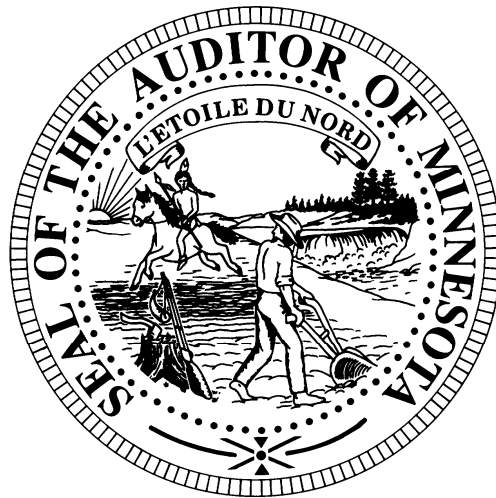


STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 and 2007



**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
2008**

<u>Board Members</u>	<u>Term Expires</u>
Arthur Agnew	May 2011
Elizabeth Beissel	May 2011
Kim Forbes	May 2011
Paul Ireland	May 2011
Dean Jacobson	May 2010
Penny Johnson	Resigned
Kristina Kliber	Resigned
Jeff Millikan	May 2010
Nancy Nasi	May 2010
Chris Naumann	May 2011
Kap Phanthavong	Resigned
Daniel Quirk	Resigned
Millie Schafer	May 2011
Jim Souris	Deceased
Patti Wettlin	May 2010
<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, 2008 and 2007, 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, 2008 and 2007, and the related statements of activity, functional expenses, and 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

November 3, 2009

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FINANCIAL STATEMENTS

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

EXHIBIT 1

**COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

	2008	2007
<u>Assets</u>		
Current assets		
Cash and investments	\$ 127,484	\$ 66,789
Prepaid insurance	4,438	428
Grants receivable	64,109	94,705
Pledges receivable	1,816	37,387
Total current assets	\$ 197,847	\$ 199,309
Property and equipment		
Property and equipment net of depreciation	7,951	-
Total Assets	\$ 205,798	\$ 199,309
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 481	\$ 2,914
Accrued payroll	5,240	7,186
Deferred revenue	18,500	18,500
Total Liabilities	\$ 24,221	\$ 28,600
Net Assets		
Unrestricted	\$ 116,072	\$ 106,877
Temporarily restricted	65,505	63,832
Total Net Assets	\$ 181,577	\$ 170,709
Total Liabilities and Net Assets	\$ 205,798	\$ 199,309

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

Page 3

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

EXHIBIT 2

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Totals	
			2008	2007
Public Support and Other Revenue				
Public support				
Government grants				
Minneapolis Community Planning and Economic Development (CPED)	\$ 12,356	\$ -	\$ 12,356	\$ 14,024
Neighborhood Revitalization Program (NRP)	176,386	-	176,386	182,374
McKnight Foundation with matching grants	-	45,245	45,245	89,020
Carolyn Foundation	5,000	-	5,000	-
Contributions	9,296	-	9,296	8,428
Satisfaction of time and purpose restrictions	43,572	(43,572)	-	-
Total public support	\$ 246,610	\$ 1,673	\$ 248,283	\$ 293,846
Other revenue				
Miscellaneous income	-	-	-	637
Total Public Support and Other Revenue	\$ 246,610	\$ 1,673	\$ 248,283	\$ 294,483
Expenses				
Program services				
CPED	\$ 12,336	\$ -	\$ 12,336	\$ 14,105
NRP	170,847	-	170,847	179,722
McKnight Foundation	44,841	-	44,841	25,188
Carolyn Foundation	5,000	-	5,000	-
After School Program	-	-	-	2,952
Annual Meeting	333	-	333	3,918
All People's Gathering	-	-	-	2,227
Summer Concert Series	-	-	-	1,925
Spring Clean Up Event	-	-	-	1,481
Archeology Project	-	-	-	499
Annual Giving Campaign	-	-	-	330
Total program services	\$ 233,357	\$ -	\$ 233,357	\$ 232,347
Support services				
Management and general	4,058	-	4,058	3,478
Total Expenses	\$ 237,415	\$ -	\$ 237,415	\$ 235,825
Increase (Decrease) in Net Assets	\$ 9,195	\$ 1,673	\$ 10,868	\$ 58,658
Net Assets - January 1	106,877	63,832	170,709	112,051
Net Assets - December 31	\$ 116,072	\$ 65,505	\$ 181,577	\$ 170,709

