

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

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

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

For the Year Ended December 31, 2011



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

This page was left blank intentionally.

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization Schedule		1
Financial Section		
Independent Auditor's Report		2
Financial Statements		
Statement of Financial Position	1	4
Statement of Activity	2	5
Statement of Functional Expenses	3	6
Statement of Cash Flows	4	7
Notes to the Financial Statements		8
Supplementary Information		
Schedule of NRP/NCR Activity	A-1	13
Management and Compliance Section		
Schedule of Findings and Recommendations		14
Report on Internal Control Over Financial Reporting		17

This page was left blank intentionally.

This page was left blank intentionally.

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE
2011**

<u>Board Members</u>	<u>Term Expires</u>
Becky Alper	June 2013
Kassie Church, Secretary	June 2013
Dick Giese	June 2012
Meredith Gill, Vice President	June 2013
Steven Godfry	June 2013
Lisa Lewis	June 2012
Trish Lundberg	June 2011
Steve Peters	June 2011
Bryce Pier, Treasurer	June 2013
Holly Reckel	June 2011
Richelle Reetz, President	June 2013
Phil Rooney	June 2012
Megan Seeds	June 2013
Tricia Silpala	June 2012
Elizabeth Sibet	June 2012
Dan Swenson-Klatt	June 2013
<u>Executive Director</u>	
Mark Hinds	Indefinite

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lyndale Neighborhood Association

We have audited the statement of financial position of the Lyndale Neighborhood Association (LNA) (a nonprofit corporation) as of December 31, 2011, 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, 2011, 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/NCR 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 8, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

FINANCIAL STATEMENTS

This page was left blank intentionally.

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

Assets

Current assets

Cash	\$ 139,521
Undeposited contributions	22,268
Grants and contracts receivable	51,043
Accounts receivable	275
Loans receivable	30,694
Prepaid items	1,264
	<hr/>

Total current assets **\$ 245,065**

Restricted assets

Restricted cash	35,433
-----------------	--------

Property and equipment

Property and equipment net of depreciation	268,736
	<hr/>

Total Assets **\$ 549,234**

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 20,647
Accrued payroll	7,272
Deferred revenue	50,694
Security deposit	800
	<hr/>

Total current liabilities **\$ 79,413**

Long-term liabilities

Loans payable	80,281
	<hr/>

Total Liabilities **\$ 159,694**

Net Assets

Unrestricted	\$ 258,866
Temporarily restricted	130,674
	<hr/>

Total Net Assets **\$ 389,540**

Total Liabilities and Net Assets **\$ 549,234**

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue			
Public support			
Government grants and contracts	\$ 312,582	\$ 6,500	\$ 319,082
Private grants and contributions	180,781	-	180,781
Satisfaction of time and purpose restrictions	28,900	(28,900)	-
	\$ 522,263	\$ (22,400)	\$ 499,863
Total public support			
Other revenue			
Service fees	\$ 2,000	\$ -	\$ 2,000
Ad sales	13,659	-	13,659
Rental income	12,440	-	12,440
Interest income	186	239	425
Miscellaneous	4,661	-	4,661
	\$ 32,946	\$ 239	\$ 33,185
Total other revenue	\$ 32,946	\$ 239	\$ 33,185
Total Public Support and Other Revenue	\$ 555,209	\$ (22,161)	\$ 533,048
Expenses			
Salaries and benefits	\$ 231,522	\$ -	\$ 231,522
Contracted services	2,715	-	2,715
Office	15,370	-	15,370
Program	80,894	-	80,894
Property	19,484	-	19,484
Housing	25,000	-	25,000
Depreciation	7,699	-	7,699
	\$ 382,684	\$ -	\$ 382,684
Total Expenses	\$ 382,684	\$ -	\$ 382,684
Increase (Decrease) in Net Assets	\$ 172,525	\$ (22,161)	\$ 150,364
Net Assets - January 1	86,341	152,835	239,176
Net Assets - December 31	\$ 258,866	\$ 130,674	\$ 389,540

