

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**CORCORAN NEIGHBORHOOD ORGANIZATION**  
**MINNEAPOLIS, MINNESOTA**

FOR THE YEAR ENDED MAY 31, 2005

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's 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 State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**For the Year Ended May 31, 2005**



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

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**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

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**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**ORGANIZATION SCHEDULE  
2005**

<u>Board Members</u>	<u>Term Expires</u>
Debra Blair	Indefinite (Resigned June 2005)
Becca Gilgen	Indefinite (Resigned August 2004)
Elieth Hoffman	May 2005 (Resigned February 2005)
Anne Holzinger	Indefinite (Resigned March 2005)
Kath Lenk	Indefinite
Gwen McMahon	Indefinite
Luis Paucar	May 2006
John Paul	Indefinite (Resigned January 2005)
Ella Ritzman	May 2006
Kirk Roggensack	May 2006
Gerry Tyrrell	Indefinite
Jessica Ward-Denison	May 2006
Jeff Washburn	May 2005
<u>Executive Director</u>	
Amy Arcand	Indefinite

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Corcoran Neighborhood Organization

We have audited the statement of financial position of the Corcoran Neighborhood Organization (CNO) (a nonprofit corporation) as of May 31, 2005, 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 CNO'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 CNO as of May 31, 2005, 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 CNO. 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: November 30, 2005

## **FINANCIAL STATEMENTS**

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF FINANCIAL POSITION  
MAY 31, 2005**

<u>Assets</u>	
<b>Current assets</b>	
Cash	\$ 41,363
Petty cash	400
Accounts receivable	276
Grants receivable	21,536
Pledges receivable	1,250
Prepaid expenses	1,542
	<hr/>
<b>Total current assets</b>	<b>\$ 66,367</b>
<b>Fixed assets</b>	
Property and equipment - net of depreciation	153,325
	<hr/>
<b>Total Assets</b>	<b><u>\$ 219,692</u></b>
 <u>Liabilities and Net Assets</u>	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 2,212
Accrued payroll	3,281
Deferred revenue	11,087
	<hr/>
<b>Total Liabilities</b>	<b>\$ 16,580</b>
<b>Net Assets</b>	
Restricted	\$ 113,841
Unrestricted	89,271
	<hr/>
<b>Total Net Assets</b>	<b>\$ 203,112</b>
	<hr/>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 219,692</u></b>



**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED MAY 31, 2005**

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Other Revenue</b>			
<b>Public support</b>			
Government grants			
Community Planning and Economic Development (CPED)	\$ 2,875	\$ -	\$ 2,875
Neighborhood Revitalization Program (NRP)	82,000	-	82,000
Foundations	50,000	25,000	75,000
Contributions	11,960	5,650	17,610
Midtown Market	-	52,626	52,626
Satisfaction of time and purpose restriction	111,598	(111,598)	-
<b>Total public support</b>	<b>\$ 258,433</b>	<b>\$ (28,322)</b>	<b>\$ 230,111</b>
<b>Other revenue</b>			
Newspaper ad sales	\$ 6,834	\$ -	\$ 6,834
Office rent	10,300	-	10,300
Miscellaneous	4,787	-	4,787
<b>Total other revenue</b>	<b>\$ 21,921</b>	<b>\$ -</b>	<b>\$ 21,921</b>
<b>Total Public Support and Other Revenue</b>	<b>\$ 280,354</b>	<b>\$ (28,322)</b>	<b>\$ 252,032</b>
<b>Expenses</b>			
<b>Program services</b>			
CPED	\$ 7,713	\$ -	\$ 7,713
NRP	83,471	-	83,471
Foundations	48,200	-	48,200
Midtown Market	57,493	-	57,493
Other programs	25,561	-	25,561
<b>Total program services</b>	<b>\$ 222,438</b>	<b>\$ -</b>	<b>\$ 222,438</b>
<b>Support services</b>			
Management and general	35,184	-	35,184
<b>Total Expenses</b>	<b>\$ 257,622</b>	<b>\$ -</b>	<b>\$ 257,622</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 22,732</b>	<b>\$ (28,322)</b>	<b>\$ (5,590)</b>
<b>Net Assets - June 1</b>	<b>66,539</b>	<b>142,163</b>	<b>208,702</b>
<b>Net Assets - May 31</b>	<b>\$ 89,271</b>	<b>\$ 113,841</b>	<b>\$ 203,112</b>

