

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**For the Year Ended December 31, 2007**



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

This page was left blank intentionally.

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

TABLE OF CONTENTS

|   | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| <b>Introductory Section</b>   |                  |             |
| Organization Schedule   |                  | 1           |
| <b>Financial Section</b>  |                  |             |
| Independent Auditor's Report  |                  | 2           |
| Financial Statements  |                  |             |
| Statement of Financial Position                                       | Exhibit 1        | 4           |
| Statement of Activity   | Exhibit 2        | 5           |
| Statement of Functional Expenses                                      | Exhibit 3        | 6           |
| Statement of Cash Flows   | Exhibit 4        | 7           |
| Notes to the Financial Statements                                     |                  | 8           |
| Schedule of NRP Activity  | Schedule 1       | 13          |
| <b>Management and Compliance Section</b>                              |                  |             |
| Schedule of Findings and Recommendations                              | Schedule 2       | 14          |
| Report on Internal Control Over Financial Reporting<br>and Compliance |                  | 15          |

This page was left blank intentionally.



This page was left blank intentionally.



**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE  
2007**

| <u>Board Members</u>           | <u>Term Expires</u>      |
|--------------------------------|--------------------------|
| Joe Arrington*                 | April 2007               |
| Kenneth Brown                  | April 2009               |
| Mary deLaittre                 | December 2007 (Resigned) |
| Patti Gaalaas                  | April 2008               |
| Kimber Gross*                  | April 2007               |
| George Jelatis - Chair         | April 2009               |
| Betty Jones - Treasurer        | April 2008               |
| Kent Knopp-Schwyn - Vice Chair | April 2008               |
| Ryan Marth                     | April 2009               |
| Troy Quenemoen                 | November 2007 (Resigned) |
| Todd Reps                      | April 2008               |
| Tine Sanz                      | April 2008               |
| Alan Schneider - Secretary     | June 2007 (Resigned)     |
| Jim Sharpsteen*                | April 2007               |
| Marian Streitz                 | April 2008               |
| Richard Streitz                | April 2008               |
| Jason Stumph                   | April 2009               |
| <br>                           |                          |
| <u>Executive Director</u>      |                          |
| Rita Ulrich                    | Indefinite               |

\*Alternate

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  
Nokomis East Neighborhood Association

We have audited the statement of financial position of the Nokomis East Neighborhood Association (NENA) (a nonprofit corporation) as of December 31, 2007, and the related statements of activity, functional expenses, and cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the NENA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NENA as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of NRP Activity listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the NENA. Such

information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

March 16, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **FINANCIAL STATEMENTS**

This page was left blank intentionally.



**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007**

**Assets**

**Current assets**

|                   |              |
|-------------------|--------------|
| Cash              | \$ 20,395    |
| Grants receivable | 48,004       |
| Prepaid expenses  | <u>1,319</u> |

**Total current assets** **\$ 69,718**

**Property and equipment**

|  |              |
|--|--------------|
| Property and equipment net of depreciation | <u>1,594</u> |
|--|--------------|

**Total Assets** **\$ 71,312**

**Liabilities and Net Assets**

**Liabilities**

|                  |               |
|------------------|---------------|
| Accounts payable | \$ 15,215     |
| Deferred revenue | <u>38,625</u> |

**Total Liabilities** **\$ 53,840**

**Net Assets**

|              |               |
|--------------|---------------|
| Restricted   | \$ 227        |
| Unrestricted | <u>17,245</u> |

