



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B43196

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

January 31, 2014

Board of Directors  
Community Development  
Corporation of Fort Wayne  
1 E. Main St., Room 840  
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Baden Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Development Corporation of Fort Wayne, as of December 31, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. Pages 18 and 19 contain two findings one concerning a material weakness in internal control over financial reporting and the other a compliance finding on matching for the Economic Development Grant (CFDA 11.300).

STATE BOARD OF ACCOUNTS

*Financial Statements*

**Community Development  
Corporation of Fort Wayne**

December 31, 2009 and 2008

**COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Financial Statements  
December 31, 2009 and 2008

**INDEX**

|   | <b>PAGE</b> |
|---|-------------|
| <b>INDEPENDENT AUDITORS' REPORT</b>   | 1 - 2       |
| <b>FINANCIAL STATEMENTS</b>   |             |
| Statements of Financial Position  | 3           |
| Statements of Activities  | 4 - 5       |
| Statements of Cash Flows  | 6           |
| Notes to Financial Statements   | 7 - 10      |
| <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>   | 11          |
| <b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>  | 12          |
| <b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL<br/>OVER FINANCIAL REPORTING AND ON COMPLIANCE AND<br/>OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL<br/>STATEMENTS PERFORMED IN ACCORDANCE WITH<br/>GOVERNMENT AUDITING STANDARDS</b> | 13 - 14     |
| <b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH<br/>REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM<br/>AND INTERNAL CONTROL OVER COMPLIANCE IN<br/>ACCORDANCE WITH OMB CIRCULAR A-133</b>   | 15 - 16     |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>  | 17 - 19     |
| <b>SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED<br/>COSTS</b>  | 20 - 21     |



Certified Public Accountants • Business Consultants

## Independent Auditors' Report

To the Board of Directors of  
Community Development Corporation of Fort Wayne  
Fort Wayne, Indiana

We have audited the accompanying statements of financial position of Community Development Corporation of Fort Wayne (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Community Development Corporation of Fort Wayne'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 Community Development Corporation of Fort Wayne, as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated Date 2010, on our consideration of Community Development Corporation of Fort Wayne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
March 12, 2010

**COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Statements of Financial Position  
December 31, 2009 and 2008

|   | <u>2009</u>                | <u>2008</u>                |
|---|----------------------------|----------------------------|
| <b><u>ASSETS</u></b>  |                            |                            |
| Cash and cash equivalents   | \$ 2,095,160               | \$ 3,047,164               |
| Restricted cash and cash equivalents:   |                            |                            |
| Bank loan fund reserve  | -                          | 404                        |
| Economic Development Administration loans   | <u>450,292</u>             | <u>-</u>                   |
| Total cash and cash equivalents   | 2,545,452                  | 3,047,568                  |
| Accrued interest receivable - loans   | 41,496                     | 27,164                     |
| Accrued interest receivable - investments   | 7,174                      | 10,569                     |
| Other receivables   | 6,905                      | -                          |
| Loans receivable (net of allowance for loan losses of<br>\$375,000 in 2009 and \$193,180 in 2008) | <u>5,754,184</u>           | <u>5,425,387</u>           |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 8,355,211</u></b> | <b><u>\$ 8,510,688</u></b> |
| <br><b><u>LIABILITIES AND NET ASSETS</u></b>  |                            |                            |
| <b>LIABILITIES</b>  |                            |                            |
| Accounts payable  | \$ 67,581                  | \$ 58,514                  |
| Bank loan fund - payable  | -                          | 56,004                     |
| Note payable - City of Fort Wayne   | <u>30,000</u>              | <u>40,000</u>              |
| Total Liabilities   | 97,581                     | 154,518                    |
| <b>NET ASSETS</b>   |                            |                            |
| Unrestricted  | 476,211                    | 366,230                    |
| Temporarily restricted  | <u>7,781,419</u>           | <u>7,989,940</u>           |
| Total Net Assets  | <u>8,257,630</u>           | <u>8,356,170</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b><u>\$ 8,355,211</u></b> | <b><u>\$ 8,510,688</u></b> |

See Notes to Financial Statements.