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, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Expenses</u>	<u>CPED</u>	<u>NRP</u>	<u>McKnight Foundation</u>
Payroll			
Salaries	\$ 8,357	\$ 102,091	\$ 32,923
Payroll taxes	829	9,940	2,875
Benefits	1,000	21,080	3,426
Insurance	50	1,701	113
Professional services	-	7,261	1,440
Occupancy	1,500	13,032	1,617
Office supplies	-	1,452	100
Office equipment	172	8,155	743
Telephone	428	1,262	417
Postage and delivery	-	715	29
Printing	-	1,274	150
Travel	-	219	22
Board and staff training	-	981	-
Meeting expenses	-	-	-
Centennial Commons Initiative	-	989	663
Advertising fees	-	44	323
Depreciation expense	-	-	-
Bank fees	-	457	-
Subscriptions and dues	-	194	-
Total Expenses	\$ 12,336	\$ 170,847	\$ 44,841

EXHIBIT 3

Carolyn Foundation	Annual Meeting	Management and General	Totals	
			2008	2007
\$ 2,934	\$ -	\$ -	\$ 146,305	\$ 138,753
221	-	-	13,865	12,563
-	-	-	25,506	26,460
-	-	-	1,864	3,072
-	-	-	8,701	26,696
-	-	18	16,167	14,360
-	-	-	1,552	1,285
-	-	-	9,070	6,202
-	-	-	2,107	2,175
-	-	-	744	858
-	179	-	1,603	539
-	-	-	241	193
-	-	-	981	684
80	4	123	207	-
-	-	-	1,652	452
1,765	150	-	2,282	583
-	-	3,657	3,657	-
-	-	-	457	363
-	-	260	454	587
\$ 5,000	\$ 333	\$ 4,058	\$ 237,415	\$ 235,825

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

EXHIBIT 4

**COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 10,868	\$ 58,658
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	\$ 3,657	\$ -
(Increase) decrease in prepaids	(4,010)	337
(Increase) decrease in grants receivable	30,596	(49,808)
(Increase) decrease in pledges receivable	35,571	(37,387)
Increase (decrease) in accounts payable	(2,433)	2,583
Increase (decrease) in accrued payroll	(1,946)	(1,287)
Total adjustments	\$ 61,435	\$ (85,562)
Net cash provided by (used in) operating activities	\$ 72,303	\$ (26,904)
Cash Flows from Investing Activities		
Depreciation	(11,608)	-
Net Increase (Decrease) in Cash	\$ 60,695	\$ (26,904)
Cash - January 1	66,789	93,693
Cash - December 31	\$ 127,484	\$ 66,789

ELLIOT PARK NEIGHBORHOOD, INC.
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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>2008</u>	<u>2007</u>
Checking accounts	\$ 101,086	\$ 41,283
Certificate of deposit	<u>26,398</u>	<u>25,506</u>
Total	<u>\$ 127,484</u>	<u>\$ 66,789</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, 2008.

K. Accrued Paid Time Off

Employees of the EPNI earn between 19.5 and 39 days of paid time off (PTO) each year, depending on length of service. Since the EPNI 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, 2008 and 2007, the amount of accrued PTO was \$7,840 and \$4,235, respectively.

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

2. Property and Equipment

Property and equipment at December 31, 2008 and 2007, is as follows:

	2008	2007
Equipment	\$ 18,359	\$ 17,681
Less: accumulated depreciation	(10,408)	(17,681)
Total Property and Equipment	\$ 7,951	\$ -

3. Deferred Revenue

Deferred revenue at December 31, 2008 and 2007, is as follows:

	2008	2007
NRP Contract #20795	\$ 8,500	\$ 8,500
NRP Contract #23124	10,000	10,000
Total	\$ 18,500	\$ 18,500

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007, were:

	2008	2007
McKnight Foundation and matching grant	\$ 65,505	\$ 63,832

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 2008 and \$10,740 in 2007. Equipment lease periods vary from one to three years. Payments under equipment lease obligations in 2008 and 2007 were \$4,104 and \$4,104, respectively.

