STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 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.

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

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

For the Year Ended December 31, 2009

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

This page was left blank intentionally.

Introductory Section

This page was left blank intentionally.

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

ORGANIZATION SCHEDULE
2009

Board Members	Term Expires
Jane Brandt	April 2010
Kenneth Brown	April 2009
Solveig Corbin	May 2011
Patti Gaalaas	April 2010
Michael Garry	April 2010
George Jelatis - Chair	May 2011
Betty Jones - Treasurer	May 2011
Kent Knopp-Schwyn	April 2010
Ron Leurquin - Secretary	April 2010
Ryan Marth	April 2009
Matt Pettis - Vice Chair	April 2010
Marian Streitz	April 2010
Richard Streitz	April 2010
Jason Stumph	April 2009
Amy Tatarek	May 2011
Kelli Wirth	November 2009

Executive Director	
Rita Ulrich	Indefinite

This page was left blank intentionally.

Financial Section

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, 2009, 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, 2009, 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 *s/Greg Hierlinger*

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 19, 2010

This page was left blank intentionally.

FINANCIAL STATEMENTS

This page was left blank intentionally.

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 1

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

Assets		
Current assets		
Cash	$	17,930
Grants receivable		49,095
Prepaid items		1,532
Total current assets	**$**	**68,557**
Property and equipment		
Property and equipment net of depreciation		593
Total Assets	**$**	**69,150**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	17,387
Deferred revenue		28,625
Total Liabilities	**$**	**46,012**
Net Assets		
Temporarily restricted	$	227
Unrestricted		22,911
Total Net Assets	**$**	**23,138**
Total Liabilities and Net Assets	**$**	**69,150**

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue			
Public support			
Government grants			
Minneapolis Community Planning and Economic Development Department (CPED)	$ 2,000	$ -	$ 2,000
Neighborhood Revitalization Program (NRP)	156,602	-	156,602
University of Minnesota			
Center for Urban and Regional Affairs Grant (CURA)	2,000	-	2,000
Other contributions	5,826	-	5,826
Total public support	**$ 166,428**	**$ -**	**$ 166,428**
Other revenue			
Miscellaneous	1,703	-	1,703
Total Public Support and Other Revenue	**$ 168,131**	**$ -**	**$ 168,131**
Expenses			
Program services			
CPED	$ 1,925	$ -	$ 1,925
NRP	154,360	-	154,360
University of Minnesota CURA	2,000	-	2,000
Total program services	**$ 158,285**	**$ -**	**$ 158,285**
Support services			
Management and general	6,801	-	6,801
Total Expenses	**$ 165,086**	**$ -**	**$ 165,086**
Increase (Decrease) in Net Assets	**$ 3,045**	**$ -**	**$ 3,045**
Net Assets - January 1	**19,866**	**227**	**20,093**
Net Assets - December 31	**$ 22,911**	**$ 227**	**$ 23,138**

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 3

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

	CPED	NRP	University of Minnesota CURA	Management and General	Total
Expenses					
Advertising	$ 1,925	$ 1,478	$ -	$ -	$ 3,403
Bank fees	-	-	-	9	9
Consulting	-	4,000	-	-	4,000
Depreciation	-	-	-	821	821
Equipment	-	742	-	-	742
Equipment rental	-	146	-	-	146
Food and beverages	-	-	-	5,183	5,183
Insurance	-	2,270	-	-	2,270
Internet	-	1,259	-	-	1,259
Membership	-	75	-	-	75
Mileage and parking	-	219	-	-	219
Miscellaneous	-	1,030	358	-	1,388
Office supplies	-	1,267	-	-	1,267
Payroll					
Salaries	-	71,187	-	-	71,187
Taxes	-	30,126	-	56	30,182
Benefits	-	12,693	-	-	12,693
Performance fees	-	2,110	1,300	100	3,510
Photocopies	-	3,340	-	-	3,340
Postage	-	436	-	-	436
Professional fees	-	7,237	-	-	7,237
Project supplies	-	1,335	228	158	1,721
Rent	-	11,074	-	-	11,074
Software	-	288	-	228	516
Telephone	-	1,019	-	-	1,019
Training	-	885	-	-	885
Web page	-	144	114	246	504
Total Expenses	**$ 1,925**	**$ 154,360**	**$ 2,000**	**$ 6,801**	**$ 165,086**

NOKOMIS EAST NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

EXHIBIT 4

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flows From Operating Activities		
Increase (Decrease) in net assets	**$**	**3,045**
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	$	821
(Increase) decrease in grants receivable		(19,235)
(Increase) decrease in prepaid items		338
Increase (decrease) in accounts payable		2,395
Total adjustments	**$**	**(15,681)**
Net Increase (Decrease) in Cash	**$**	**(12,636)**
Cash - January 1		**30,566**
Cash - December 31	**$**	**17,930**

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's Board of Directors consists of 15 members, of which two are selected from each of the four neighborhoods, and three are 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.