**(This Page Intentionally Left Blank.)**

| <b>2008</b>         |                                   |                     |
|---------------------|-----------------------------------|---------------------|
| <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Totals</u>       |
| \$ 344              | \$ 262,676                        | \$ 263,020          |
| 7,965               | 38,998                            | 46,963              |
| 118,218             | 5,704                             | 123,922             |
| -                   | -                                 | -                   |
| 108,881             | -                                 | 108,881             |
| <u>361,623</u>      | <u>(361,623)</u>                  | <u>-</u>            |
| 597,031             | (54,245)                          | 542,786             |
| 7,780               | -                                 | 7,780               |
| 217                 | -                                 | 217                 |
| 216,372             | -                                 | 216,372             |
| 3,466               | -                                 | 3,466               |
| 161,878             | -                                 | 161,878             |
| 527                 | -                                 | 527                 |
| 3,003               | -                                 | 3,003               |
| 4,790               | -                                 | 4,790               |
| 108,881             | -                                 | 108,881             |
| 15,237              | -                                 | 15,237              |
| 802                 | -                                 | 802                 |
| 1,466               | -                                 | 1,466               |
| 17,476              | -                                 | 17,476              |
| 2,895               | -                                 | 2,895               |
| 838                 | -                                 | 838                 |
| 1,232               | -                                 | 1,232               |
| 15,390              | -                                 | 15,390              |
| 1,302               | -                                 | 1,302               |
| <u>1,868</u>        | <u>-</u>                          | <u>1,868</u>        |
| <u>565,420</u>      | <u>-</u>                          | <u>565,420</u>      |
| 31,611              | (54,245)                          | (22,634)            |
| -                   | (183,562)                         | (183,562)           |
| <u>334,619</u>      | <u>8,227,747</u>                  | <u>8,562,366</u>    |
| <u>\$ 366,230</u>   | <u>\$ 7,989,940</u>               | <u>\$ 8,356,170</u> |

**COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Statements of Cash Flows  
Years Ended December 31, 2009 and 2008

|  | <u>2009</u>         | <u>2008</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Change in net assets   | \$ 99,418           | \$ (22,634)         |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Provided By Operating Activities:           |                     |                     |
| Bad debt expense   | 178,409             | 216,372             |
| (Increase) Decrease in Assets:   |                     |                     |
| Accrued interest receivable - loans  | (14,332)            | 8,623               |
| Accrued interest receivable - investments  | 3,395               | 11,025              |
| Other receivables  | (6,905)             | -                   |
| Increase (Decrease) in Liabilities:  |                     |                     |
| Accounts payable   | 9,066               | (5,462)             |
| Interest payable - bank loan fund  | -                   | (1,603)             |
|  | <u>269,051</u>      | <u>206,321</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Loan disbursements from nonfederal funds   | (456,903)           | (49,073)            |
| Loan disbursements from federal funds  | (954,107)           | (182,220)           |
| Principal payments received on loans, net  | 900,393             | 977,884             |
| Recovery of previously charged off loans   | 3,815               | 1,922               |
| Return bank loan fund reserve to banks   | (404)               | -                   |
|  | <u>(507,206)</u>    | <u>748,513</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |
| Net payments under bank loan fund agreement (including<br>CDC's pay off of outstanding balances in 2009) | (56,004)            | (62,350)            |
| Payment on note payable - City of Fort Wayne   | (10,000)            | (10,000)            |
| Transfer of CDBG funds to the City of Fort Wayne   | (197,958)           | (183,562)           |
|  | <u>(263,962)</u>    | <u>(255,912)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | (502,117)           | 698,922             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <u>3,047,568</u>    | <u>2,348,646</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <u>\$ 2,545,451</u> | <u>\$ 3,047,568</u> |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>   |                     |                     |
| Loans charged-off  | \$ -                | \$ 285,108          |

See Notes to Financial Statements.

# COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements  
December 31, 2009 and 2008

## Note 1. Summary of Significant Accounting Policies

### Organization:

Community Development Corporation of Fort Wayne D/B/A Community Development Corporation of Northeast Indiana (CDC), is a not-for-profit corporation funded through government and private revolving loan programs and sponsored by the City of Fort Wayne for the purpose of providing low interest, secured loans to new and expanding businesses. Most loan programs administered by the CDC are for the use of businesses in Allen County. During 2004, CDC received new funding through the U.S. Department of Agriculture which allowed the CDC to expand to an 8 county region in Northeast Indiana. CDC administers several loan programs which address various needs in the business community and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)6.

### Method of Accounting:

CDC's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

CDC reports revenue earned on resources which were received with stipulations that limit their use as temporarily restricted revenue. When a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Preparation of the CDC financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates, primarily related to collectibility of loans. Accordingly, actual results could differ from those estimates.

### Cash and Cash Equivalents:

Cash and cash equivalents consists of checking, savings, and money market accounts and certificates of deposit with maturities of twelve months or less.

At December 31, 2009, CDC held accounts at ten area financial institutions. Amounts in excess of FDIC and NCUA coverage at December 31, 2009 and 2008 amounted to \$364,907 and \$494,804, respectively.

### Contributed Services:

Salaries and fringe benefits for certain CDC staff have been provided by the City of Fort Wayne. The value of these services has been reflected in the accompanying financial statements as support from donated personnel services with a like amount included as in-kind personnel services expense.

## COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)  
December 31, 2009 and 2008

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amounts charged in 2009 and 2008 were \$7,459 and \$7,780, respectively.

### Note 2. Loans Receivable

CDC has been funded under various local, state, and federal programs, all of which impose guidelines and restrictions on lending policy. CDC staff and its Board of Directors regularly review loan procedures to ensure compliance with these contract provisions.

CDC packages and approves loans for funding from the Small Business Administration (SBA). The SBA gives final approval before the loans are funded. CDC assigns the loan payments to be received to the SBA, and the SBA provides CDC with a monthly report indicating outstanding loan balances and status of payments for each SBA loan processed by CDC. These loans, though administered by CDC, are nonrecourse in nature and totaled \$11,664,151 and \$12,425,605 at December 31, 2009 and 2008, respectively.

At December 31, 2009 and 2008, CDC had undisbursed loan commitments to various enterprises. These loans will be secured by real estate and/or equipment and are summarized as follows:

|                     | <u>2009</u>         | <u>2008</u>         |
|---------------------|---------------------|---------------------|
| SBA 504 loans       | \$ 4,878,800        | \$ 1,942,944        |
| All other CDC loans | <u>229,550</u>      | <u>303,776</u>      |
|                     | <u>\$ 5,108,350</u> | <u>\$ 2,246,720</u> |

Loans receivable are recorded at their contract amounts adjusted for any charge-offs and the allowance for loan losses. Loans are considered past due based on how recently payments have been received. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the loan portfolio, including trends in historical loss experience, specific impaired loans, and economic conditions. The allowance is increased by a provision for bad debts, which is charged to expense. Write-offs are charged against the allowance when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance. Changes in the allowance relating to impaired loans are charged or credited to the provision for bad debts. Because of uncertainties inherent in the estimation process, management's estimate of loan losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

**COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Notes to Financial Statements (Continued)  
December 31, 2009 and 2008

