

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**LYNDALE NEIGHBORHOOD ASSOCIATION**  
**MINNEAPOLIS, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

## **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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**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**For the Year Ended December 31, 2010**



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

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**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE  
2010**

<u>Board Members</u>	<u>Term Expires</u>
Dick Giese	June 2012
Steven Godfry	June 2011
Lisa Lewis	June 2012
Trish Lundberg	June 2011
Steve Peters, Secretary	June 2011
Bryce Pier, Treasurer	June 2011
Holly Reckel	June 2011
Richelle Reetz, Vice-President	June 2011
Phil Rooney	June 2012
Tricia Silpala, President	June 2012
Elizabeth Sibet	June 2012
<u>Executive Director</u>	
Mark Hinds	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  
Lyndale Neighborhood Association

We have audited the statement of financial position of the Lyndale Neighborhood Association (LNA) (a nonprofit corporation) as of December 31, 2010, 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 LNA'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 LNA as of December 31, 2010, 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the LNA'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 LNA's financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 10, 2011

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **FINANCIAL STATEMENTS**

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**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010**

**Assets**

**Current assets**

Cash	\$	104,062
Grants and contracts receivable		67,075
Accounts receivable		1,430
Loans receivable		32,171
Pledges receivable		400
Prepaid items		1,190
		1,190

**Total current assets** **\$ 206,328**

**Restricted assets**

Restricted cash		24,786
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**Property and equipment**

Property and equipment net of depreciation		169,152
		169,152

**Total Assets** **\$ 400,266**

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$	12,438
Accrued payroll		8,020
Deferred revenue		52,171
		52,171

**Total current liabilities** **\$ 72,629**

**Long-term liabilities**

Loans payable		88,461
		88,461

**Total Liabilities** **\$ 161,090**

**Net Assets**

Unrestricted	\$	86,341
Temporarily restricted		152,835
		152,835

**Total Net Assets** **\$ 239,176**

**Total Liabilities and Net Assets** **\$ 400,266**

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Public Support and Other Revenue</b>			
<b>Public support</b>			
Government grants and contracts	\$ 205,160	\$ 6,900	\$ 212,060
Private grants and contributions	150,120	15,500	165,620
In-kind donations	500	-	500
Satisfaction of time and purpose restrictions	10,839	(10,839)	-
	<b>\$ 366,619</b>	<b>\$ 11,561</b>	<b>\$ 378,180</b>
<b>Other revenue</b>			
Ad sales	\$ 8,503	\$ -	\$ 8,503
Rental income	7,109	-	7,109
Interest income	40	-	40
	<b>\$ 15,652</b>	<b>\$ -</b>	<b>\$ 15,652</b>
	<b>\$ 382,271</b>	<b>\$ 34,683</b>	<b>\$ 393,832</b>
<b>Expenses</b>			
Salaries and benefits	\$ 205,737	\$ -	\$ 205,737
Contracted services	10,175	-	10,175
Office	17,113	-	17,113
Program	78,715	-	78,715
Property	37,139	-	37,139
Depreciation	6,466	-	6,466
	<b>\$ 355,345</b>	<b>\$ -</b>	<b>\$ 355,345</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 26,926</b>	<b>\$ 34,683</b>	<b>\$ 38,487</b>
<b>Net Assets - January 1, as restated (Note 1.M.)</b>	<b>59,415</b>	<b>141,274</b>	<b>200,689</b>
<b>Net Assets - December 31</b>	<b>\$ 86,341</b>	<b>\$ 175,957</b>	<b>\$ 239,176</b>