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

5. Operating Leases (Continued)

Future minimum lease payments for operating leases are:

2009	\$	3,000
2010		3,000
2011		<u>1,250</u>
Total	\$	<u>7,250</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 \$768,904. At the end of the fiscal year, the program originated grants and loans totaling \$740,962. Funds remaining in the program budget at year-end were \$27,942.

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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, 2008**

	Agreement #20795	Agreement #23124	Total
Revenues	\$ 119,847	\$ 56,539	\$ 176,386
Expenses			
Payroll			
Salaries	\$ 59,858	\$ 42,233	\$ 102,091
Payroll taxes	5,724	4,216	9,940
Benefits	13,153	7,927	21,080
Insurance	1,660	41	1,701
Professional services	6,142	1,119	7,261
Occupancy	13,032	-	13,032
Office supplies	1,375	77	1,452
Office equipment	8,155	-	8,155
Telephone	872	390	1,262
Postage and delivery	365	350	715
Printing	775	499	1,274
Travel	219	-	219
Board and staff training	724	257	981
Centennial Commons Initiative	-	989	989
Advertising fees	44	-	44
Bank fees	457	-	457
Subscriptions and dues	194	-	194
	\$ 112,749	\$ 58,098	\$ 170,847
Revenues Over (Under) Expenses	\$ 7,098	\$ (1,559)	\$ 5,539

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

Schedule 2

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008**

INTERNAL CONTROL OVER FINANCIAL REPORTING

ITEM ARISING THIS YEAR

08-1 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 Elliot Park Neighborhood, Inc. (EPNI), and its staffing limit the internal control that management can design and implement in the organization.

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 we prepare the annual financial statements and related notes. This arrangement is not unusual for an organization the size of the EPNI. This decision was based on the availability of EPNI's staff and the cost benefit of using our expertise.

We recommend the Board be mindful that limited staffing causes inherent risks in safeguarding the EPNI's assets and the proper reporting of its financial activity. We recommend the Board continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

To ensure the maximum segregation of duties within the small office of the EPNI, the organization has instituted and closely follows clear financial policies and procedures as outlined in the document "Elliot Park Neighborhood, Inc. Financial Procedures." These

Schedule 2
(Continued)

procedures are reviewed annually by management and the EPNI finance committee to ensure accuracy and compliance. These financial procedures define the various duties of the staff, Board finance committee, the Board, and the bookkeeper for the steps of each financial procedure to assist in internal control of duty segregation to the greatest extent possible.

The EPNI finance committee includes the four Board officers and additional appointed Board members with financial management experience. The consultant/bookkeeper compiles monthly financial reports which are reviewed by the Executive Director and the finance committee before being presented to the Board of Directors. The consultant/bookkeeper addresses any unusual items and is available for questions. The consultant/bookkeeper does the monthly bank reconciliations which are then reviewed and signed by the treasurer or another finance committee officer. The finance committee also has responsibilities in the processing and review of payables, allocations, and monthly financial reports such as reviewing the biweekly payables and signing checks. The finance committee takes an active role in discussion of annual budgets, plan and budget modifications to NRP/CPED contracts, audit preparation, and other financial matters.

EPNI has three staff members, and they each have some of the responsibility for the budgets and check requests of their various committees. They are also responsible for the accuracy of recording their hours in the various programs, grants, contracts, or administrative sections on their time sheets; program staff submissions are reviewed by the Executive Director; Executive Director submissions are reviewed by one of the finance committee officers. The contracted financial consultant/bookkeeper has responsibility for various accounting functions that further assists the segregation.

Because EPNI is a small office, we have requested that the State Auditor's Office prepare our annual financial statements and related notes. During the preparation process, the EPNI Executive Director and finance consultant/bookkeeper are available to provide additional information and answer questions. This arrangement works well for the EPNI due to EPNI staff availability and the cost benefit of utilizing the services and expertise of the State Auditor's Office. We understand we are in full compliance under this arrangement.



REBECCA OTTO
STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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, 2008, 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. However, we identified the deficiency described in the accompanying Schedule of Findings and Recommendations as item 08-1 to be a significant deficiency in internal control over financial reporting.

The EPNI's written response to the significant deficiency identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the EPNI's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the EPNI'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 3, 2009