**Note 2. Loans Receivable (Continued)**

An analysis of the change in the allowance for loan losses is as follows:

|                                      | <u>2009</u>       | <u>2008</u>       |
|--------------------------------------|-------------------|-------------------|
| Balance at January 1                 | \$ 193,180        | \$ 261,830        |
| Loans charged-off                    | -                 | (285,108)         |
| Loan recoveries                      | 3,815             | 1,922             |
| Provision                            | 178,409           | 216,372           |
| Fees and interest credited (charged) | <u>(404)</u>      | <u>(1,836)</u>    |
| Balance at December 31               | <u>\$ 375,000</u> | <u>\$ 193,180</u> |

**Note 3. Bank Loan Fund - Payable**

For many years, the CDC administered two loan programs on behalf of and for the benefit of area banks. The first fund was comprised of four area banks who committed an aggregate of \$1,000,000 from which loans were made through 1998. The second fund, comprised of seven area banks, provided an aggregate of \$1,300,000 from which loans were made. CDC was responsible for the collection and subsequent remittance of the banks' funds with interest. CDC retained a portion of the interest as a servicing fee. During the year ended December 31, 2009, CDC paid off the outstanding balances owed to the banks. Loans outstanding under the bank loan fund agreement at December 31, 2009 and 2008 were as follows:

|                   | <u>2009</u> | <u>2008</u>      |
|-------------------|-------------|------------------|
| Bank Loan Fund I  | \$ -        | \$ 1,893         |
| Bank Loan Fund II | <u>-</u>    | <u>54,111</u>    |
|                   | <u>\$ -</u> | <u>\$ 56,004</u> |

**Note 4. Note Payable - City of Fort Wayne**

On March 29, 2007, the CDC entered into a promissory note agreement with the City of Fort Wayne to assist in funding the Fort Wayne Opportunity revolving loan fund. The \$50,000 non-interest bearing note will be repaid in 5 annual installments of \$10,000 beginning April 1, 2008 and maturing on April 1, 2012. Collateral for the loan consists of all accounts receivable, inventory, chattel paper and negotiable instruments, depository accounts, and investment earnings. The outstanding balance under this agreement at December 31, 2009 and 2008 was \$30,000 and \$40,000, respectively.

## COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)  
December 31, 2009 and 2008

### Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following loan programs in accordance with established guidelines:

|   | 2009                | 2008                |
|---|---------------------|---------------------|
| Industrial Development Revolving Loan Programs: |                     |                     |
| Economic Development Administration             | \$ 4,675,180        | \$ 4,693,311        |
| Community Development Block Grant               | 789,851             | 860,451             |
| Urban Development Action Grant                  | 84,302              | 85,708              |
| Investment Incentive Program - City             | 310,606             | 357,935             |
| Investment Incentive Program - County           | 228,992             | 229,066             |
| Revenue Sharing                                 | 8,193               | 11,183              |
|   | <u>6,097,124</u>    | <u>6,237,654</u>    |
| Other Loan Programs:                            |                     |                     |
| Fort Wayne Opportunity Loan Fund                | 743,054             | 793,004             |
| Facade Rehabilitation Loan Fund                 | 140,568             | 144,411             |
| Purchase Order Program                          | 105,220             | 104,187             |
| Enterprise Zone Revolving Loan Fund             | 587,155             | 595,925             |
| Rural Development Loan Fund                     | 108,298             | 110,984             |
| Fort Wayne Area Bank Loan Fund                  | -                   | 3,775               |
|   | <u>2,080,211</u>    | <u>4,539,490</u>    |
|   | <u>\$ 7,781,419</u> | <u>\$ 7,989,940</u> |

Net assets released from restrictions represent administrative expenses allocated to the temporarily restricted net assets.