1. Summary of Significant Accounting Policies (Continued)

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 NENA and changes therein are classified and reported as follows:

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

Temporarily Restricted - Those resources subject to donor-imposed restrictions that 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 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 NENA is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes.

1. Summary of Significant Accounting Policies (Continued)

G. Cash

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

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 Facilities and Items

The NENA received donated prizes for the Monarch Festival in the amount of $46. Donated food for the annual meeting and for the Night Before New Year's Eve totaled $3,250 and $745, respectively.

1. Summary of Significant Accounting Policies (Continued)

   L. Accrued Vacation and Compensatory Time

   Employees of the NENA earn 15 working days of vacation and 6 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, 2009, the amount of accrued vacation, personal days, and compensatory time was $19,903.

2. Equipment

Equipment at December 31, 2009, was:

Equipment	$	4,917
Less: accumulated depreciation		(4,324)
Total Equipment	$	593

3. Deferred Revenue

Deferred revenue at December 31, 2009, was:

NRP		
C-13839	$	7,500
C-14052		1,125
C-15062		10,000
C-23984		10,000
Total	$	28,625

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009, 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.

5. Operating Leases

The NENA leases office space on a month-to-month basis. A 60-day notice is required by either party if intentions are to end the lease. The NENA also has a month-to-month lease on a copier. For 2009, rental expense related to the office lease was $11,074, and the copier lease was $2,410.

Minimum future lease payments are as follows:

	2010
Office lease	$ 11,047
Copier lease	602
Total	$ 11,649

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. As of December 31, 2009, total loan and grant funds available are $451,296.

7. Commercial Façade 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, 2009, there was $75,946 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, 2009

	Contract #13804	Contract #23984	Total
Revenues	**$ -**	**$ 156,602**	**$ 156,602**
Expenses			
Advertising	$ -	$ 1,478	$ 1,478
Consulting	-	4,000	4,000
Equipment	-	742	742
Equipment rental	-	146	146
Insurance	316	1,954	2,270
Internet	-	1,259	1,259
Membership	-	75	75
Mileage and parking	-	219	219
Miscellaneous	-	1,030	1,030
Office supplies	-	1,267	1,267
Payroll			
Salaries	-	71,187	71,187
Taxes	-	30,126	30,126
Benefits	-	12,693	12,693
Performance fees	-	2,110	2,110
Photocopies	-	3,340	3,340
Postage	-	436	436
Professional fees	-	7,237	7,237
Project supplies	-	1,335	1,335
Rent	919	10,155	11,074
Software	-	288	288
Telephone	-	1,019	1,019
Training	-	885	885
Web page	60	84	144
Total Expenses	**$ 1,295**	**$ 153,065**	**$ 154,360**
Revenues Over (Under) Expenses	**$ (1,295)**	**$ 3,537**	**$ 2,242**

This page was left blank intentionally.

Management and
Compliance Section

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, 2009

I. INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 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 Nokomis East Neighborhood Association (NENA) and its staffing limit the internal control that management can design and implement in the organization. Management should be aware that segregation of duties is not adequate from an internal control point of view.

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 NENA. This decision was based on the availability of the NENA'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 NENA'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:

NENA has strengthened its internal controls and segregation of duties, in part by hiring an accounting firm which reconciles bank statements and prepares our 990, and in part by using Quickbooks to record all transactions.

II. COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Double Billing to Organizations (08-1)

Three vendor invoices, totaling $883, were billed twice to the Minneapolis Neighborhood Revitalization Program (NRP) Policy Board under contracts #23984 and #13804.

Resolution

An adjustment was made on contract #23984, reimbursement request number 23, to repay the double billed items to the NRP.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors
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, 2009, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 NENA's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 96-1 to be a material weakness.

The NENA'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 NENA's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Nokomis East Neighborhood Association'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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

October 19, 2010