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2005**

	<b>Community Planning and Economic Development</b>	<b>Neighborhood Revitalization Program</b>
Park programs	\$ -	\$ -
Midtown Market	-	-
Midtown Latino organizing project	-	-
Welcome wagon	-	51
Homebuyers' assistance/substantial rehabilitation	-	-
Home safety items	-	2,600
Accounting	-	6,659
Advertising and public relations	-	321
Bank charges	-	104
Contracting fees	-	5,625
Dues and subscriptions	-	-
Equipment	-	726
Insurance	-	1,282
Depreciation	-	-
Miscellaneous	-	8
Payroll		
Salaries	3,614	50,965
Benefits	-	4,452
Taxes	285	4,289
Postage	-	397
Supplies	-	726
Newspaper	3,741	-
Pioneer cemetery	-	-
Teen job fair	-	-
Travel	73	792
Telephone	-	1,976
Training and conferences	-	-
Utilities	-	2,498
	<b>7,713</b>	<b>83,471</b>
<b>Total Expenses</b>	<b>\$ 7,713</b>	<b>\$ 83,471</b>

**EXHIBIT 3**

<b>Foundations</b>	<b>Midtown Market</b>	<b>Other Programs</b>	<b>Management and General</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 7,005	\$ 7,005
-	17,032	552	350	17,934
25,033	-	-	-	25,033
-	-	-	-	51
-	-	-	4,474	4,474
-	-	253	-	2,853
-	-	2,451	29	9,139
5,000	920	5,301	1,400	12,942
-	-	493	-	597
-	-	750	-	6,375
-	-	105	-	105
-	-	2,387	-	3,113
-	19	939	-	2,240
-	-	-	7,114	7,114
-	-	767	3,516	4,291
16,025	30,826	6,309	4,478	112,217
856	4,655	460	582	11,005
1,095	2,328	480	346	8,823
-	-	1	-	398
-	791	862	85	2,464
-	-	-	2,761	6,502
-	-	943	-	943
-	-	-	2,571	2,571
191	922	468	78	2,524
-	-	742	-	2,718
-	-	25	-	25
-	-	1,273	395	4,166
<b>\$ 48,200</b>	<b>\$ 57,493</b>	<b>\$ 25,561</b>	<b>\$ 35,184</b>	<b>\$ 257,622</b>

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

**EXHIBIT 4**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2005**

<b>Cash Flows From Operating Activities</b>	
<b>Increase (Decrease) in net assets</b>	<b>\$ (5,590)</b>
<b>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</b>	
Depreciation	\$ 7,114
Donation of equipment	(2,800)
(Increase) decrease in petty cash	250
(Increase) decrease in accounts receivable	198
(Increase) decrease in grants receivable	27,469
(Increase) decrease in pledges receivable	(1,250)
(Increase) decrease in prepaid items	(593)
Increase (decrease) in accounts payable	692
Increase (decrease) in accrued payroll	679
Increase (decrease) in deferred revenue	(19,933)
<b>Total adjustments</b>	<b>\$ 11,826</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,236</b>
<b>Cash Flows From Investing Activities</b>	
Purchase of equipment	(855)
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 5,381</b>
<b>Cash - June 1</b>	<b>36,382</b>
<b>Cash - May 31</b>	<b>\$ 41,763</b>

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2005

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1. Summary of Significant Accounting Policies

A. Organization

The Corcoran Neighborhood Organization (CNO) was organized to address the issues that affect the Corcoran Neighborhood. The CNO strives to strengthen, improve, and protect the unique character, livability, and social fabric of the Neighborhood. It empowers and encourages residents, businesses, and property owners to unite in addressing their common concerns.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

The CNO reports on the accrual method of accounting where revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Expense Allocation

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management in relation to grant budgets. Fund raising expenses are considered to be minimal, and those costs are included in management and general.

E. Income Taxes

The CNO 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.

F. Cash

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

G. Property and Equipment

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 40 years for the building, 3 years for computer equipment, and 5 years for other equipment.

H. Grants and Contracts

The CNO'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 CNO will record such disallowance at the time the final assessment is made.

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

I. 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 unrestricted revenue when the conditions on which they depend have been substantially met.

J. Donated Services and Materials

Amounts are included in the financial statements for donated materials. The materials were provided in relation to a computer, copier, wood stage, tent, table, and cones, and totaled \$3,150. The services were provided in relation to website and newsletter design, and totaled \$1,400 for the year ended May 31, 2005.

K. Accrued Leave

All salaried employees of the CNO earn up to ten days of paid vacation per year. Part-time employees earn a prorated share. In addition, employees earn up to eight personal days off per year based on the date of employment. Since the CNO cannot charge its primary granting authorities for accrued leave until it is used, no provision has been made in the accompanying financial statements for recording the accrued liability and related expenses at year-end. At May 31, 2005, the amount of accrued leave was \$2,702.

