

HAWTHORNE NEIGHBORHOOD COUNCIL
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

PREPARED BY:

MICHAEL S. WILSON

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

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Michael S. Wilson
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Independent Auditor's Report

Board of Directors
Hawthorne Neighborhood Council
Minneapolis, Minnesota

I have reviewed the accompanying statements of financial position of Hawthorne Neighborhood Council (a non-profit corporation) as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended. A review consists primarily of applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on the my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

My review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Schedule of City Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I did not become aware of any material modifications that should be made to such information.

Michael S. Wilson, CPA

July 2, 2014

HAWTHORNE NEIGHBORHOOD COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	\$ 63,110	\$ 104,379
Temporary investments	52,145	52,019
Grants receivable	85,602	73,563
Employee receivable	0	1,018
Prepaid expenses and other	2,199	2,971
Total Current Assets	203,056	233,950
 Property and Equipment		
Property and equipment	103,370	97,781
Accumulated Depreciation	(18,998)	(15,098)
Total Property and Equipment	84,372	82,683
Total Assets	\$ 287,428	\$ 316,633

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 2,276	\$ 2,224
Current portion of mortgage payable	5,764	9,068
Refundable advance	34,543	26,875
Total Current Liabilities	42,583	38,167
 Long-Term Liabilities		
Mortgage payable- long term	-	5,768
Total Liabilities	42,583	43,935
 Net Assets		
Unrestricted	106,112	106,367
Unrestricted board designated	32,122	31,817
Temporarily Restricted	106,611	134,514
Total Net Assets	244,845	272,698
Total Liabilities and Net Assets	\$ 287,428	\$ 316,633

See accountant's report and notes to financial statements

HAWTHORNE NEIGHBORHOOD COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2013 <u>Total</u>	2012 <u>Total</u>
Support and revenue:				
Government awards	\$ 101,512	\$ -	\$ 101,512	\$ 88,069
Contributions	30,649	-	30,649	76,487
Net assets released from restrictions	27,903	(27,903)	-	-
Miscellaneous income	-		-	59
Interest income	126		126	102
Total support and Revenue	<u>160,190</u>	<u>(27,903)</u>	<u>132,287</u>	<u>164,717</u>
Expenses				
Program expenses:				
Housing	36,907	-	36,907	75,901
Community/environment	21,501	-	21,501	16,422
Business	23,438	-	23,438	16,749
Crime prevention	<u>33,900</u>	<u>-</u>	<u>33,900</u>	<u>30,593</u>
Total program expenses	115,746	-	115,746	139,665
Supporting services:				
Management	40,456	-	40,456	31,150
Fundraising	<u>3,938</u>	<u>-</u>	<u>3,938</u>	<u>7,460</u>
Total expenses	<u>160,140</u>	<u>-</u>	<u>160,140</u>	<u>178,275</u>
Change in net assets	50	(27,903)	(27,853)	(13,558)
Net assets, beginning of year	<u>138,184</u>	<u>134,514</u>	<u>272,698</u>	<u>286,256</u>
Net assets, end of year	<u>\$ 138,234</u>	<u>\$ 106,611</u>	<u>\$ 244,845</u>	<u>272,698</u>