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

*EXHIBIT 3*

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b><u>Expenses</u></b>				
Salaries and benefits				
Salaries	\$ 139,002	\$ 16,790	\$ 18,577	\$ 174,369
Payroll taxes	13,553	1,824	1,972	17,349
Benefits	11,908	-	1,890	13,798
Processing fees	-	221	-	221
<b>Total salaries and benefits</b>	<b>\$ 164,463</b>	<b>\$ 18,835</b>	<b>\$ 22,439</b>	<b>\$ 205,737</b>
Contracted services	2,700	1,475	6,000	10,175
Office	15,887	1,024	202	17,113
Program	78,715	-	-	78,715
Property	37,139	-	-	37,139
Depreciation	-	6,466	-	6,466
<b>Total Expenses</b>	<b>\$ 298,904</b>	<b>\$ 27,800</b>	<b>\$ 28,641</b>	<b>\$ 355,345</b>

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 4**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Cash Flows from Operating Activities</b>	
Increase (Decrease) in net assets	<b>\$ 38,487</b>
<b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b>	
Depreciation	\$ 6,466
(Increase) decrease in grants and contracts receivable	(35,513)
(Increase) decrease in accounts receivable	(929)
(Increase) decrease in loans receivable	22,695
(Increase) decrease in pledges receivable	(400)
(Increase) decrease in prepaid items	(55)
Increase (decrease) in accounts payable	(4,262)
Increase (decrease) in accrued payroll	3,059
Increase (decrease) in escrow accounts	(1,159)
<b>Total adjustments</b>	<b>\$ (10,098)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 28,389</b>
<b>Cash Flows from Investing Activities</b>	
Acquisition of fixed assets	(7,952)
<b>Cash Flows from Financing Activities</b>	
Payments on loans	(7,842)
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 12,595</b>
<b>Cash - January 1</b>	<b>116,253</b>
<b>Cash - December 31</b>	<b>\$ 128,848</b>

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

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1. Summary of Significant Accounting Policies

A. Organization

The Lyndale Neighborhood Association (LNA) is a diverse, community-driven organization that brings people together to work on common issues and opportunities to ensure all community members have the opportunity to live, work, and play in a safe, vibrant, and sustainable community. Over the past 17 years, the LNA community members have worked to fight crime, transform the neighborhood's housing stock, initiate economic development, provide youth enrichment programs, promote the arts, create a more sustainable environment, and, most importantly, build community.

B. Board of Directors and Officers

The LNA's Board of Directors consists of 11 members. Directors are elected at the annual meeting in June and serve two-year terms. The four officers (President, Vice President, Secretary, and Treasurer) are elected by the Board members at the first regular meeting of the Board of Directors following the Board elections at the annual meeting. The officers and up to two additional directors constitute 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 LNA and changes therein are classified and reported as follows:

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

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

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

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

The LNA 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.

F. Income Taxes

The LNA is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes.

G. Cash

Cash includes deposits in federally insured checking and savings accounts. At no time during the year did such deposits exceed FDIC coverage. The LNA is required to maintain reserve funds in cash for the Minneapolis Neighborhood Revitalization Program (NRP) and other programs.

Cash and investments consist of:

Checking accounts	\$	89,188
Savings account		14,808
Petty cash		66
Restricted cash - savings account		24,786
		<hr/>
Total	\$	<u>128,848</u>

H. Loans Receivable

Loans receivable consist of three housing loans recorded at the amount of unpaid principal. Two of these loans, totaling \$24,810, are forgivable and non-interest bearing. The remaining loan is nonforgivable and interest bearing with an unpaid balance of \$7,361.

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies

H. Loans Receivable (Continued)

Liens have been filed on the associated property related to the loans. The LNA believes all loans are collectible; therefore, no allowance has been provided. If a receivable is deemed uncollectible and the collateral is not adequate in relation to the receivable, the receivable would be written off at that time.

The loans receivable are offset by the deferred revenue liability account.

I. Property and Equipment

All purchased property and 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 for furniture and equipment and 30 years for buildings.

J. Grants and Contracts

The LNA's funding includes cost-reimbursement grants from the City of Minneapolis, the Minneapolis Community Planning and Economic Development Department (CPED), and the 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 LNA will record such disallowance at the time the final assessment is made.

K. Donated Services and Facilities

The LNA had no donated services or facilities during 2010.