**Total Net Assets** **\$ 17,472**

**Total Liabilities and Net Assets** **\$ 71,312**

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>      |
|--|---------------------|-----------------------------------|-------------------|
| <b>Public Support and Other Revenue</b>                                      |                     |                                   |                   |
| <b>Public support</b>  |                     |                                   |                   |
| Government grants  |                     |                                   |                   |
| Minneapolis Community Planning and Economic<br>Development Department (CPED) | \$ 2,800            | \$ -                              | \$ 2,800          |
| Neighborhood Revitalization Program (NRP)                                    | 140,707             | -                                 | 140,707           |
| Minnesota Department of Natural Resources                                    | 5,378               | -                                 | 5,378             |
| Other contributions  | 1,598               | -                                 | 1,598             |
| Satisfaction of time and purpose restriction                                 | 373                 | (373)                             | -                 |
|  | <b>\$ 150,856</b>   | <b>\$ (373)</b>                   | <b>\$ 150,483</b> |
| <b>Total public support</b>  |                     |                                   |                   |
| <b>Other revenue</b>   |                     |                                   |                   |
| Miscellaneous  | 1,780               | -                                 | 1,780             |
|  | <b>\$ 152,636</b>   | <b>\$ (373)</b>                   | <b>\$ 152,263</b> |
| <b>Total Public Support and Other Revenue</b>                                |                     |                                   |                   |
| <b>Expenses</b>  |                     |                                   |                   |
| <b>Program services</b>  |                     |                                   |                   |
| CPED   | \$ 2,800            | \$ -                              | \$ 2,800          |
| NRP  | 142,371             | -                                 | 142,371           |
| Minnesota Department of Natural Resources                                    | 5,379               | -                                 | 5,379             |
| Science Museum of Minnesota  | 373                 | -                                 | 373               |
|  | <b>\$ 150,923</b>   | <b>\$ -</b>                       | <b>\$ 150,923</b> |
| <b>Total program services</b>  |                     |                                   |                   |
| <b>Support services</b>  |                     |                                   |                   |
| Management and general   | 4,622               | -                                 | 4,622             |
|  | <b>\$ 155,545</b>   | <b>\$ -</b>                       | <b>\$ 155,545</b> |
| <b>Total Expenses</b>  |                     |                                   |                   |
| <b>Increase (Decrease) in Net Assets</b>                                     | <b>\$ (2,909)</b>   | <b>\$ (373)</b>                   | <b>\$ (3,282)</b> |
| <b>Net Assets - January 1</b>  | <b>20,154</b>       | <b>600</b>                        | <b>20,754</b>     |
| <b>Net Assets - December 31</b>  | <b>\$ 17,245</b>    | <b>\$ 227</b>                     | <b>\$ 17,472</b>  |

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 3**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|                        | <u>CPED</u>     | <u>NRP</u>        | <u>Minnesota<br/>DNR</u> | <u>Science<br/>Museum<br/>of Minnesota</u> | <u>Management<br/>and General</u> | <u>Total</u>      |
|------------------------|-----------------|-------------------|--------------------------|--|-----------------------------------|-------------------|
| <b><u>Expenses</u></b> |                 |                   |                          |  |                                   |                   |
| Advance reimbursement  | \$ 800          | \$ -              | \$ -                     | \$ -                                       | \$ -                              | \$ 800            |
| Advertising            | 2,000           | 789               | -                        | -  | -                                 | 2,789             |
| Consulting             | -               | 4,489             | -                        | -  | -                                 | 4,489             |
| Contributions          | -               | -                 | -                        | -  | 164                               | 164               |
| Depreciation           | -               | -                 | -                        | -  | 705                               | 705               |
| Equipment              | -               | 631               | -                        | -  | -                                 | 631               |
| Equipment rental       | -               | 364               | -                        | -  | -                                 | 364               |
| Food and beverages     | -               | -                 | -                        | -  | 778                               | 778               |
| Grants                 | -               | -                 | -                        | -  | 361                               | 361               |
| Insurance              | -               | 2,072             | -                        | -  | -                                 | 2,072             |
| Internet               | -               | 1,259             | -                        | -  | -                                 | 1,259             |
| Membership             | -               | 50                | -                        | -  | -                                 | 50                |
| Mileage and parking    | -               | -                 | -                        | -  | 501                               | 501               |
| Miscellaneous          | -               | 42                | -                        | -  | 1,727                             | 1,769             |
| Newsletter labeling    | -               | 379               | -                        | -  | -                                 | 379               |
| Office supplies        | -               | 1,437             | -                        | -  | -                                 | 1,437             |
| Payroll                |                 |                   |                          |  |                                   |                   |
| Salaries               | -               | 67,366            | -                        | -  | -                                 | 67,366            |
| Taxes                  | -               | 30,537            | -                        | -  | -                                 | 30,537            |
| Benefits               | -               | 9,492             | -                        | -  | -                                 | 9,492             |
| Performance fees       | -               | 1,685             | -                        | -  | -                                 | 1,685             |
| Photocopies            | -               | 2,410             | -                        | -  | -                                 | 2,410             |
| Postage                | -               | 412               | -                        | -  | -                                 | 412               |
| Printing               | -               | 1,787             | -                        | -  | -                                 | 1,787             |
| Professional fees      | -               | 1,896             | -                        | -  | -                                 | 1,896             |
| Project supplies       | -               | 2,008             | 5,379                    | 373  | 152                               | 7,912             |
| Publications           | -               | 35                | -                        | -  | -                                 | 35                |
| Rent                   | -               | 9,205             | -                        | -  | -                                 | 9,205             |
| Software               | -               | 1,295             | -                        | -  | 114                               | 1,409             |
| Telephone              | -               | 1,182             | -                        | -  | -                                 | 1,182             |
| Training               | -               | 478               | -                        | -  | -                                 | 478               |
| Volunteer recognition  | -               | 873               | -                        | -  | -                                 | 873               |
| Web page               | -               | 198               | -                        | -  | 120                               | 318               |
| <b>Total Expenses</b>  | <b>\$ 2,800</b> | <b>\$ 142,371</b> | <b>\$ 5,379</b>          | <b>\$ 373</b>                              | <b>\$ 4,622</b>                   | <b>\$ 155,545</b> |

