

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

YEARS ENDED DECEMBER 31, 2012 AND 2011

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, 2012 and 2011



**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, 2012	3	6
For the Year Ended December 31, 2011	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
Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control Over Financial Reporting and Other Matters		17

This page was left blank intentionally.

This page was left blank intentionally.

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

**ORGANIZATION SCHEDULE
2012**

<u>Board Members</u>	<u>Term Expires</u>
Arthur Agnew	May 2013
Kim Forbes	May 2013
Julie Fries	May 2014
Paul Freitag	May 2014
Michael Harristhal	May 2013
Paul Ireland	May 2013
Dean Jacobson	May 2014
Jeff Millikan	May 2013
Brian Nasi	May 2013
Chris Nimmer	May 2014
Millie Schafer	May 2013
Tanya Schmitt	May 2014
Barett Steenrod	May 2013
Shabir Walji	May 2013
Patti Wettlin	May 2014
Howard Young	May 2013
<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.
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the statement of financial position of the Elliot Park Neighborhood, Inc., (EPNI) (a nonprofit corporation) as of December 31, 2012 and 2011, and the related statements of activity, functional expenses, and cash flows and the related notes to the financial statements, for the years then ended, as listed in the table of contents.

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.

Auditor's 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the EPNI'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 EPNI'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.

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, 2012 and 2011, 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

Supplementary Information

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. Such 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

November 7, 2013

FINANCIAL STATEMENTS

This page was left blank intentionally.

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

EXHIBIT 1

**COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
<u>Assets</u>		
Current assets		
Cash and investments	\$ 221,858	\$ 179,360
Pledges receivable	-	35,000
Grants receivable	17,019	21,962
Prepaid items	2,791	2,015
Total current assets	\$ 241,668	\$ 238,337
Property and equipment		
Property and equipment - net of depreciation	1,972	1,684
Total Assets	\$ 243,640	\$ 240,021
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 445	\$ 653
Accrued payroll	5,049	6,739
Funds held as fiscal agent	8,388	3,840
Deferred revenue	18,500	28,500
Other long-term liability	700	1,222
Total Liabilities	\$ 33,082	\$ 40,954
Net Assets		
Unrestricted	\$ 160,558	\$ 199,067
Temporarily restricted	50,000	-
Total Net Assets	\$ 210,558	\$ 199,067
Total Liabilities and Net Assets	\$ 243,640	\$ 240,021

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011
Public Support and Other Revenue				
Public support				
Government grants				
Minneapolis Community Planning and Economic Development (CPED)	\$ -	\$ -	\$ -	\$ 4,925
Minneapolis Neighborhood and Community Relations (NCR)	34,106	-	34,106	24,004
Neighborhood Revitalization Program (NRP)	124,929	-	124,929	177,370
McKnight Foundation	-	-	-	70,000
McKnight Foundation - Stadium	25,000	50,000	75,000	-
Contributions	13,436	-	13,436	16,045
Total public support	\$ 197,471	\$ 50,000	\$ 247,471	\$ 292,344
Other revenue				
Interest income	44	-	44	33
Total Public Support and Other Revenue	\$ 197,515	\$ 50,000	\$ 247,515	\$ 292,377
Expenses				
Program services				
CPED	\$ -	\$ -	\$ -	\$ 5,116
NCR	34,558	-	34,558	24,320
NRP	126,031	-	126,031	178,233
McKnight Foundation	45,601	-	45,601	33,747
McKnight Foundation - Stadium	25,000	-	25,000	-
East Downtown Council	-	-	-	400
Total program services	\$ 231,190	\$ -	\$ 231,190	\$ 241,816
Support services				
Management and general	4,834	-	4,834	4,410
Total Expenses	\$ 236,024	\$ -	\$ 236,024	\$ 246,226
Increase (Decrease) in Net Assets	\$ (38,509)	\$ 50,000	\$ 11,491	\$ 46,151
Net Assets - January 1	199,067	-	199,067	152,916
Net Assets - December 31	\$ 160,558	\$ 50,000	\$ 210,558	\$ 199,067

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

EXHIBIT 3

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>NCR</u>	<u>NRP</u>	<u>McKnight Foundation</u>	<u>McKnight Foundation Stadium</u>	<u>Management and General</u>	<u>Total</u>
<u>Expenses</u>						
Payroll						
Salaries	\$ 26,610	\$ 86,493	\$ 31,209	\$ -	\$ -	\$ 144,312
Payroll taxes	2,232	7,062	2,587	-	-	11,881
Benefits	2,260	5,379	5,545	-	286	13,470
Professional services	758	7,399	901	25,000	-	34,058
Occupancy	415	10,513	4,667	-	-	15,595
Office supplies	104	1,314	-	-	2	1,420
Office equipment	299	4,249	-	-	1,131	5,679
Telephone	520	712	543	-	-	1,775
Postage and delivery	402	231	-	-	7	640
Printing	82	998	149	-	398	1,627
Travel	-	141	-	-	-	141
Board and staff training	-	403	-	-	-	403
Meeting expenses	-	-	-	-	953	953
Advertising fees	876	-	-	-	344	1,220
Depreciation expense	-	-	-	-	920	920
Bank fees	-	476	-	-	42	518
Subscriptions and dues	-	661	-	-	110	771
Miscellaneous expense	-	-	-	-	641	641
Total Expenses	<u>\$ 34,558</u>	<u>\$ 126,031</u>	<u>\$ 45,601</u>	<u>\$ 25,000</u>	<u>\$ 4,834</u>	<u>\$ 236,024</u>