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 3

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Expenses</u>				
Salaries and benefits				
Salaries	\$ 148,445	\$ 16,380	\$ 34,045	\$ 198,870
Payroll taxes	11,980	1,366	2,792	16,138
Benefits	12,460	-	3,780	16,240
Processing fees	-	274	-	274
Total salaries and benefits	\$ 172,885	\$ 18,020	\$ 40,617	\$ 231,522
Contracted services	2,550	165	-	2,715
Office	13,643	975	752	15,370
Program	80,894	-	-	80,894
Property	19,484	-	-	19,484
Housing	25,000	-	-	25,000
Depreciation	-	7,699	-	7,699
Total Expenses	\$ 314,456	\$ 26,859	\$ 41,369	\$ 382,684

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT 4

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash Flows from Operating Activities	
Increase (Decrease) in net assets	\$ 150,364
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities	
Depreciation	\$ 7,699
(Increase) decrease in grants and contracts receivable	16,032
(Increase) decrease in accounts receivable	1,155
(Increase) decrease in loans receivable	1,477
(Increase) decrease in pledges receivable	400
(Increase) decrease in prepaid items	(74)
Increase (decrease) in accounts payable	8,209
Increase (decrease) in accrued payroll	(748)
Increase (decrease) in deferred revenue	(1,477)
Increase (decrease) in security deposits	800
Total adjustments	\$ 33,473
Net cash provided by (used in) operating activities	\$ 183,837
Cash Flows from Investing Activities	
Acquisition of fixed assets	(107,283)
Cash Flows from Financing Activities	
Payments on loans	(8,180)
Net Increase (Decrease) in Cash	\$ 68,374
Cash - January 1	128,848
Cash - December 31	\$ 197,222

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

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 18 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**

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	\$ 74,039
Savings account	65,344
Petty cash	138
Undeposited contributions	22,268
Restricted cash - savings account	<u>35,433</u>
Total	<u>\$ 197,222</u>

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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 noninterest-bearing. The remaining loan is nonforgivable and interest bearing with an unpaid balance of \$5,884.

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), the Minneapolis Neighborhood and Community Relations Department (NCR) 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 2011.

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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, 2011, the amount of the accrued PTO was \$7,068.

2. Property and Equipment

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

Land	\$ 42,112
Building	293,045
Less: accumulated depreciation	<u>(66,421)</u>
Total Property and Equipment	<u>\$ 268,736</u>

Depreciation expense of \$7,699 was recorded in 2011.

3. Deferred Revenue

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

Advance on NRP Contract #26272	\$ 10,000
Advance on NRP Contract #26274	10,000
Loans receivable	<u>30,694</u>
Total	<u>\$ 50,694</u>

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

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.	\$ 18,710
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.	<u>61,571</u>
Total Loans Payable	<u>\$ 80,281</u>

5. Temporarily Restricted Net Assets

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

Property related*	
Garden lots	\$ 32,112
Down payment for purchase of office	17,774
NRP 3537 Nicollet	48,354
NRP restricted loan interest	1,777
NRP housing redevelopment	<u>30,657</u>
Total	<u>\$ 130,674</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.

6. Subsequent Events

The LNA has evaluated events through November 8, 2012, the date which the financial statements were available to be issued.

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

SCHEDULE OF NRP/NCR ACTIVITY

This page was left blank intentionally.

