002
(Increase) decrease in pledges receivable	36,049	(34,233)
Increase (decrease) in accounts payable	1,759	(326)
Increase (decrease) in accrued payroll	(148)	1,223
Increase (decrease) in other long-term liabilities	1,744	-
<b>Total adjustments</b>	<b>\$ 28,676</b>	<b>\$ 8,670</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (14,292)</b>	<b>\$ 22,977</b>
<b>Cash Flows from Investing Activities</b>		
Acquisition of fixed assets, by capital lease	(2,005)	-
<b>Net Increase (Decrease) in Cash</b>	<b>\$ (16,297)</b>	<b>\$ 22,977</b>
<b>Cash - January 1</b>	<b>150,461</b>	<b>127,484</b>
<b>Cash - December 31</b>	<b>\$ 134,164</b>	<b>\$ 150,461</b>

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

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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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.

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**

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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>2010</u>	<u>2009</u>
Checking accounts	\$ 82,557	\$ 93,839
Savings account	24,975	30,044
Certificate of deposit	<u>26,632</u>	<u>26,578</u>
Total	<u>\$ 134,164</u>	<u>\$ 150,461</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**

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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) 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

The EPNI had donated services of \$25,000 and \$9,920 during the years ended December 31, 2010 and 2009, respectively, from Close Landscape Architecture.

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, 2010 and 2009, the amount of accrued PTO was \$8,218 and \$7,609, respectively.

2. Property and Equipment

Property and equipment at December 31, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 20,364	\$ 18,359
Less: accumulated depreciation	<u>(18,760)</u>	<u>(14,278)</u>
Total Property and Equipment	<u>\$ 1,604</u>	<u>\$ 4,081</u>

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

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3. Deferred Revenue

Deferred revenue at December 31, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>
NRP Contract #20795	\$ 8,500	\$ 8,500
NRP Contract #23124	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 18,500</u>	<u>\$ 18,500</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2010 and 2009, were:

	<u>2010</u>	<u>2009</u>
McKnight Foundation and matching grants	<u>\$ 29,812</u>	<u>\$ 72,518</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 2010 and \$10,740 in 2009. Equipment lease periods vary from one to five years. Payments under equipment lease obligations in 2010 and 2009 were \$3,000 and \$3,652, respectively.

Future minimum lease payments for operating leases are:

2011	<u>\$ 1,250</u>
------	-----------------

6. Capital Lease

The EPNI is committed under a new 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 \$261 in 2010. The telephone lease period is for five years.

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

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6. Capital Lease (Continued)

Future minimum lease payments for the capital lease are:

2011	\$	522
2012		522
2013		522
2014		522
2015		<u>261</u>
Total	<u>\$</u>	<u>2,349</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 \$786,313. 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 \$14,668.

8. Subsequent Event

The EPNI has evaluated subsequent events through August 9, 2011, the date which the financial statements were available to be issued.

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**SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF NRP ACTIVITY**

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

*EXHIBIT A-1*

**SCHEDULE OF NRP ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Agreement #20795	Agreement #23124	Total
<b>Revenues</b>	<b>\$ 68,842</b>	<b>\$ 128,418</b>	<b>\$ 197,260</b>
<b>Expenses</b>			
Payroll			
Salaries	\$ 40,599	\$ 81,869	\$ 122,468
Payroll taxes	4,772	8,013	12,785
Benefits	6,131	11,600	17,731
Insurance	975	1,014	1,989
Professional services	7,850	15,015	22,865
Occupancy	3,802	5,776	9,578
Office supplies	312	-	312
Office equipment	2,399	3,087	5,486
Telephone	981	279	1,260
Postage and delivery	351	201	552
Printing	236	695	931
Travel	63	27	90
Board and staff training	148	357	505
Meeting	85	-	85
Advertising fees	-	181	181
Bank fees	40	-	40
Subscriptions and dues	485	91	576
	<b>\$ 69,229</b>	<b>\$ 128,205</b>	<b>\$ 197,434</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ (387)</b>	<b>\$ 213</b>	<b>\$ (174)</b>

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

**08-1 Internal Control/Financial Statement Preparation**

Management is responsible for establishing and maintaining internal control. This responsibility includes internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the Elliot Park Neighborhood, Inc. (EPNI), and its staffing limit the internal control that management can design and implement in the organization.

Management is responsible for the accuracy and completeness of all financial records and related information. Also, management is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Management has requested that the Office of the State Auditor prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of the EPNI. This decision was based on the availability of the EPNI's staff and the cost benefit of using our expertise.

We recommend the Board of Directors be mindful that limited staffing causes inherent risks in safeguarding the EPNI's assets and the proper reporting of its financial activity. We recommend the Board of Directors continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

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.*

*Because EPNI is a small office we have requested that the State Auditor's Office prepare our annual financial statements and related notes. During the preparation process, the EPNI executive director and finance consultant/bookkeeper are available to provide additional information and answer questions. This arrangement works well for the EPNI due to EPNI staff availability and the cost benefit of utilizing the services and expertise of the State Auditor's Office. We understand we are in full compliance under this arrangement.*



REBECCA OTTO  
STATE AUDITOR

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## 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, 2010, 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 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 communication is intended solely for the information and use of the Elliot Park Neighborhood, Inc.'s, Board of Directors, its management, and the Neighborhood Revitalization Policy Board, 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

August 9, 2011