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

EXHIBIT 4

**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 5

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 11,491	\$ 46,151
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	\$ 920	\$ 517
(Increase) decrease in prepaids	(776)	1,408
(Increase) decrease in grants receivable	4,943	20,236
(Increase) decrease in pledges receivable	35,000	(35,000)
Increase (decrease) in accounts payable	(208)	(1,261)
Increase (decrease) in accrued payroll	(1,690)	424
Increase (decrease) in funds held as fiscal agent	4,548	3,840
Increase (decrease) in deferred revenue	(10,000)	10,000
Increase (decrease) in other long-term liabilities	(522)	(522)
Total adjustments	\$ 32,215	\$ (358)
Net cash provided by (used in) operating activities	\$ 43,706	\$ 45,793
Cash Flows from Investing Activities		
Acquisition of fixed assets	(1,208)	(597)
Net Increase (Decrease) in Cash	\$ 42,498	\$ 45,196
Cash - January 1	179,360	134,164
Cash - December 31	\$ 221,858	\$ 179,360

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, 2012 AND 2011

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 15 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>2012</u>	<u>2011</u>
Checking accounts	\$ 95,175	\$ 127,721
Savings account	100,018	24,987
Certificate of deposit	<u>26,665</u>	<u>26,652</u>
Total	<u>\$ 221,858</u>	<u>\$ 179,360</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 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 2012 or 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, 2012 and 2011, the amount of accrued PTO was \$5,499 and \$9,773, respectively.

2. Property and Equipment

Property and equipment at December 31, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 21,441	\$ 20,961
Less: accumulated depreciation	<u>(19,469)</u>	<u>(19,277)</u>
Total Property and Equipment	<u>\$ 1,972</u>	<u>\$ 1,684</u>

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

3. Fiscal Agent

The EPNI is the fiscal agent for the Night to Unite event. The EPNI collects contributions and pays the expenses of the event. The remaining funds are presented in a liability account on the EPNI's financial statements and will be used for next year's event. The funds held as fiscal agent at December 31, 2012 and 2011, were \$8,388 and \$3,840, respectively.

4. Deferred Revenue

Deferred revenue at December 31, 2012 and 2011, is as follows:

	2012	2011
NRP Contract #20795	\$ 8,500	\$ 8,500
NRP Contract #23124	10,000	10,000
NCR Contract #30045	-	10,000
Total	\$ 18,500	\$ 28,500

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011, were:

	2012	2011
McKnight Foundation - Stadium	\$ 50,000	\$ -

6. 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 2012 and 2011. Equipment lease periods vary from one to five years. Payments under equipment lease obligations in 2012 and 2011 were \$0 and \$1,250, respectively. The equipment lease ended in 2011.

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

7. Capital Lease

The EPNI is committed under a capital lease for equipment used in its operations. The EPNI has a lease for telephones that started in July 2010. Lease payments for the telephones were \$522 in 2012 and 2011. The telephone lease period is for five years.

Future minimum lease payments for the capital lease are:

2013	\$	522
2014		522
2015		<u>261</u>
Total	\$	<u>1,305</u>

8. 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 \$771,644. Funds remaining in the program budget at year-end were \$14,670.

9. Subsequent Event

The Organization has evaluated subsequent events through November 7, 2013, 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, 2012**

	<u>Agreement #20795</u>	<u>Agreement #23124</u>	<u>Total</u>
Revenues	\$ 40,545	\$ 84,384	\$ 124,929
Expenses			
Payroll			
Salaries	\$ 22,063	\$ 64,430	\$ 86,493
Payroll taxes	1,754	5,308	7,062
Benefits	383	4,996	5,379
Professional services	5,221	2,178	7,399
Occupancy	8,719	1,794	10,513
Office supplies	935	379	1,314
Office equipment	580	3,669	4,249
Telephone	712	-	712
Postage and delivery	205	26	231
Printing	998	-	998
Travel	63	78	141
Board and staff training	368	35	403
Bank fees	260	216	476
Subscriptions and dues	544	117	661
Total Expenses	\$ 42,805	\$ 83,226	\$ 126,031
Revenues Over (Under) Expenses	\$ (2,260)	\$ 1,158	\$ (1,102)

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, 2012**

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 manner by employees in the normal course of performing their assigned functions.

Cause: The EPNI informed us that, due to available resources, they would not be able to hire additional staff to segregate duties.

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 staff members 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

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)

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Board of Directors
Elliot Park Neighborhood, Inc.
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the Elliot Park Neighborhood, Inc., (EPNI) (a nonprofit corporation) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the EPNI, as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the EPNI's internal control over financial reporting (internal control) as a basis for designing 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 the EPNI's internal control. Accordingly, we do not express an opinion on the effectiveness of the EPNI'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 combination of deficiencies, in internal control, 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses. 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. Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or 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. The significant deficiency is reported in the Schedule of Findings and Recommendations as item 08-1.

Other Matters

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.

Purpose of This Report

This communication is intended solely for the information and use of management, the Elliot Park Neighborhood, Inc.'s Board of Directors, others within Elliot Park Neighborhood, Inc., 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 7, 2013