See accountant's report and notes to financial statements

HAWTHORNE NEIGHBORHOOD COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>Business</u>	<u>Crime Prevention</u>	<u>Environment</u>	<u>Housing</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Salaries	10,079	\$ 10,081	\$ 10,079	\$ 19,434	49,673	13,333	2,353	\$ 65,359	\$ 95,130
Payroll taxes and insurance	1,550	1,552	1,550	3,170	7,822	2,144	378	10,344	13,335
Benefits	950	952	950	2,157	5,009	809	143	5,961	11,522
Total personnel	<u>12,579</u>	<u>12,585</u>	<u>12,579</u>	<u>24,761</u>	<u>62,504</u>	<u>16,286</u>	<u>2,874</u>	<u>81,664</u>	<u>119,987</u>
Professional services	200	-	4,160	2,975	7,335	15,871	-	23,206	7,497
Supplies and materials	315	315	315	621	1,566	407	72	2,045	5,317
Communications and outreach	2,095	8,568	2,095	4,123	16,881	2712	478	20,071	24,731
Occupancy and insurance	1,648	1,649	1,648	3,244	8,189	2134	377	10,700	10,087
Board and volunteer training	-	-	-	-	-	600	-	600	1,500
Bikeway/greenway consultant	-	-	-	-	-	-	-	-	297
Community building	-	-	-	-	-	-	-	-	3,579
Neighborhood grants	-	3,073	-	-	3,073	-	-	3,073	1,417
Gardens	-	-	103	-	103	-	-	103	-
Graffiti removal	-	2,574	-	-	2,574	-	-	2,574	-
Miscellaneous expenses	-	4,535	-	-	4,535	1,668	-	6,203	-
Business development	6,000	-	-	-	6,000	-	-	6,000	-
Depreciation	601	601	601	1,183	2,986	778	137	3,901	3,863
Total Expenses	<u>\$ 23,438</u>	<u>\$ 33,900</u>	<u>\$ 21,501</u>	<u>\$ 36,907</u>	<u>\$ 115,746</u>	<u>\$ 40,456</u>	<u>\$ 3,938</u>	<u>\$ 160,140</u>	<u>\$ 178,275</u>
Percentage of total	15%	21%	13%	23%	72%	25%	2%	100%	

See accountant's report and notes to financial statements

**HAWTHORNE NEIGHBORHOOD COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

Cash Flow From Operating Activity	<u>2013</u>	<u>2012</u>
Increase (decrease) in net assets	\$ (27,853)	(13,283)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	3,900	3,863
(Increase) decrease in short term investments	-	(103)
(Increase) decrease in employee receivable	-	(1,015)
(Increase) decrease in receivables	(11,021)	2,704
(Increase) decrease in prepaid expenses	772	(493)
Increase (decrease) in accounts payable	52	1,026
Increase (decrease) in refundable advances	<u>7,669</u>	<u>0</u>
Total adjustments	1,372	5,982
 Cash Flow From Operating Activity	 (26,481)	 (7,301)
 Cash Flow From Investing Activity		
Equipment purchases	(1,050)	-
Increase in short-term investment	(126)	-
Property improvements	<u>(4,540)</u>	<u>(12,649)</u>
Cash Flow From Investing Activity	<u>(5,716)</u>	<u>(12,649)</u>
 Cash Flow From Investing Activity		
Increase (decrease) real estate loan	(9,072)	(8,622)
 Decrease in Cash and Cash Equivalents	 <u>(41,269)</u>	 <u>(28,572)</u>
 Cash and Cash Equivalents - Beginning of Year	 <u>104,379</u>	 <u>132,949</u>
 Cash and Cash Equivalents - End of Year	 <u>\$ 63,110</u>	 <u>104,377</u>

See accountant's report and notes to the financial statements

**HAWTHORNE NEIGHBORHOOD COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization:

The Hawthorne Neighborhood Council (HNC) is a nonprofit neighborhood organization that was formed for the purpose of encouraging neighborhood communication and citizen participation. The HNC was also established to assist in expanding the opportunities for neighborhood residents to obtain adequate affordable housing, promote the creation of businesses within the Hawthorne neighborhood that meet the neighborhood's needs, and promote neighborhood improvement and revitalization.

The neighborhood boundaries are Lowry Avenue North on the north side, West Broadway Avenue on the south side, the Mississippi River on the east side, and Emerson Avenue on the west side. The significant accounting policies employed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The assets, liabilities, net assets, revenues and expenses of the Organization are reported based upon net asset restrictions and the purposes for which resources are to be spent and the means by which spending activities are controlled. Net asset restrictions are categorized as follows:

Unrestricted

Accounts for all financial resources which are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Resources may be used at the discretion of the Board of Directors. The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same period, within unrestricted net assets.

Temporarily Restricted

Accounts for (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently Restricted

Accounts for all financial resources which include a donor-imposed restriction that stipulates the resources be maintained permanently, but permits the Organization to use or expend part or all of the income derived from the donated assets. The Organization did not have any permanently restricted assets at December 31, 2013.