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

***EXHIBIT 4***

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|  |                                |
|--|--------------------------------|
| <b>Cash Flows From Operating Activities</b>  |                                |
| Increase (Decrease) in net assets  | \$ <u>(3,282)</u>              |
| <b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b> |                                |
| Depreciation   | \$ 705                         |
| (Increase) decrease in grants receivable   | 5,338                          |
| (Increase) decrease in prepaid items   | (1,319)                        |
| Increase (decrease) in accounts payable  | 2,799                          |
| Increase (decrease) in deferred revenue  | <u>9,200</u>                   |
| <b>Total adjustments</b>   | <b>\$ <u>16,723</u></b>        |
| <b>Net cash provided by (used in) operating activities</b>   | <b>\$ 13,441</b>               |
| <b>Cash Flows From Investing Activities</b>  |                                |
| Purchase of equipment  | <u>(1,068)</u>                 |
| <b>Net Increase (Decrease) in Cash</b>   | <b>\$ 12,373</b>               |
| <b>Cash - January 1</b>  | <u><b>8,022</b></u>            |
| <b>Cash - December 31</b>  | <u><u><b>\$ 20,395</b></u></u> |

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

---

---

1. Summary of Significant Accounting Policies

A. Organization

The Nokomis East Neighborhood Association (NENA) was formed to encourage neighborhood communication and citizen participation; to review programs offered by the City of Minneapolis as these programs affect the Nokomis East neighborhood; to arrange and conduct neighborhood meetings, to study and review all proposals of a commercial or residential nature and make recommendations to the appropriate governmental and private entities; to promote neighborhood improvement and revitalization and to act as a contact between the City of Minneapolis, in general, and the NENA residents; and to see that the character of the neighborhood is maintained. The area of the Nokomis East neighborhood is composed of the Keewaydin, Minnehaha, Morris Park, and Wenonah neighborhoods, and is bounded by Minnehaha Parkway on the north; Minnehaha Avenue on the east, including Valley View Road and Hiawatha Lane; Cedar Avenue on the west; and the southern boundary of the City of Minneapolis.

B. Board of Directors and Officers

The NENA Board of Directors consists of 15 members, of which two are selected from each of the four neighborhoods and three chosen at large. The Directors are elected at the annual meeting in March for two-year terms. To ensure some continuity in membership, the terms of neighborhood representatives are staggered with terms of at-large and alternate members. Vacancies on the Board of Directors are filled by appointment by the NENA Board of Directors until the following annual meeting. The four officers (chair, vice chair, secretary, and treasurer) are elected by Board members at the first Board meeting following the annual meeting.