### Note 6. Transfer of Net Assets

During the first quarter of 2007, the CDC was notified that the City of Fort Wayne (City) was requesting that certain Community Development Block Grant funding used in CDC's loan programs be returned to the City. The loan programs affected include the Facade Rehabilitation Loan Fund (Facade), the Fort Wayne Opportunity Loan Fund (FWOF) and the Economic Development Administration Fund (EDA). The undisbursed funds "on hand" were returned in May and June 2007. The remaining outstanding loan balances are being paid back to the City on a quarterly basis as they are collected and mature through 2022. The CDC receives a processing fee of 15% of the collections. A summary of the payments made and the outstanding loans receivable at December 31 that will be returned to the City of Fort Wayne is as follows:

|        | 2009                    |                                    | 2008                    |                                    |
|--------|-------------------------|------------------------------------|-------------------------|------------------------------------|
|        | Returned to<br>the City | Loans Receivable<br>to be Returned | Returned to<br>the City | Loans Receivable<br>to be Returned |
| Facade | \$ -                    | \$ -                               | \$ -                    | \$ 290                             |
| FWOF   | 85,839                  | 569,585                            | 90,564                  | 618,538                            |
| EDA    | <u>112,119</u>          | <u>824,017</u>                     | <u>92,998</u>           | <u>892,834</u>                     |
|        | <u>\$ 197,958</u>       | <u>\$ 1,393,602</u>                | <u>\$ 183,562</u>       | <u>\$ 1,511,662</u>                |

**COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2009

| <u>FEDERAL GRANTOR/PASS-THROUGH<br/>GRANTOR/PROGRAM TITLE</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures<br/>2009 Loan<br/>Disbursements</u> | <u>Revolving<br/>Fund Loan<br/>Balance<br/>12/31/2009</u> |
|--|------------------------------------|---|---|
| U.S. Department of Agriculture/Rural Business-<br>Cooperative Service:   |                                    |   |   |
| Rural Business Enterprise Grant (2 new loans)  | 10.769                             | \$ 40,000   | \$ 83,335   |
| U.S. Department of Commerce<br>Economic Development Administration:  |                                    |   |   |
| Pass-through From City of Fort Wayne Division of<br>Community and Economic Development<br>Economic Development Grant (9 new loans) | 11.300                             | 914,107   | 3,152,168   |
| U.S. Department of Housing and Urban Development:  |                                    |   |   |
| Pass-through from City of Fort Wayne Division of<br>Community and Economic Development<br>Community Development Block Grant        | 14.218                             | <u>          -</u>  | <u>569,597</u>  |
| <b>TOTAL</b>   |                                    | <u>\$ 954,107</u>   | <u>\$ 3,805,100</u>                                       |

**See Notes to Schedule of Expenditures of Federal Awards.**

## **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2009

**Note 1. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of CDC's Federal awards program and presents transactions as included in the financial statements of CDC presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America. The amounts reported as federal expenditures represent loans closed during the year.

**Note 2. Risk-Based Audit Approach**

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The organization does not qualify as a low-risk auditee.

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

To the Board of Directors of  
Community Development Corporation of Fort Wayne  
Fort Wayne, Indiana

We have audited the financial statements of Community Development Corporation of Fort Wayne (a nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated March 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Community Development Corporation of Fort Wayne'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 Community Development Corporation of Fort Wayne's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Development Corporation of Fort Wayne's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can no be assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2009-01)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Development Corporation of Fort Wayne's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Community Development Corporation of Fort Wayne in a separate letter dated March 12, 2010.

Community Development Corporation of Fort Wayne's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Community Development Corporation of Fort Wayne's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit and budget committee, management, the board of directors, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
March 12, 2010

**Independent Auditors' Report on Compliance with Requirements**  
**Applicable to Each Major Program and Internal Control over**  
**Compliance in Accordance with OMB Circular A-133**

To the Board of Directors of  
Community Development Corporation of Fort Wayne  
Fort Wayne, Indiana

**Compliance**

We have audited the compliance of Community Development Corporation of Fort Wayne with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Community Development Corporation of Fort Wayne's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Development Corporation of Fort Wayne's management. Our responsibility is to express an opinion on Community Development Corporation of Fort Wayne's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Development Corporation of Fort Wayne's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community Development Corporation of Fort Wayne's compliance with those requirements.