HAWTHORNE NEIGHBORHOOD COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes:

The Organization is a private nonprofit corporation, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no income taxes are paid and contributions to the Organization may be tax deductible by the donor. The Organization is also exempt from Minnesota franchise or income tax. Generally, the Organization is no longer subject to examination by tax authorities for years before 2010.

Cash and Cash Equivalents

The Organization considers cash in financial institutions and all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments

The HNC investments consist of CDs held at a local bank. The investment is considered a Level 1 category because there is an active market for CDs that can accessible at a measurement date.

Accounts Receivable

Accounts receivable are classified as pledges or contracts receivable based on whether the amounts are grants or business exchange transactions respectively. All receivables are due within one year, and an allowance for uncollectible accounts is not considered necessary.

Property and Equipment:

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 30 years for buildings and 3 to 5 years for furniture and equipment. Upon retirement or other disposition of property and equipment, the applicable cost and accumulated depreciation

Contributions

The following types of contributions are recorded as revenue at their fair market value when they are received unconditionally: cash, promises to give, certain contributed services, and gifts of assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Functional Accounting for Expenses

The costs of providing the various programs have been presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting service benefited.

**HAWTHORNE NEIGHBORHOOD COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Major Funding Sources

The Council receives funds from the City of Minneapolis and the Minneapolis Neighborhood and Community Relations. These funds were used to administer programs, fund environmental, crime and safety, housing and business programs. The Hawthorne Neighborhood Council also has been the recipient of funding from a major Twin Cities based corporation. The funding is used primarily to support the Organization's housing program.

Contingencies

The Organization relies on the City of Minneapolis for over 50% of their support and revenue, creating a financial dependency on this funding source to carryout their programs. If NCR decreased funding, some programs would be financially challenged to continue providing services.

Grants and Contracts Receivable

Government grants and contracts recognize revenue as earned when eligible expenses, as defined in each grant or contract, are made. Funds advanced and received on the above grants but not yet earned are shown as refundable advances. 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 Hawthorne Neighborhood Council will record such disallowance at the time the final assessment is made. Hawthorne has also raised a significant amount of public support from the funding community that recognizes the value of the HNC programs.

Paid Time Off

The Organization allows employees to carryover vacation pay. However, there was no liability associated with accrued paid time-off at the end of the year.

Subsequent Events

The Organization has evaluated subsequent events through August 1, 2013, the date which the financial statements were available to be issued.

Contingent Liability

The Organization purchased a building that did not have compliant disability access. The building is not currently in compliance with City of Minneapolis regulations. However the City of Minneapolis has not taken steps to penalize HNC. A number of improvements have been made in 2014 including construction of a ramp to access the building. Future improvements include renovation of the bathroom.

In addition, a lawsuit allegedly wrongful termination by a former key employee was contested by legal counsel representing HNC. Legal counsel has determined the risk of financial loss to HNC is unlikely.

HAWTHORNE NEIGHBORHOOD COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. CONTRACTS RECEIVABLE

Contracts receivable at December 31, 2013 consist primarily of cost reimbursement contracts with government agencies. The balances are expected to be fully collected and are as follows:

NCR Small Grants	\$ 3,034
NCR Graffiti	1,708
NCR First Step	15,524
NCR Citizens participation	48,309
NCR Met Life	2,497
NCR Green Grant	<u>2,491</u>
Total contracts receivable	<u>\$73,563</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consisted of:

Building 2944 Emerson	\$ 90,480
Equipment	7,301
Building depreciation: 2944 Emerson	(8,278)
Equipment depreciation	(6,820)
Net book value	<u>\$ 82,683</u>

Depreciation expense of \$4,507 was recorded for the year ended December 31, 2013.

NOTE 4. CONTRACT STATUS

The following list represents the status of contracts with the City of Minneapolis at 12/31/2013.

