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May 30, 2014

Board of Directors
Community Development Corporation of Fort Wayne
200 E. Berry Street
Suite 320
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Baden, Gage & Schroeder, LLC, for the period January 1, 2011 to December 31, 2011. 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 Community Development Corporation of Fort Wayne, as of December 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report. Page 25 contains one current audit finding. Management's response is on page 25.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



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, 2011 and 2010, 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 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 the 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, 2011 and 2010, 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 March 14, 2012, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 14, 2012

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

**Statements of Financial Position
December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,645,792	\$ 2,401,114
Restricted cash and cash equivalents:		
Economic Development Administration loans	<u>452,915</u>	<u>451,666</u>
Total cash and cash equivalents	3,098,707	2,852,780
Accrued interest receivable - loans	28,611	27,020
Accrued interest receivable - investments	5,203	3,864
Other receivables	24,921	40,180
Loans receivable (net of allowance for loan losses of \$211,896 in 2011 and \$424,000 in 2010)	<u>5,667,573</u>	<u>5,960,655</u>
TOTAL ASSETS	<u>\$ 8,825,015</u>	<u>\$ 8,884,499</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 66,708	\$ 148,302
Note payable - City of Fort Wayne	<u>10,000</u>	<u>20,000</u>
Total Liabilities	76,708	168,302
NET ASSETS		
Unrestricted	692,767	609,895
Temporarily restricted	<u>8,055,540</u>	<u>8,106,302</u>
Total Net Assets	<u>8,748,307</u>	<u>8,716,197</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,825,015</u>	<u>\$ 8,884,499</u>

See Notes to Financial Statements.

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Statements of Activities

Years Ended December 31, 2011 and 2010

	2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
USDA funding	\$ -	\$ 7,350	\$ 7,350
CEDIT funds	-	-	-
Loan interest (net)	1,912	256,442	258,354
Investment interest	4,949	11,131	16,080
Loan application and commitment fees	158,793	9,881	168,674
Administrative fee	23,173	-	23,173
Donated personnel services	83,010	-	83,010
Net assets released from restrictions due to satisfaction of purpose restrictions	<u>264,824</u>	<u>(264,824)</u>	<u>-</u>
Total Revenue and Support	536,661	19,980	556,641
EXPENSES			
Advertising	11,771	-	11,771
Bad debt expense	75,000	-	75,000
Contract services	205,251	-	205,251
Credit reports	2,482	-	2,482
Directors' liability insurance	3,233	-	3,233
Fee and license expense	5,529	-	5,529
In-kind personnel services	83,010	-	83,010
Legal and professional fees	11,622	-	11,622
Meetings, conferences, annual report	900	-	900
Miscellaneous expense	1,706	-	1,706
Office supplies/computer services	14,382	-	14,382
Printing and postage	6,266	-	6,266
Problem loan expenses	19,952	-	19,952
Seminars, training	8,831	-	8,831
Telephone	236	-	236
Travel	<u>3,618</u>	<u>-</u>	<u>3,618</u>
Total Expenses	<u>453,789</u>	<u>-</u>	<u>453,789</u>
CHANGE IN NET ASSETS	82,872	19,980	102,852
TRANSFER OF NET ASSETS - OUT	-	(154,487)	(154,487)
TRANSFER OF NET ASSETS - IN	-	83,745	83,745
NET ASSETS, BEGINNING OF YEAR	<u>609,895</u>	<u>8,106,302</u>	<u>8,716,197</u>
NET ASSETS, END OF YEAR	<u>\$ 692,767</u>	<u>\$ 8,055,540</u>	<u>\$ 8,748,307</u>

See Notes to Financial Statements.