C. Basis of Presentation

The provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, have been applied to the amounts presented in these financial statements. Under these provisions, net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the NENA and changes therein are classified and reported as follows:

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

---

1. Summary of Significant Accounting Policies

C. Basis of Presentation (Continued)

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

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

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

D. Basis of Accounting

The NENA reports on the accrual method 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. Fund raising expenses are considered to be minimal, and those costs are included in management and general.

F. Income Taxes

The NENA 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

Cash consists of deposits in one checking account. At no time during the year did such deposits exceed FDIC insurance coverage.

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

---

1. Summary of Significant Accounting Policies (Continued)

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 years to five years, depending on the type of asset.

I. Grants and Contracts

The NENA receives funds from the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board. These funds are used to administer programs, provide grants to residents for the "Home Improvement Loan Program," provide for informational and organizational mailings, and for general office support. The NRP is the primary funding source for the NENA. Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced and received 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 NENA will record such disallowance at the time the final assessment is made.

J. Contributions

The following types of contributions are recorded as revenue at their fair value when they are received unconditionally: cash, promises to give, certain contributed services, and gifts of long-lived assets. Conditional contributions are recognized as restricted revenue when received.

K. Donated Services

The NENA had no donated services during the year ended December 31, 2007.

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies (Continued)

L. Accrued Vacation and Compensatory Time

Employees of the NENA earn 15 working days of vacation and six personal days each year. Compensatory time can be accrued up to a maximum of 40 hours. Since the NENA cannot charge its primary granting authorities for vacation and compensatory time until they are used, no provision has been made in the accompanying financial statements for recording the accrued liability and related expenses at year-end. At December 31, 2007, the amount of accrued vacation, personal days, and compensatory time was \$18,716.

2. Equipment

Equipment at December 31, 2007, was:

|                                |                 |
|--------------------------------|-----------------|
| Equipment                      | \$ 4,318        |
| Less: accumulated depreciation | <u>(2,724)</u>  |
| Total Equipment                | <u>\$ 1,594</u> |

3. Deferred Revenue

Deferred revenue at December 31, 2007, was:

|         |                  |
|---------|------------------|
| NRP     |                  |
| C-13804 | \$ 10,000        |
| C-13839 | 7,500            |
| C-14052 | 1,125            |
| C-15062 | 10,000           |
| C-23984 | <u>10,000</u>    |
| Total   | <u>\$ 38,625</u> |

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2007, consist of funds from the Science Museum of Minnesota. The NENA received \$600 in 2006 and spent \$373 in 2007, leaving a balance of \$227.



**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

---

5. Operating Leases

The NENA leases office space on a year-to-year basis. Rental expense related to this lease was \$10,080 for 2007. Future minimum rental payment is \$10,500 for 2008.

6. Home Improvement Program

The NENA has initiated the “Nokomis East Neighborhood Home Improvement Loan Program.” Funding for this program was provided by the NRP. The program consists of loans up to a maximum of \$10,000 for homeowners to complete interior or exterior projects on their homes. The contract was executed in 2003 with the Center for Energy and Environment, Inc. (CEE). In 2007, 23 NENA NRP loans were closed for a total of \$138,846 of financed improvements. Additionally, eight loans were originated by CEE in 2007 totaling \$84,015. As of December 31, 2007, total loan and grant funds available are \$318,575.

7. Commercial Facade Improvement Program

The NENA has matching grants available to business and commercial property owners in the four Nokomis East neighborhoods to improve and restore the visual appeal and condition of the exterior facade of commercially zoned buildings. Matching grants of up to \$8,000 per single business-tenant property, or \$20,000 for multi-tenant buildings, are available with a total of \$159,000 available for the program. This contract was executed in 2003 and at December 31, 2007, there was \$98,192 remaining in this program.

This page was left blank intentionally.

**SCHEDULE OF NRP ACTIVITY**

This page was left blank intentionally.