<u>Description</u>	<u>Contract</u> <u>Amount</u>	<u>Contract</u> <u>Advance</u>	<u>Total</u> <u>Payments</u>	<u>Remaining</u> <u>Balance</u>
Phase 1 Implementation	356,341	10,000	296,618	59,723
Youth Family & Elder	315,000	6,668	315,000	0
Implementation	467,395	5,000	467,395	0
Marketing and planning activities	24,602	6,000	6,000	18,602
Green grants	82,500	6,875	6,875	76,625
26 th Avenue	4,160	-	-	4,160
2014-16 CPP	<u>69,542</u>	-	-	<u>69,542</u>
Totals	1,319,540	34,543	1,091,888	227,652

**HAWTHORNE NEIGHBORHOOD COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets were released from restrictions either due to the completion of program requirements.

Total net assets released from restriction	<u>\$27,903</u>
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NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

The following net assets were temporarily restricted at December 31, 2013.

McKnight housing foreclosure program	\$ 12,589
General Mills housing rehab program	100,000
General Mills huddle	<u>12,492</u>
Total temporary restricted net assets	<u>\$134,514</u>

NOTE 7. BOARD DESIGNATED FUNDS

The following unrestricted net assets were board restricted at December 31, 2013.

House maintenance repair	\$ 29,122
General Mills Huddle	<u>3,000</u>
Total board designated funds	<u>\$32,122</u>

NOTE 8. MORTGAGE DEBT

Long Term Debt consists of the following at December 31, 2013.

A 4 year note with an original value of \$35,000 with a local bank dated 7/8/2010 maturing 8/8/2014 at a fixed rate of 6%. The loan is secured by deposits equal to the outstanding balance held at the bank. Monthly principal and interest payments of \$800 commence 8/8/2010 and continue through maturity. The property is considered exempt from local property taxes.

Principle payments due at 12/31	
Total Principle payments	<u>5,792</u>

NOTE 8. LEASE AGREEMENT

Hawthorne signed a 60 month lease for a copier in June, 2013. The lease requires annual payments of \$3,470 through May, 2018.

Supplemental Information

**HAWTHORNE NEIGHBORHOOD COUNCIL
SCHEDULE OF MINNEAPOLIS ACTIVITY
FOR THE YEAR ENDED
DECEMBER 31, 2013**

	CPP	5.2.B NRP I	Bio (C98-12531) First Step
Ordinary Income/Expense			
Income			
4100 · Grant and Contract Income			
4009 · NRP Contracts			
4110 · NRP Contracts Income	-	3,520	6,595
Total 4009 · NRP Contracts	-	3,520	6,595
4112 · CPP	91,397	-	-
Total 4100 · Grant and Contract Income	91,397	3,520	6,595
Expense			
5100 · Wages			
5110 · Salaries	45,797	-	-
5120 · Program Salaries - Housing	1,332	-	-
Total 5100 · Wages	47,128	-	-
5210 · Payroll Expenses	7,248	-	-
5200 · Employee Benefits			
5240 · Health/Dental Insurance	2,327	-	-
5280 · Mileage/Parking Reimbursement	330	-	-
5290 · Cell Phone Reimbursement	259	-	-
Total 5200 · Employee Benefits	2,915	-	-
5300 · Professional Services and Legal			
5310 · Accounting Fees	3,233	-	-
5320 · Legal Fees	7,967	-	-
5330 · Program Consultants	640	3,520	-
5340 · Licenses and Fees	2,461	-	-
Total 5300 · Professional Services and Legal	14,300	3,520	-
5400 · Supplies and Materials			
5410 · Equipment Purchase/Replacement	1,274	-	-
5420 · Equipment Maintenance	435	-	-
5440 · Office Supplies	236	-	-
Total 5400 · Supplies and Materials	1,944	-	-
5500 · Communications/Outreach			
5510 · Printing and Copying	6,073	-	-
5520 · Postage and Delivery	808	-	-
5530 · Phone/Internet Service	752	-	-
5555 · Special Events	928	-	30
Total 5500 · Communications/Outreach	8,561	-	30
5600 · Occupancy and Insurance			
5610 · Mortgage	125	-	-
5620 · Utilities	3,650	-	-
5640 · Insurance	2,099	-	-
5650 · Repairs and Maintenance	29	-	-
5660 · Alarm Monitoring	92	-	-
5600 · Occupancy and Insurance - Other	178	-	-
Total 5600 · Occupancy and Insurance	6,174	-	-
5700 · Program Expenses			
5725 · Business Development	-	-	6,000
5740 · Community Building/Organizing	600	-	-
5750 · Neighborhood Grants	-	-	155
5760 · Graffiti Removal	250	-	410
Total 5700 · Program Expenses	850	-	6,565
Total Expense	89,121	3,520	6,595
Net Income	2,275	-	-
Principal on mortgage included in request	2,275	-	-
Revised Net Income	-	-	-