2010		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ -	\$ 27,650	\$ 27,650
-	500,000	500,000
4,990	266,329	271,319
5,502	8,772	14,274
176,949	18,104	195,053
39,525	-	39,525
112,290	-	112,290
<u>318,512</u>	<u>(318,512)</u>	<u>-</u>
657,768	502,343	1,160,111
11,164	-	11,164
143,344	-	143,344
173,538	-	173,538
2,312	-	2,312
2,957	-	2,957
5,061	-	5,061
112,290	-	112,290
22,298	-	22,298
801	-	801
2,636	-	2,636
19,608	-	19,608
8,020	-	8,020
7,494	-	7,494
10,012	-	10,012
844	-	844
<u>1,705</u>	<u>-</u>	<u>1,705</u>
<u>524,084</u>	<u>-</u>	<u>524,084</u>
133,684	502,343	636,027
-	(263,499)	(263,499)
-	86,039	86,039
<u>476,211</u>	<u>7,781,419</u>	<u>8,257,630</u>
<u>\$ 609,895</u>	<u>\$ 8,106,302</u>	<u>\$ 8,716,197</u>

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

**Statements of Cash Flows
Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 102,852	\$ 636,027
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Bad debt expense	75,000	143,344
(Increase) Decrease in Assets:		
Accrued interest receivable - loans	(1,591)	14,476
Accrued interest receivable - investments	(1,339)	3,310
Other receivables	15,259	(33,275)
Increase (Decrease) in Liabilities:		
Accounts payable	<u>(81,594)</u>	<u>80,721</u>
Net Cash Provided By Operating Activities	108,587	844,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements from nonfederal funds	(623,977)	(281,859)
Loan disbursements from federal funds	(287,013)	(1,118,716)
Principal payments received on loans, net	1,072,780	1,029,876
Recovery of previously charged off loans	<u>56,292</u>	<u>20,884</u>
Net Cash Provided By (Used In) Investing Activities	218,082	(349,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on note payable - City of Fort Wayne	(10,000)	(10,000)
Transfer of CDBG funds to the City of Fort Wayne	(154,487)	(263,499)
Transfer of funds from the City of Fort Wayne	<u>83,745</u>	<u>86,039</u>
Net Cash Used In Financing Activities	<u>(80,742)</u>	<u>(187,460)</u>
NET INCREASE IN CASH	245,927	307,328
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,852,780</u>	<u>2,545,452</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,098,707</u>	<u>\$ 2,852,780</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Loans charged-off	\$ 343,396	\$ 115,228

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements
December 31, 2011 and 2010

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 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.

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.

Estimates:

Preparation of the 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, 2011, CDC held accounts at eleven area financial institutions. Amounts in excess of FDIC and NCUA coverage at December 31, 2011 and 2010, amounted to \$621,024 and \$431,270, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Loans Receivable:

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. All loans are evaluated for impairment on an individual basis. 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.

Loan interest revenue is recognized on the accrual basis. The CDC does not place loans on nonaccrual status, and continues to accrue interest on loans until they are written off as uncollectible.

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.

Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amounts charged in 2011 and 2010 were \$11,771 and \$11,164, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes:

Community Development Corporation of Fort Wayne is a tax-exempt not-for-profit organization under Section 501(c)(6) of the Internal Revenue Code. Therefore, no provision for income taxes is included in these statements.

The accounting standard which provides guidance on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2011. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2008.

Subsequent Events:

CDC's management has evaluated events and transactions for possible recognition or disclosure through March 14, 2012, the date the financial statements were available to be issued.

Note 2. Loans, Credit Quality and the Allowance for Loan Losses

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 \$19,671,038 and \$18,339,662 at December 31, 2011 and 2010, respectively.

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2. Loans, Credit Quality and the Allowance for Loan Losses (Continued)

At December 31, 2011 and 2010, 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>2011</u>	<u>2010</u>
SBA 504 loans	\$ 4,288,271	\$ 3,042,895
All other CDC loans	<u>-</u>	<u>125,250</u>
	<u>\$ 4,288,271</u>	<u>\$ 3,168,145</u>

Loans, as presented on the statements of financial position, consist of the following elements:

	<u>2011</u>	<u>2010</u>
Industrial, manufacturing and wholesale loans:		
Real estate held loans	\$ 3,137,823	\$ 3,726,955
Equipment held loans	176,226	307,636
Other collateral held loans	<u>1,157,215</u>	<u>1,262,862</u>
Total industrial, manufacturing and wholesale loans	4,471,264	5,297,453
Retail loans:		
Real estate held loans	306,962	282,266
Other collateral held loans	<u>56,803</u>	<u>29,659</u>
Total retail loans	<u>363,765</u>	<u>311,925</u>
Service loans:		
Real estate held loans	937,464	717,510
Equipment held loans	70,016	7,413
Other collateral held loans	<u>36,960</u>	<u>50,354</u>
Total service loans	<u>1,044,440</u>	<u>775,277</u>
Total Gross Loans	5,879,469	6,384,655
Less: Allowance for loan losses	<u>211,896</u>	<u>424,000</u>
Loans - Net	<u>\$ 5,667,573</u>	<u>\$ 5,960,655</u>

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2. Loans, Credit Quality and the Allowance for Loan Losses (Continued):

Effective for year ending December 31, 2011, CDC has adopted new disclosure requirements that require the allocation of the allowance for loan losses to portfolio segments and enhanced disclosures related to credit quality by type and classification of loans. While the allowance for loan losses is allocated for purposes of disclosure to various loan portfolio segments, the entire allowance is available to absorb credit losses from any segment. Since the new disclosure requirements are first applicable for years ending 2011, certain disclosures are presented on a detail basis only for the current year.

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

	<u>January 1,</u> <u>2011</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31,</u> <u>2011</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 71,186	\$ (28,966)	\$ 50,200	\$ -	\$ 92,420
Equipment held loans	769	33,365	650	-	34,784
Other collateral held loans	<u>308,150</u>	<u>(15,086)</u>	<u>4,642</u>	<u>(288,903)</u>	<u>8,803</u>
Total industrial, manufacturing and wholesale loans	380,105	(10,687)	55,492	(288,903)	136,007
Retail loans:					
Real estate held loans	14,190	42,685	-	(30,557)	26,318
Other collateral held loans	<u>1,483</u>	<u>(1,341)</u>	<u>-</u>	<u>-</u>	<u>142</u>
Total retail loans	15,673	41,344	-	(30,557)	26,460
Service loans:					
Real estate held loans	26,788	46,362	-	(23,936)	49,214
Equipment held loans	371	(196)	-	-	175
Other collateral held loans	<u>1,063</u>	<u>(1,823)</u>	<u>800</u>	<u>-</u>	<u>40</u>
Total service loans	<u>28,222</u>	<u>44,343</u>	<u>800</u>	<u>(23,936)</u>	<u>49,429</u>
Total	<u>\$ 424,000</u>	<u>\$ 75,000</u>	<u>\$ 56,292</u>	<u>\$ (343,396)</u>	<u>\$ 211,896</u>

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2. Loans, Credit Quality and the Allowance for Loan Losses (Continued):

	<u>January 1, 2010</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 2010</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 66,607	\$ (220)	\$ 4,799	\$ -	\$ 71,186
Equipment held loans	20,189	(8,682)	-	(10,738)	769
Other collateral held loans	<u>251,360</u>	<u>51,649</u>	<u>5,141</u>	<u>-</u>	<u>308,150</u>
Total industrial, manufacturing and wholesale loans	338,156	42,747	9,940	(10,738)	380,105
Retail loans:					
Real estate held loans	10,697	2,693	800	-	14,190
Other collateral held loans	<u>-</u>	<u>1,483</u>	<u>-</u>	<u>-</u>	<u>1,483</u>
Total retail loans	10,697	4,176	800	-	15,673
Service loans:					
Real estate held loans	19,307	23,268	10,000	(25,787)	26,788
Equipment held loans	-	26,098	-	(25,727)	371
Other collateral held loans	<u>6,840</u>	<u>47,055</u>	<u>144</u>	<u>(52,976)</u>	<u>1,063</u>
Total service loans	<u>26,147</u>	<u>96,421</u>	<u>10,144</u>	<u>(104,490)</u>	<u>28,222</u>
Total	<u>\$ 375,000</u>	<u>\$ 143,344</u>	<u>\$ 20,884</u>	<u>\$ (115,228)</u>	<u>\$ 424,000</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2. Loans, Credit Quality and the Allowance for Loan Losses (Continued):

Credit Quality Indicators:

The internal grading scale is as follows for assessment of credit risk and for allowance of loan loss purposes:

- Excellent - Account that is secured by cash-like collateral which may include but is not limited to, bank certificate of deposit, savings or money market account, securities or letter of credit in an amount equal or greater than the outstanding loan balance. There is no calculation of loss reserve for accounts rated in this category.
- Above Average - Accounts greater than 1 year old paying by monthly paper check and has satisfactory annual financial performance. New borrowers greater than 6 months old, paid with satisfactory ACH payment history or new accounts by a current borrower that would warrant an upgraded status based on past experience of payment history.
- Average - New borrower less than 1 year old paying monthly by paper check or new borrower less than 6 months paying via ACH. Existing borrower that may have had occasional delinquent payments.
- Special Mention - Accounts which have consistent delinquent payments due to varying reasons of cyclical business, but sufficient collateral in which to rely upon or accounts that may have downward consistent financial trends.
- Substandard - Accounts that are in serious delinquency, likelihood of charge-off or liquidation within 1 year with limited collateral or repayment ability.
- Special Allowance - Accounts that are in serious delinquency, likelihood of charge-off or liquidation within several months with extremely limited collateral or repayment ability.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2. Loans, Credit Quality and the Allowance for Loan Losses (Continued):

The loan rating report is reviewed on a semi-annual basis by CDC staff and management. The following table summarizes the credit risk profile for CDC's commercial portfolio by risk grade as of December 31, 2011:

	<u>Excellent</u>	<u>Above Average</u>	<u>Average</u>	<u>Special Mention</u>	<u>Sub- standard</u>	<u>Special Allowance</u>	<u>Total</u>
Industrial, manufacturing, and wholesale loans:							
Real estate held loans	\$ -	\$ 2,796,002	\$ 146,250	\$ 195,571	-	-	\$ 3,137,823
Equipment held loans	-	141,797	-	-	-	34,429	176,226
Other collateral held loans	-	-	-	-	-	-	-
	<u>89,312</u>	<u>981,946</u>	<u>80,100</u>	<u>5,857</u>	<u>-</u>	<u>-</u>	<u>1,157,215</u>
 Total industrial, manufacturing, and wholesale	 89,312	 3,919,745	 226,350	 201,428	 -	 34,429	 4,471,264
Retail loans:							
Real estate held loans	-	224,182	60,024	-	-	22,756	306,962
Other collateral held loans	-	56,803	-	-	-	-	56,803
Total retail	<u>-</u>	<u>280,985</u>	<u>60,024</u>	<u>-</u>	<u>-</u>	<u>22,756</u>	<u>363,765</u>
Service loans:							
Real estate held loans	-	645,649	197,502	94,313	-	-	937,464
Equipment held loans	-	70,016	-	-	-	-	70,016
Other collateral held loans	-	-	-	-	-	-	-
	<u>20,998</u>	<u>15,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,960</u>
Total service	<u>20,998</u>	<u>731,627</u>	<u>197,502</u>	<u>94,313</u>	<u>-</u>	<u>-</u>	<u>1,044,440</u>
Total loans	<u>\$ 110,310</u>	<u>\$ 4,932,357</u>	<u>\$ 483,876</u>	<u>\$ 295,741</u>	<u>-</u>	<u>\$ 57,185</u>	<u>\$ 5,879,469</u>

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 2. Loans, Credit Quality and the Allowance for Loan Losses (Continued):

The following table summarizes CDC's loans by class and delinquency category at December 31, 2011:

	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90+ Days Past Due</u>	<u>Total Loans</u>	<u>90+ Days Past Due, Accruing</u>
Industrial, manufacturing, and wholesale loans:					
Real estate held loans	\$ 2,813,038	\$ 129,214	\$ 195,571	\$ 3,137,823	\$ 195,571
Equipment held loans	141,796	34,430	-	176,226	-
Other collateral held loans	<u>1,151,358</u>	<u>-</u>	<u>5,857</u>	<u>1,157,215</u>	<u>5,857</u>
Total industrial manufacturing, and wholesale loans	4,106,192	163,644	201,428	4,471,264	201,428
Retail loans:					
Real estate held loans	306,962	-	-	306,962	-
Other collateral held loans	<u>56,803</u>	<u>-</u>	<u>-</u>	<u>56,803</u>	<u>-</u>
Total retail loans	<u>363,765</u>	<u>-</u>	<u>-</u>	<u>363,765</u>	<u>-</u>
Service loans:					
Real estate held loans	801,648	41,503	94,313	937,464	94,313
Equipment held loans	70,016	-	-	70,016	-
Other collateral held loans	<u>36,960</u>	<u>-</u>	<u>-</u>	<u>36,960</u>	<u>-</u>
Total service loans	<u>908,624</u>	<u>41,503</u>	<u>94,313</u>	<u>1,044,440</u>	<u>94,313</u>
Total Loans	<u>\$ 5,378,581</u>	<u>\$ 205,147</u>	<u>\$ 295,741</u>	<u>\$ 5,879,469</u>	<u>\$ 295,741</u>

At December 31, 2010, the outstanding balance of loans delinquent for more than ninety days and still accruing interest, based on the term of the contract, was \$299,821.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

Note 3. Note Payable - City of Fort Wayne

CDC has a promissory note agreement with the City of Fort Wayne. The funds were used to assist in funding the Fort Wayne Opportunity revolving loan fund. The \$50,000 non-interest bearing note is being repaid in 5 annual installments of \$10,000 beginning in April 2008 and maturing in April 2012. Collateral for the loan consists of all accounts receivable, depository accounts, and investment earnings. The outstanding balance under this agreement at December 31, 2011 and 2010, was \$10,000 and \$20,000, respectively.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010, are available for the following loan programs in accordance with established guidelines:

	2011	2010
Industrial Development Revolving Loan Programs:		
Economic Development Administration	\$ 4,705,144	\$ 4,666,687
CEDIT - Fort Wayne	170,015	86,174
Community Development Block Grant	660,109	724,732
Urban Development Action Grant	80,377	82,503
Investment Incentive Program - City	254,417	267,536
Investment Incentive Program - County	216,385	224,461
Revenue Sharing	5,212	4,921
	6,091,659	6,057,014
Other Loan Programs:		
Fort Wayne - Allen County Opportunity Loan Fund	1,268,125	1,339,956
Enterprise Zone Revolving Loan Fund	564,343	578,295
Rural Development Loan Fund	131,413	131,037
	1,963,881	2,049,288
	\$ 8,055,540	\$ 8,106,302

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

Note 5. New Funding

In 2010, Allen County granted CDC \$500,000 to utilize in their Fort Wayne Opportunity loan fund program. Previously, this program was restricted to City limits only. With this grant, the CDC was able to broaden its boundaries to Allen County. The program name was changed to Fort Wayne-Allen County Opportunity Fund. In addition, new funding of \$7,350 and \$27,650 was received from the United States Department of Agriculture for the Rural Development Loan Fund in 2011 and 2010, respectively.

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Notes to Financial Statements (Continued)
December 31, 2011 and 2010

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 (CDBG) funding used in CDC's loan programs be returned to the City. The loan programs affected include the Facade Rehabilitation Loan Fund (paid off in 2008), the Fort Wayne Opportunity Loan Fund (FWOF) and the Economic Development Administration Fund (EDA). The undisbursed funds "on hand" were returned in 2007. The remaining outstanding loan balances of principal and interest are being paid back to the City on a quarterly basis as they are collected and mature through 2022. The CDC receives a administrative fee of 15% of the collections. A summary of the payments made during the year to the City, and the outstanding loans receivable at December 31 that will be returned to the City, is as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Returned to the City</u>	<u>Loans Receivable to be Returned</u>	<u>Returned to the City</u>	<u>Loans Receivable to be Returned</u>
FWOF	55,963	305,758	162,276	389,438
EDA	<u>98,524</u>	<u>696,779</u>	<u>101,223</u>	<u>761,231</u>
	<u>\$ 154,487</u>	<u>\$ 1,002,537</u>	<u>\$ 263,499</u>	<u>\$ 1,150,669</u>

Beginning in 2010, the City of Fort Wayne agreed to assist CDC with replacing the EDA program funds with CEDIT funds. The EDA requires that any funds placed in the loan program must remain in the loan program; therefore, the CDC must replace the CDBG funds that are being returned to the City dollar for dollar. CDC provides invoices to the City on a quarterly basis and receives CEDIT funds to replace the CDBG funds, less the 15% administrative fee. CEDIT funds received from the City during the years ended December 31, 2011 and 2010, were \$83,745 and \$86,039, respectively.