As described in item 2009-02 in the accompanying schedule of findings and questioned costs, Community Development Corporation of Fort Wayne did not comply with requirements regarding matching that are applicable to its Economic Development Administration Loan Fund. Compliance with such requirements is necessary, in our opinion, for Community Development Corporation of Fort Wayne to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Community Development Corporation of Fort Wayne complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

## Internal Control over Compliance

The management of Community Development Corporation of Fort Wayne is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Development Corporation of Fort Wayne's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Development Corporation of Fort Wayne's internal control over compliance.

A *deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected and corrected by the entity's internal control on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit and budget committee, management, the board of directors, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Baden, Gage & Schroeder, LLC*

**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
March 12, 2010

**COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2009

**Section I - Summary of Auditors' Results**

**Financial Statements**

**Type of auditors' report issued:**

Unqualified

**Internal control over financial reporting:**

Material weaknesses identified?

YES  NO

Significant deficiencies identified that are not considered to be material weaknesses?

YES  None Reported

Noncompliance material to financial statements noted?

YES  NO

**Federal Awards**

Noncompliance material to financial statements noted?

YES  NO

**Internal control over major programs:**

Material weakness(es) identified?

YES  NO

Significant deficiency(ies) identified not considered to be material weaknesses?

YES  None Reported

Type of auditors' report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

YES  NO

**Identification of major programs:**

CFDA Number(s)

Name of Federal Program or Cluster

11.300

Economic Development Grant (EDA)

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

YES  NO

## COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

### Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2009

#### **Section II - Financial Statement Findings**

**Finding 2009-01** (repeat finding):

Statement on Auditing Standards No. 115 "Communicating Internal Control Related Matters Identified in an Audit" requires consideration of whether an Organization has a system in place and qualified personnel capable of preparing financial statements in accordance with accounting principals generally accepted in the United States of America in cases where the independent public accountant prepares the financial statements. Baden, Gage & Schroeder, LLC prepares the financial statements for the CDC both as a convenience to the Organization and because the Organization does not have personnel who would be capable of preparing financial statements in accordance with the accounting principles generally accepted in the United States of America.

*Management's Response:* We believe our internal controls over the day to day transactions are very strong even though we have a limited number of staff. CDC increased controls over monthly and annual financial reporting by incorporating the Treasurer in the review process. While CDC does not have current staffing capable of preparing GAAP financial statements, CDC management and the Board of Directors will continue to perform a more complete monthly review of financial information and reconciliations.

#### **Section III - Federal Award Findings and Questioned Costs**

**Finding 2009-02:** (repeat finding) Economic Development Administration (EDA) - CFDA No. 11.300; Grant No. 06-19-01917; Grant Period: Year Ended December 31, 2009; Title IX Implementation Grant Revolving Loan Fund

*Condition:* During 2007, the City of Fort Wayne requested that Community Development Block Grant (CDBG) monies be returned to the City. The CDC returns collections on loans receivable on a quarterly basis. As requested, CDC returned \$214,860 to the City during 2007, \$92,998 during 2008, and \$112,199 during 2009. As of December 31, 2009, loans receivable related to CDBG dollars in the EDA fund totaled \$824,017. This money was considered match money for the EDA loan fund.

*Criteria:* As stated in the EDA grant, all monies placed in that program must remain.

*Effect:* This returned CDBG money was being held by the City in a separate non-interest bearing account until replacement funding could be obtained or until December 31, 2008, whichever occurred first. The money is no longer available to the CDC and; therefore, is not considered available as match funds.

## COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

### Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2009

*Cause:* The City of Fort Wayne determined that certain CDBG loans administered by the CDC were not in compliance with CDBG loan guidelines. The CDC does not agree with the City's interpretation of the guidelines in question. The CDC was willing to follow the guidelines going forward; however, the City declined and determined that the money be returned.

*Recommendation:* The CDC must find alternate funding to make up the lost match dollars.