L. Accrued Personal Time-Off

Employees of the LNA earn up to 192 hours of Personal Time-Off (PTO) each year. Since the LNA cannot charge its primary granting authorities for accrued PTO until it is used, no provision has been made in the accompanying financial statements for recording the accrued PTO liability and related expense at year-end. At December 31, 2010, the amount of the accrued PTO was \$6,795.

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

M. Restatement

The January 1, 2010, net assets balance of the LNA decreased by \$31,289. Payroll liabilities of \$882 were recorded in a prior period; however, they did not represent a liability of the LNA at that time. Deferred revenue of \$32,171 should have been recognized for the loans receivable acquired when the LNA and the related development corporation merged. These entries did not have an effect on the current year revenues and expenses as the entries were recorded prior to 2010.

Net Assets - January 1	\$	231,978
Payroll adjustment		882
Deferred revenue adjustment		(32,171)
Net Assets - January 1, as restated	\$	200,689

2. Property and Equipment

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

Land	\$	42,112
Building		185,762
Less: accumulated depreciation		(58,722)
Total Property and Equipment	\$	169,152

Depreciation expense of \$6,466 was recorded in 2010.

3. Deferred Revenue

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

Advance on NRP Contract #26272	\$	10,000
Advance on NRP Contract #26274		10,000
Loans receivable		32,171
Total	\$	52,171



**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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4. Loans Payable

Loans payable consist of the following bank loans:

A five-year note with Associated Bank with principal and interest payments due monthly. Payments started December 24, 2009, and continue to November 24, 2014. The annual interest is 6.5 percent, and the loan is secured by real estate.	\$ 24,319
A 20-year note with Associated Bank with principal and interest payments due monthly. Payments started January 19, 2008, and continue to December 19, 2027. The interest rate is variable with fixed monthly payments, and the loan is secured by real estate.	64,142
Total Loans Payable	<u>\$ 88,461</u>

5. Temporarily Restricted Net Assets

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

Property related*	
Garden lots	\$ 32,112
Down payment for purchase of office	17,774
NRP 3537 Nicollet	48,354
NRP restricted loan interest	1,538
NRP housing redevelopment	30,657
Grant related	
Women's Club Grant	2,000
Metropolitan Regional Arts Council Grant	6,900
Target - Music and Dance Grant	1,500
McKnight Foundation	5,000
Carolyn Foundation	1,000
Nexus Community Partners	6,000
Total	<u>\$ 152,835</u>

\*The temporarily restricted net assets related to property acquisition represent NRP funds used to purchase these properties. If the properties are no longer used by the LNA and are disposed of, the funds need to be repaid to the NRP.

**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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6. Subsequent Events

The LNA has evaluated events through November 10, 2011, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

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**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

*EXHIBIT A-1*

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

	<b>Agreement #26272</b>	<b>Agreement #26274</b>	<b>Total</b>
<b>Revenues</b>	<b>\$ 88,738</b>	<b>\$ 88,993</b>	<b>\$ 177,731</b>
<b>Expenses</b>			
Salaries and benefits			
Salaries	\$ 64,243	\$ 64,311	\$ 128,554
Payroll taxes	5,977	6,461	12,438
Benefits	5,883	6,303	12,186
Processing fees	44	-	44
Office			
Dues and subscriptions	250	260	510
Meeting expenses	16	-	16
Office supplies	32	-	32
Postage and mailing	9	117	126
Printing and copying	14	708	722
Repair and maintenance	242	-	242
Staff development	149	874	1,023
Travel, parking, and mileage	14	18	32
Web hosting	67	-	67
Program			
Contractors	800	-	800
Materials and supplies	842	-	842
Equipment rental	60	-	60
Lyndale Neighborhood News (LNN) expenses	4,576	2,807	7,383
Printing	-	440	440
Regranting	800	-	800
Travel	500	-	500
Property			
Contract services	795	-	795
Equipment and supplies	62	-	62
Snow removal	277	-	277
Repair and maintenance	-	409	409
Property taxes	-	2,380	2,380
Interest	1,109	-	1,109
Mortgage payments	1,977	3,905	5,882
	<b>\$ 88,738</b>	<b>\$ 88,993</b>	<b>\$ 177,731</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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**LYNDALE NEIGHBORHOOD ASSOCIATION  
MINNEAPOLIS, MINNESOTA**

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**ITEMS REPORTED THIS YEAR**

10-1 **Internal Control/Financial Statement Preparation**

Management is responsible for establishing and maintaining internal control. This responsibility includes internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the Lyndale Neighborhood Association (LNA) 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 (OSA) prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of the LNA. This decision was based on the availability of the LNA's staff and the cost benefit of using the OSA's expertise.

We recommend the Board of Directors be mindful that limited staffing causes inherent risks in safeguarding the LNA'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:**

*The LNA recognizes this issue exists due to the size of the organization; to the best of its ability the LNA has established processes and systems to mitigate this issue.*

## 10-2 Audit Adjustments

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 of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit, we identified the following material audit adjustments that were reviewed and approved by the appropriate LNA staff and reflected in the financial statements:

- Deferred revenue was increased \$32,171, salaries payable was decreased \$882, and beginning net assets were decreased \$31,289 to adjust deferred revenue for the related loans receivable amount and to reduce salaries payable for an amount that was included in the prior year that was not actually a payable.
- Grant revenues were increased \$22,400 and net assets were decreased \$22,400 to reverse an entry that had taken the grants out of revenue and recorded them directly into net assets.
- Cash was decreased \$26,410 and grants receivable was increased \$26,410 to adjust an entry that had recorded a cash receipt in 2010 though the cash was not received until 2011.

We recommend the LNA establish internal controls necessary for determining that all necessary adjusting entries are made to ensure the LNA's financial statements are reported in accordance with generally accepted accounting principles (GAAP).

### Client's Response:

*The LNA understands the auditor's comments on the LNA's internal controls as they relate to generally accepted accounting principles. However, in regards to the note on grant management the LNA respectfully disagrees with the accounting principle that all revenue needs to be booked in the year it is received.*

*The nature of LNA's funding streams are such that the organization often receives funding that has a different time frame than the organization's fiscal year. To meet the purpose of the funding source, the LNA is required to either book portions of the revenue across fiscal years or to create the appearance that the organization's finances run on a roller coaster with large amounts of revenues and expenses happening across fiscal years. The LNA has chosen the first option, since we think it provides a more accurate reflection of the organization's finances and is less likely to confuse people examining the organization's finances. The LNA recognizes the revenue when it is awarded and/or received and then re-classifies the revenue to an appropriate restricted net asset account (e.g., time or use restricted).*

### 10-3 Payroll Allocation

The LNA charges time to its funding sources using an informal allocation process. This allocation is based on the total hours recorded on the employees' timesheets on a quarterly basis. No documentation is maintained on the review of the timesheets or on the allocation of the employees' time. Without this documentation, there is no support for the payroll expenses charged to the various funding sources. Approval of the employees' time should be documented on the timesheet, and documentation of the quarterly allocation process should be maintained to support expenses charged to the different funding sources.

We recommend the LNA formally document its payroll allocation process and have this process adopted into the financial policies by the Board of Directors. We also recommend the approval of payroll expenses be documented on the timesheets and the documentation from the quarterly allocation of time be maintained to support the time charged to the various funding sources.

#### Client's Response:

*The LNA recognizes the issue raised through the audit and will be adopting an addition to the organization's financial policies to more clearly define the organization's allocation process.*

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors  
Lyndale Neighborhood Association

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Lyndale Neighborhood Association (LNA) (a nonprofit corporation) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the LNA'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 LNA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LNA'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 discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 LNA's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency listed in the Schedule of Findings and Recommendations as item 10-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the LNA's internal control over financial reporting, identified as items 10-1 and 10-3 in the Schedule of Findings and Recommendations, to be significant deficiencies.

The LNA's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the LNA's responses and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Lyndale 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*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 10, 2011