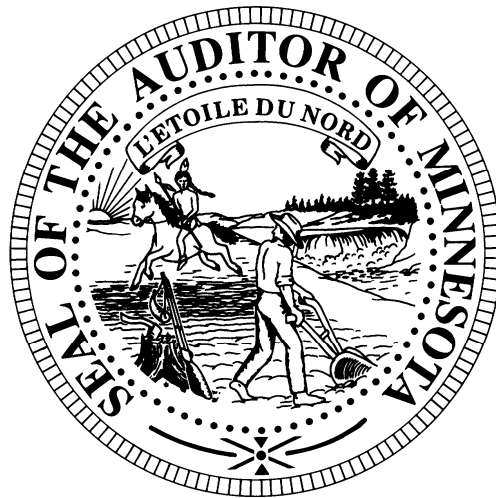


STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

YEARS ENDED DECEMBER 31, 2007 AND 2006

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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

Years Ended December 31, 2007 and 2006



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

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

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

**ORGANIZATION SCHEDULE
2007**

<u>Board Members</u>	<u>Term Expires</u>
Arthur Agnew	May 2009
Adam Ali	December 2007
Elizabeth Beissel	May 2009
Dustin Bennett	October 2007
Gerry Berglin	January 2007
Tom Borrup	April 2007
Kim Forbes	May 2009
Timothy Gee	October 2007
Dean Jacobson	May 2008
Garrett Johnson	May 2007
Julie Kearns	May 2007
Kristina Kliber	May 2008
Jeffrey Matos	September 2007
Jeff Millikan	May 2008
Christopher Naumann	May 2009
Daniel Quirk	May 2008
Millie Schafer	May 2009
Jim Souris	May 2009
Doug Spiotta	September 2007
Patti Wettlin	May 2008
Abdul Yusuf	May 2008
<u>Executive Director</u>	
Susan Braun	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Elliot Park Neighborhood, Inc.

We have audited the statement of financial position of the Elliot Park Neighborhood, Inc., (EPNI) (a nonprofit corporation) as of December 31, 2007 and 2006, and the related statements of activity, functional expenses, and cash flows for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the EPNI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EPNI as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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 EPNI. 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 7, 2008

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FINANCIAL STATEMENTS

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

EXHIBIT 1

**COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

	2007	2006
<u>Assets</u>		
Current assets		
Cash and investments	\$ 66,789	\$ 93,693
Prepaid insurance	428	765
Grants receivable	94,705	44,897
Pledges receivable	37,387	-
Total Assets	\$ 199,309	\$ 139,355
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 2,914	\$ 331
Accrued payroll	7,186	8,473
Deferred revenue	18,500	18,500
Total Liabilities	\$ 28,600	\$ 27,304
 Net Assets		
Unrestricted	\$ 106,877	\$ 65,626
Temporarily restricted	63,832	46,425
Total Net Assets	\$ 170,709	\$ 112,051
 Total Liabilities and Net Assets	 \$ 199,309	 \$ 139,355

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

EXHIBIT 2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
Public Support and Other Revenue				
Public support				
Government grants				
Minneapolis Community Planning and Economic Development (CPED)	\$ 14,024	\$ -	\$ 14,024	\$ 16,800
Neighborhood Revitalization Program (NRP)	182,374	-	182,374	188,758
McKnight Foundation with matching grants	25,188	63,832	89,020	-
Contributions	8,428	-	8,428	1,600
Satisfaction of time and purpose restrictions	46,425	(46,425)	-	-
Total public support	\$ 276,439	\$ 17,407	\$ 293,846	\$ 207,158
Other revenue				
Miscellaneous income	637	-	637	8,649
Total Public Support and Other Revenue	\$ 277,076	\$ 17,407	\$ 294,483	\$ 215,807
Expenses				
Program services				
CPED	\$ 14,105	\$ -	\$ 14,105	\$ 16,762
NRP	179,722	-	179,722	187,975
McKnight Foundation	25,188	-	25,188	-
After School Program	2,952	-	2,952	5,079
Annual Meeting	3,918	-	3,918	217
All People's Gathering	2,227	-	2,227	-
Summer Concert Series	1,925	-	1,925	300
Spring Clean Up Event	1,481	-	1,481	-
Archeology Project	499	-	499	988
Annual Giving Campaign	330	-	330	-
Total program services	\$ 232,347	\$ -	\$ 232,347	\$ 211,321
Support services				
Management and general	3,478	-	3,478	6,800
Total Expenses	\$ 235,825	\$ -	\$ 235,825	\$ 218,121
Increase (Decrease) in Net Assets	\$ 41,251	\$ 17,407	\$ 58,658	\$ (2,314)
Net Assets - January 1	65,626	46,425	112,051	114,365
Net Assets - December 31	\$ 106,877	\$ 63,832	\$ 170,709	\$ 112,051