**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**Schedule 1**

**SCHEDULE OF NRP ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|                                       | <b>Contract<br/>#13804</b> | <b>Contract<br/>#23984</b> | <b>Total</b>      |
|---------------------------------------|----------------------------|----------------------------|-------------------|
| <b>Revenues</b>                       | <b>\$ 14,235</b>           | <b>\$ 126,472</b>          | <b>\$ 140,707</b> |
| <b>Expenses</b>                       |                            |                            |                   |
| Advertising                           | \$ -                       | \$ 789                     | \$ 789            |
| Consulting                            | -                          | 4,489                      | 4,489             |
| Equipment                             | -                          | 631                        | 631               |
| Equipment rental                      | -                          | 364                        | 364               |
| Insurance                             | -                          | 2,072                      | 2,072             |
| Internet                              | -                          | 1,259                      | 1,259             |
| Membership                            | -                          | 50                         | 50                |
| Miscellaneous                         | 13                         | 29                         | 42                |
| Newsletter labeling                   | -                          | 379                        | 379               |
| Office supplies                       | 329                        | 1,108                      | 1,437             |
| Payroll                               |                            |                            |                   |
| Salaries                              | 8,043                      | 59,323                     | 67,366            |
| Taxes                                 | 5,516                      | 25,021                     | 30,537            |
| Benefits                              | -                          | 9,492                      | 9,492             |
| Performance fees                      | -                          | 1,685                      | 1,685             |
| Photocopies                           | -                          | 2,410                      | 2,410             |
| Postage                               | -                          | 412                        | 412               |
| Printing                              | -                          | 1,787                      | 1,787             |
| Professional fees                     | 159                        | 1,737                      | 1,896             |
| Project supplies                      | -                          | 2,008                      | 2,008             |
| Publications                          | -                          | 35                         | 35                |
| Rent                                  | -                          | 9,205                      | 9,205             |
| Software                              | -                          | 1,295                      | 1,295             |
| Telephone                             | 273                        | 909                        | 1,182             |
| Training                              | -                          | 478                        | 478               |
| Volunteer recognition                 | -                          | 873                        | 873               |
| Web page                              | -                          | 198                        | 198               |
| <b>Total Expenses</b>                 | <b>\$ 14,333</b>           | <b>\$ 128,038</b>          | <b>\$ 142,371</b> |
| <b>Revenues Over (Under) Expenses</b> | <b>\$ (98)</b>             | <b>\$ (1,566)</b>          | <b>\$ (1,664)</b> |

This page was left blank intentionally.



This page was left blank intentionally.



**NOKOMIS EAST NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**Schedule 2**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**INTERNAL CONTROLS**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

96-1 **Segregation of Duties**

Due to the limited number of office personnel within the Nokomis East Neighborhood Association (NENA), segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the NENA; however, 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 accounting point of view.

**Client's Response:**

*NENA is aware that, as a small organization with only two staffers, adequate segregation of duties is difficult to achieve. Beginning in 2008, we improved our segregation of duties by assigning several financial management tasks previously handled by one person to three different people. Starting in 2009, we will have an outside accounting firm take over bank statement reconciliation, and financial reporting. This will further strengthen our segregation of duties and financial oversight.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Payroll Policies (07-1)**

In the previous year, we found that NENA's policies over payroll activities were outdated and did not reflect current conditions.

**Resolution**

On April 24, 2008, the NENA Board of Directors approved an updated Accounting Procedures manual, which included updated payroll policies.

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)

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE**

Board of Directors  
Nokomis East Neighborhood Association

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Nokomis East Neighborhood Association (NENA) (a nonprofit corporation) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the NENA'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 NENA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NENA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the NENA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the NENA's financial statements that is more than inconsequential will not be prevented or detected by the NENA's internal control over financial reporting. We consider the deficiency listed in the Schedule of Findings and Recommendations as item 96-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the NENA's internal control over financial reporting. We believe that the deficiency identified as item 96-1 in the Schedule of Findings and Recommendations constitutes a material weakness.

### Compliance

As part of obtaining reasonable assurance about whether the NENA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

The NENA's written response to the material weakness comment identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the NENA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the NENA'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

March 16, 2009