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture/Rural Business- Cooperative Service:		
Rural Business Enterprise Grant	10.769	\$ 75,000
U.S. Department of Commerce Economic Development Administration:		
Pass-through From City of Fort Wayne Division of Community and Economic Development Economic Development Grant	11.307	<u>4,853,680</u>
TOTAL		\$ <u>4,928,680</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, 2011

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.

Note 3. Calculation of EDA Expenditures

The EDA expenditure amount was calculated as follows:

1. Balance of RLF loans outstanding at year end	\$ 4,181,112
2. Cash and investment balance at year end	1,973,249
3. Administrative expenses for the year*	155,359
4. Unpaid principal of all loans written off during the year	<u>288,903</u>
	6,598,623
5. Federal share of the RLF	<u>73.56 %</u>
Federal expenditures	<u>\$ 4,853,680</u>

* This line item does not include an allowance for loan losses.



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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, 2011, and have issued our report thereon dated March 14, 2012. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, the audit and budget committee, the board of directors, others within the entity, 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 14, 2012



Certified Public Accountants • Business Consultants

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on 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 Community Development Corporation of Fort Wayne's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Development Corporation of Fort Wayne's major federal programs for the year ended December 31, 2011. 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 of Community Development Corporation of Fort Wayne's compliance with those requirements.

In our opinion, Community Development Corporation of Fort Wayne complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 internal control over compliance exists when the design or operation of a control over compliance 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 in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, 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 deficiencies, 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.

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

This report is intended solely for the information and use of management, the audit and budget committee, 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 14, 2012

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	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, 2011

Section II - Financial Statement Findings

No Findings for 2011

Section III - Federal Award Findings and Questioned Costs

Finding 2011-01: (repeat finding) Economic Development Administration (EDA) - CFDA No. 11.307; Grant No. 06-19-01917; 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, \$112,199 during 2009, \$101,223 during 2010 and \$98,524 during 2011. As of December 31, 2011, loans receivable related to CDBG dollars in the EDA fund totaled \$696,779. 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 no longer available to the CDC and; therefore, is not considered available as match funds.

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: The decision by the City of Fort Wayne to re-program these funds was within its discretion. As of January 1, 2010, the City of Fort Wayne agreed to replace the CDBG dollars being returned to the City with CREDIT funds. While this resolves the match issue from January 1, 2010 going forward, it does not solve the monies already returned during 2007 - 2009. For the amounts prior to 2010, CDC is in correspondence with the EDA to determine the amount that must be replaced to maintain the appropriate federal to local share percentage.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Summary Schedule of Prior Findings and Questioned Costs Year Ended December 31, 2011

Section II - Financial Statement Findings

No findings for 2010

Section III - Federal Award Findings and Questioned Costs

Finding 2010-01, 2009-02, 2008-03: Economic Development Administration (EDA) - CFDA No. 11.307; Grant No. 06-19-01917; 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, \$112,199 during 2009, and \$101,223 during 2010. As of December 31, 2010, loans receivable related to CDBG dollars in the EDA fund totaled \$761,231. 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 no longer available to the CDC and; therefore, is not considered available as match funds.

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: The decision by the City of Fort Wayne to re-program these funds was within its discretion. As of January 1, 2010, the City of Fort Wayne agreed to replace the CDBG dollars being returned to the City with CEDIT funds. While this resolves the match issue from January 1, 2010 going forward, it does not solve the monies already returned during 2007 - 2009. For the amounts prior to 2010, CDC is in correspondence with the EDA to determine the amount that must be replaced to maintain the appropriate federal to local share percentage.