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

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>CPED</u>	<u>NRP</u>	<u>McKnight Foundation</u>
<u>Expenses</u>			
Salaries	\$ 10,186	\$ 105,463	\$ 14,934
Payroll taxes	915	9,837	1,177
Benefits	1,062	21,816	2,661
Insurance	25	2,903	144
Professional services	-	19,842	3,642
Occupancy	1,295	10,385	1,187
Office supplies	-	1,224	24
Office equipment	310	3,986	629
Telephone	312	1,214	338
Postage and delivery	-	789	-
Printing	-	539	-
Travel	-	185	-
Board and staff training	-	476	-
Program expense	-	-	-
Centennial Commons Initiative	-	-	452
Advertising fees	-	411	-
Special events	-	-	-
Bank fees	-	363	-
Subscriptions and dues	-	289	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 14,105</u>	<u>\$ 179,722</u>	<u>\$ 25,188</u>

EXHIBIT 3

<u>After School Program</u>	<u>Annual Meeting</u>	<u>Other Events</u>	<u>Management and General</u>	<u>Totals</u>	
				<u>2007</u>	<u>2006</u>
\$ -	\$ 2,737	\$ 4,892	\$ 541	\$ 138,753	\$ 129,410
-	180	403	51	12,563	9,887
-	-	-	921	26,460	1,840
-	-	-	-	3,072	22,253
2,952	140	120	-	26,696	21,384
-	242	511	740	14,360	14,262
-	9	-	28	1,285	2,768
-	439	128	710	6,202	3,173
-	171	9	131	2,175	2,607
-	-	69	-	858	1,414
-	-	-	-	539	189
-	-	-	8	193	221
-	-	70	138	684	989
-	-	-	-	-	3,496
-	-	-	-	452	-
-	-	-	172	583	932
-	-	-	-	-	2,400
-	-	-	-	363	459
-	-	260	38	587	437
<u>\$ 2,952</u>	<u>\$ 3,918</u>	<u>\$ 6,462</u>	<u>\$ 3,478</u>	<u>\$ 235,825</u>	<u>\$ 218,121</u>

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

EXHIBIT 4

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 58,658	\$ (2,314)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
(Increase) decrease in prepaids	\$ 337	\$ (185)
(Increase) decrease in grants receivable	(49,808)	28,871
(Increase) decrease in pledges receivable	(37,387)	-
Increase (decrease) in accounts payable	2,583	(3,398)
Increase (decrease) in accrued payroll	(1,287)	5,803
Increase (decrease) in deferred revenue	-	5,000
Total adjustments	\$ (85,562)	\$ 36,091
Net cash provided by (used in) operating activities	\$ (26,904)	\$ 33,777
Cash - January 1	93,693	59,916
Cash - December 31	\$ 66,789	\$ 93,693

Noncash investing and financing activities

During 2006, Elliot Park Neighborhood, Inc., carried a Wells Fargo line of credit valued at \$5,000.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. Summary of Significant Accounting Policies

A. Organization

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

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

B. Board of Directors and Officers

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

C. Basis of Presentation

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 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.

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

1. Summary of Significant Accounting Policies

C. Basis of Presentation (Continued)

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.

D. Basis of Accounting

The EPNI is reported 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. 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>2007</u>	<u>2006</u>
Checking accounts	\$ 41,283	\$ 93,693
Certificate of deposit	25,506	-
Total	<u>\$ 66,789</u>	<u>\$ 93,693</u>

ELLIOT PARK NEIGHBORHOOD, INC.
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 to five years, depending on the type of asset.

I. Grants and Contracts

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

J. Donated Services

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

K. Accrued Vacation

Employees of the EPNI earn between 10 and 16 days of vacation each year, depending on length of service. Since the EPNI cannot charge its primary granting authorities for accrued vacation until it is used, no provision has been made in the accompanying financial statements for recording the accrued vacation liability and related expense at year-end. At December 31, 2007 and 2006, the amount of accrued vacation was \$4,235 and \$5,119, respectively.