*Management's Response:* As the result of changes in the economic conditions within the Fort Wayne service area since the approval of the plan as submitted to the Economic Development Administration in 1982-1983 timeframe, the present goals for successful economic development are no longer consistent with its approved plan. Considerable time and effort are required to develop a modified plan, and there can be no assurances that EDA would approve such a modification. The decision by the City of Fort Wayne to re-program these funds was within its discretion. The CDC is presently investigating replacement funds but, as yet, no source has been identified.

## COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

### Summary Schedule of Prior Findings and Questioned Costs Year Ended December 31, 2009

#### **Section II - Financial Statement Findings**

##### **Finding 2008-1, 2007-01 and 2006-01:**

Statement on Auditing Standards No. 115 "Communicating of Internal Control Related Matters Identified in an Audit" requires consideration of whether an Organization has personnel who are capable of preparing financial statements in accordance with accounting principals generally accepted in the United States of America in cases where the independent public accountant prepares the financial statements. Baden, Gage & Schroeder, LLC prepares the financial statements for the CDC both as a convenience to the Organization and because the Organization does not have personnel who would be capable of preparing financial statements in accordance with the accounting principles generally accepted in the United States of America.

*Management's Response:* See comment at 2009-01

##### **Finding 2008-02:**

Delinquent loans are reviewed by the CDC and the work-out committee and are, at times, determined to be uncollectible and are then charged off. For the loans charged off in 2008, there was no documentation of this process or approval of the loans charged off by the Board of Directors. Therefore, the internal control system was not adequate to appropriately support the charged off loans.

*Management's Response:* Management agrees that a process should be in place to document the process and approval of charge-offs. For the loans charged off in 2008, the Board of Directors subsequently approved these amounts totaling \$285,108. Going forward, loans determined to be uncollectible, will be approved by the Work Out Committee prior to being charged off.

*Status:* Consider this finding to be resolved.

#### **Section III - Federal Award Findings and Questioned Costs**

**Finding 2008-03:** Economic Development Administration (EDA) - CFDA No. 11.300; Grant No. 06-19-01917; Grant Period: Year Ended December 31, 2008; Title IX Implementation Grant Revolving Loan Fund

*Condition:* During 2007, the City of Fort Wayne requested that Community Development Block Grant (CDBG) monies be returned to the City. The CDC returns collections on loans receivable on a quarterly basis. As requested, CDC returned \$214,860 to the City during 2007 and \$92,998 during 2008. As of December 31, 2008, loans receivable related to CDBG dollars in the EDA fund totaled \$892,834. This money was considered match money for the EDA loan fund.

*Criteria:* As stated in the EDA grant, all monies placed in that program must remain.

*Effect:* This returned CDBG money is being held by the City in a separate non-interest bearing account until replacement funding can be obtained or until December 31, 2008, whichever occurred first. However, the money is no longer available to the CDC and; therefore, is not considered available as match funds.

## COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

### Summary Schedule of Prior Findings and Questioned Costs (Continued) Year Ended December 31, 2009

*Cause:* The City of Fort Wayne determined that certain CDBG loans administered by the CDC were not in compliance with CDBG loan guidelines. The CDC does not agree with the City's interpretation of the guidelines in question. The CDC was willing to follow the guidelines going forward; however, the City declined and determined that the money be returned.

*Recommendation:* The CDC must find alternate funding to make up the lost match dollars.

*Management's Response:* As the result of changes in the economic conditions within the Fort Wayne service area since the approval of the plan as submitted to the Economic Development Administration in 1982-1983 timeframe, the present goals for successful economic development are no longer consistent with its approved plan. Considerable time and effort are required to develop a modified plan, and there can be no assurances that EDA would approve such a modification. The decision by the City of Fort Wayne to re-program these funds is within its discretion. The CDC is presently investigating replacement funds but, as yet, no source has been identified.

*Status:* Ongoing. See comment at 2009-02.