**HAWTHORNE NEIBHORHOOD COUNCIL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2013**

PREVIOUSLY REPORTED ITEMS

97-2 Segregation of Duties

In prior reports, it was noted that due to the limited number of office personnel within the HNC, segregation of the accounting functions necessary to ensure the adequate internal control is not possible. This is not unusual in operations the size of the HNC; however, the HNC's 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. The HNC has acknowledged this issue and the board of directors is aware of their oversight responsibility in this area. We encourage the management at the HNC to continue with its efforts to address this issue.

Client Response

The size of the organization (small staff) has an effect on how the organization segregates its duties. However, the HNC's board recognizing the apparent risk will operate with a heightened sense of awareness of this issue.

10-1 Contract Management

The HNC is reimbursed from NCR for eligible expenses. Ideally, the reimbursement requests should be processed every quarter to ensure accurate records are maintained. However, one contract has an outstanding balance of \$64,000. This suggests the HNC could be more timely in processing their payment requests. Timely requests for reimbursements are necessary to ensure cash flows are adequate for current operations, as well as to ensure that funds are available and not reallocated by a funding source. We recommend that the HNC prepare its reimbursement requests on a timely basis. During 2013, the receivable balance exceeded \$70,000 at December 31, 2013.

Client Response

HNC's board recognizes the problem and will work with staff and accountant to prepare monthly reimbursement requests.

10-3 Payroll Processing

During the audit process, we were pleased to note that the Organization requires each employee to prepare a timesheet. However, we noted that each employee uses their own system to record time worked. We recommend the Organization use one type of timesheet to make the approval process more efficient.

Client response

A standardized timesheet is being added to the employee handbook for use by all employees – both exempt and non-exempt.

**HAWTHORNE NEIGHBOERHOOD COUNCIL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2013**

12-3 Payroll Compliance Tests

During the financial review, we tested payroll to determine if the amount paid to employees was accurate and supported by time sheets. We found timesheets for an hourly employee did not match the amount of pay. The difference was not significant since actual hours worked were within 1 hour of hours that were paid. Further investigation determined the discrepancy was due to the director responsible for approving pay did not receive timesheets in a timely manner to report the actual hours worked.

We also noted that personnel files did not contain current salary information. We recommend personnel files are maintained to ensure actual pay is based on approved actions of the board of directors.

Client Response

HNC personnel records are kept on-site in a secure area to maintain confidentiality of employee records and accurate documentation of salary information.

12-4 Contingent Liability

The Organization purchased a building that did not have compliant disability access. The building is not currently in compliance with City of Minneapolis regulations. However the City of Minneapolis has not taken steps to penalize HNC.

Client Response

Facility construction began in Fall 2013 to become ADA compliant.

NEW ITEMS

13-1 Board Training and Development

The HNC enjoys high quality financial reporting and oversight due to the skills of the contract accountant and the long-term board treasurer. During the review of board minutes and a discussion of practices, it appears these two individuals are responsible for all aspects of the accounting function and the related decisions. Delays in submitting reimbursement requests were related to demands on the volunteer treasurer. This concentration of skills represents a risk to HNC. I recommend more HNC board members participate in financial oversight and review of the operations. Board training is available from the Neighborhood and Community Relations Department. In addition, lead staff should have financial management skills including the ability to manage a budget.

**HAWTHORNE NEIGHBOERHOOD COUNCIL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2013**

Client Response

To address the concentration of financial information, the Council plans to have 3-5 board members become active in the financial matters from approving expenditures to budgeting. All staff will be expected to understand and discuss funds available and work on the HNC budget. We plan to train the entire board to understand the HNC financial position and discuss funds that are available and the expenditures of funds.