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

2. Property and Equipment

Property and equipment at December 31, 2007 and 2006, is as follows:

	<u>2007</u>	<u>(Restated) 2006</u>
Equipment	\$ 17,681	\$ 17,681
Less: accumulated depreciation	<u>(17,681)</u>	<u>(17,681)</u>
Total Property and Equipment	<u>\$ -</u>	<u>\$ -</u>

3. Deferred Revenue

Deferred revenue at December 31, 2007 and 2006, is as follows:

	<u>2007</u>	<u>2006</u>
NRP Contract #20795	\$ 8,500	\$ 8,500
NRP Contract #23124	<u>10,000</u>	<u>10,000</u>
Total	<u>\$ 18,500</u>	<u>\$ 18,500</u>

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2007 and 2006, were:

	<u>2007</u>	<u>2006</u>
All People's Gathering	\$ -	\$ 1,108
Annual Meeting	-	590
Whitney Foundation	-	43,855
Archeology Project	-	12
Summer Concert Series	-	860
McKnight Foundation and matching grant	<u>63,832</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 63,832</u>	<u>\$ 46,425</u>

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

5. Operating Leases

The EPNI is committed under various leases for office space and for equipment used in its operations. The EPNI has a month-to-month lease for office space. Lease payments for office space were \$10,740 in 2007 and \$10,740 in 2006. Equipment lease periods vary from one to three years. Payments under equipment lease obligations in 2007 and 2006 were \$3,000 and \$3,243, respectively.

Future minimum lease payments for operating leases are:

2008	\$ 3,000
2009	3,000
2010	3,000
2011	<u>1,250</u>
Total	<u>\$ 10,250</u>

6. 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 \$749,174. At the end of the fiscal year, the program originated grants and loans totaling \$740,675. Funds remaining in the program budget at year-end were \$8,499.

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SCHEDULE OF NRP ACTIVITY

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

Schedule 1

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

	<u>Agreement #20795</u>	<u>Agreement #23124</u>	<u>Total</u>
Revenues	\$ 101,001	\$ 81,373	\$ 182,374
Expenses			
Salaries	\$ 61,238	\$ 44,225	\$ 105,463
Payroll taxes	5,648	4,189	9,837
Benefits	9,586	12,230	21,816
Insurance	2,583	320	2,903
Professional services	5,546	14,296	19,842
Occupancy	7,731	2,654	10,385
Office supplies	772	452	1,224
Office equipment	3,974	12	3,986
Telephone	855	359	1,214
Postage and delivery	789	-	789
Printing	439	100	539
Travel	185	-	185
Board and staff training	260	216	476
Advertising fees	411	-	411
Bank fees	363	-	363
Subscriptions and dues	289	-	289
Total Expenses	\$ 100,669	\$ 79,053	\$ 179,722
Revenues Over (Under) Expenses	\$ 332	\$ 2,320	\$ 2,652

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

Schedule 2

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

I. COMPLIANCE

None.

II. INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Segregation of Duties (96-1)

Previous reports have noted that the Elliot Park Neighborhood, Inc., (EPNI) did not have an adequate segregation of duties. We recommended that management maintain an awareness 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.

Resolution

The EPNI Board of Directors is very active in ongoing financial operations of the neighborhood. We reviewed the EPNI's accounting procedures and found that Board members were involved with approvals of transactions, review of financial reports, and review of bank reconciliations. Based on the active participation by Board members in the ongoing accounting activities, we are resolving this finding. In addition to current activities being performed by the Board, we encourage the Board to perform an annual assessment of its internal controls to determine if they continue to meet the needs of the neighborhood.

III. MANAGEMENT PRACTICES

None.

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REBECCA OTTO
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

Board of Directors
Elliot Park Neighborhood, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Elliot Park Neighborhood, Inc., (EPNI) (a nonprofit corporation) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the EPNI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EPNI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EPNI's internal control over financial reporting.

A 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 EPNI'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 EPNI's financial statements that is more than inconsequential will not be prevented or detected by the EPNI's 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 EPNI's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the EPNI'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.

This report is intended solely for the information and use of the EPNI's Board of Directors, its management, and the Neighborhood Revitalization Program Policy Board and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 7, 2008