2. Fixed Assets

Fixed assets at May 31, 2005, were as follows:

Building	\$ 165,593
Less: accumulated depreciation	<u>(16,560)</u>
Total building	<u>\$ 149,033</u>
Equipment	\$ 19,246
Less: accumulated depreciation	<u>(14,954)</u>
Total equipment	<u>\$ 4,292</u>
Total Fixed Assets	<u><u>\$ 153,325</u></u>

**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

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3. Deferred Revenue

Deferred revenue at May 31, 2005, was as follows:

NRP Contract No. 20007	\$ 8,000
CPED Citizens Participation Grant - Year 30	2,923
CPED Contract - Community Initiatives	<u>164</u>
Total	<u>\$ 11,087</u>

4. Restricted Net Assets

Restricted net assets at May 31, 2005, are as follows:

Midtown Market	\$ 8,173
Minneapolis Foundation - Hanuman Fund	1,854
Minneapolis Public Schools - Mural Project	854
McKnight Foundation - Midtown Latino Organizing Project	3,604
Building - The CNO purchased a building in 2001 with a loan from the CPED. The loan amount is to be reduced, on a pro-rata basis, over ten years. At the end of ten years, the CPED's loan will be forgiven if the CNO has complied with terms of the agreement.	<u>99,356</u>
Total	<u>\$ 113,841</u>

5. Line of Credit

The CNO maintains a \$5,000 line of credit with Wells Fargo Bank. At May 31, 2005, no outstanding amounts were owing to the credit line.



**SCHEDULE OF NRP ACTIVITY**

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**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

*Schedule I*

**SCHEDULE OF NRP ACTIVITY  
FOR THE YEAR ENDED MAY 31, 2005**

	<u>Contract No. 11846 Administration</u>	<u>Contract No. 12737 Housing Staff</u>	<u>Contract No. 10660 Safety and Livability</u>	<u>Contract No. 12735 Youth and Family</u>	<u>Contract No. 20007 Phase I and II</u>	<u>Total</u>
<b>Revenues</b>	<b>\$ 14,598</b>	<b>\$ 8,458</b>	<b>\$ 12,555</b>	<b>\$ 9,323</b>	<b>\$ 37,066</b>	<b>\$ 82,000</b>
<b>Expenses</b>						
Welcome wagon	-	-	51	-	-	51
Home safety items	-	-	2,600	-	-	2,600
Accounting	1,348	-	1,114	579	3,618	6,659
Advertising and public relations	-	-	11	-	310	321
Bank charges	104	-	-	-	-	104
Contracting fees	-	5,625	-	-	-	5,625
Equipment	278	-	-	405	43	726
Insurance	1,282	-	-	-	-	1,282
Miscellaneous	-	-	-	-	8	8
Payroll						
Salaries	13,075	2,648	5,084	5,662	24,496	50,965
Benefits	1,254	-	585	835	1,778	4,452
Taxes	1,149	172	481	527	1,960	4,289
Postage	84	-	112	3	198	397
Supplies	16	-	201	-	509	726
Travel	232	11	71	62	416	792
Telephone	250	-	187	125	1,414	1,976
Utilities	415	-	-	439	1,644	2,498
<b>Total Expenses</b>	<b>\$ 19,487</b>	<b>\$ 8,456</b>	<b>\$ 10,497</b>	<b>\$ 8,637</b>	<b>\$ 36,394</b>	<b>\$ 83,471</b>
<b>Revenues Over (Under) Expenses</b>	<b>\$ (4,889)</b>	<b>\$ 2</b>	<b>\$ 2,058</b>	<b>\$ 686</b>	<b>\$ 672</b>	<b>\$ (1,471)</b>

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**CORCORAN NEIGHBORHOOD ORGANIZATION  
MINNEAPOLIS, MINNESOTA**

*Schedule 2*

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED MAY 31, 2005

**I. COMPLIANCE**

None.

**II. INTERNAL CONTROL**

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-2 Segregation of Duties

Due to the limited number of office personnel within the Corcoran Neighborhood Organization (CNO), segregation of the accounting functions necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of the CNO; however, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Client's Response:

*CNO continually works to ensure sound financial practices and is aware of the limitations in our internal control. We work hard to segregate accounting functions as much as possible and have a record of good audits.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Approval of Invoices (01-2)**

Our previous reports have recommended that the CNO adhere to its policy, calling for invoices less than \$500 to be approved by the Executive Director, and invoices \$500 and greater to be approved by a Board member. Approvals should be indicated by initialing and dating the invoices.

**Resolution**

No exceptions were noted in our current review.

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of Directors  
Corcoran Neighborhood Organization

We have audited the financial statements of the Corcoran Neighborhood Organization (CNO) (a nonprofit corporation) as of and for the year ended May 31, 2005, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Internal Control Over Financial Reporting

The management of the CNO is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered the CNO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve

matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the CNO's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Recommendations as item 97-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 97-2 to be a material weakness.

### Compliance

As part of obtaining reasonable assurance about whether the CNO'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 CNO'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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: November 30, 2005