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF NRP/NCR ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2011**

	NRP Agreement #26272	NRP Agreement #26274	NRP Agreement #28393	NCR Agreement #31039	Total
Revenues	\$ 65,590	\$ 61,899	\$ 50,000	\$ 58,576	\$ 236,065
Expenses					
Salaries and benefits					
Salaries	\$ 55,192	\$ 48,233	\$ -	\$ 29,515	\$ 132,940
Payroll taxes	4,490	3,998	-	2,408	10,896
Benefits	4,253	3,984	-	2,205	10,442
Processing fees	2	-	-	60	62
Office					
Computer hardware and software	-	155	-	600	755
Copier lease and maintenance	-	-	-	466	466
Dues and subscriptions	-	260	-	-	260
Fundraising fees	-	42	-	-	42
Insurance - volunteer/fidelity	-	-	-	278	278
Internet/phone/cable	404	-	-	809	1,213
Licenses/fees	-	-	-	120	120
Maintenance - cleaning	100	-	-	696	796
Office supplies	6	-	-	852	858
Postage and mailing	-	-	-	89	89
Staff development	-	-	-	167	167
Travel, parking, and mileage	18	-	-	10	28
Web hosting	-	-	-	471	471
Program					
Child care	-	-	-	90	90
Contractors	-	-	-	1,562	1,562
Materials and supplies	108	-	-	2,251	2,359
Equipment rental	-	-	-	210	210
Food	-	-	-	2,361	2,361
Lyndale Neighborhood News (LNN) expenses	-	-	-	65	65
LNN layout	-	1,050	-	1,575	2,625
LNN printing/mailling list	-	2,117	-	3,265	5,382
Postage and mailing	21	-	-	1,812	1,833
Printing	-	-	-	1,391	1,391
Professional development	-	-	-	280	280
Regranting	-	-	-	1,115	1,115
Property					
Contract services	-	-	-	294	294
Equipment and supplies	-	33	-	172	205
Snow removal	-	-	-	160	160
Insurance - property	-	-	-	6	6
Electricity	317	-	-	209	526
Gas/oil heating fuel	92	70	-	70	232
Water and sewer	-	125	-	244	369
Interest	118	943	-	1,419	2,480
Mortgage payments	469	889	-	1,279	2,637
Purchase of capital assets	-	-	50,000	-	50,000
Total Expenses	\$ 65,590	\$ 61,899	\$ 50,000	\$ 58,576	\$ 236,065
Revenues Over (Under) Expenses	\$ -	\$ -	\$ -	\$ -	\$ -

This page was left blank intentionally.

This page was left blank intentionally.

**LYNDALE NEIGHBORHOOD ASSOCIATION
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

10-1 **Segregation of Duties**

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Lyndale Neighborhood Association's (LNA) assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel performing the business functions of the LNA, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Context: This is not unusual in operations the size of the LNA; however, the LNA management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the LNA's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The size of the LNA and its staffing limits the internal control that management can design and implement into the organization.

Recommendation: We recommend that the LNA's Board of Directors and management be mindful that limited staffing increases the risks in safeguarding the LNA's assets and the proper recording of its financial activity and, where possible, continue to implement oversight procedures to ensure that internal control policies and procedures are being followed.

Client's Response:

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.

10-3 Payroll Allocation

Criteria: 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.

Condition: The LNA charges time to its funding sources using an informal allocation process.

Context: The 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.

Effect: Without this documentation, there is no support for the payroll expenses charged to the various funding sources.

Cause: LNA staff did not have time to document the payroll allocation process.

Recommendation: 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. In addition, LNA will implement processes for documenting approval of payroll expenses on timesheets and for maintaining documentation of the quarterly payroll allocations and will adopt revisions to the organization's financial policies defining each of these new processes.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (10-2)

During our 2010 audit, we identified three material audit adjustments. The proposed audit adjustments were reviewed and approved by the appropriate LNA staff and were reflected in the financial statements.

Resolution

There were no material and significant audit adjustments required in our audit of the LNA's financial statements.

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

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, 2011, 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.

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.

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 deficiencies, 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. However, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies described in the accompanying Schedule of Findings and Recommendations as items 10-1 and 10-3. A significant deficiency is a deficiency, or a 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.

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 report is intended solely for the information and use of the Lyndale Neighborhood Association's Board of Directors, management, and the Minneapolis Neighborhood and Community Relations Department, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 8, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR