



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B44438

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

November 10, 2014

Board of Directors  
Community Development Corporation of Fort Wayne  
200 East 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, 2012 to December 31, 2012. 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, 2012, 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 a federal award finding in the report. Please refer to the Schedule of Findings and Questioned Costs for complete details of the finding.

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

*Financial Statements*

**Community Development  
Corporation of Fort Wayne**

December 31, 2012 and 2011

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

*Financial Statements with Accompanying Information*  
December 31, 2012 and 2011

---

## **INDEX**

|  | <b>PAGE</b>  |
|--|--------------|
| <b>INDEPENDENT AUDITORS' REPORT</b>  | <b>1 - 2</b> |
| <b>FINANCIAL STATEMENTS</b>  |              |
| Statements of Financial Position   | 3            |
| Statements of Activities   | 4 - 5        |
| Statements of Cash Flows   | 6            |
| Notes to Financial Statements  | 7 - 19       |
| <b>ACCOMPANYING INFORMATION</b>  |              |
| Schedule of Expenditures of Federal Awards   | 20           |
| Notes to Schedule of Expenditures of Federal Awards  | 21           |
| Independent Auditors' Report on Internal Control Over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with Government Auditing Standards | 22 - 23      |
| Independent Auditors' Report on Compliance For Each Major Program and<br>on Internal Control Over Compliance Required by OMB Circular A-133  | 24 - 25      |
| Schedule of Findings and Questioned Costs  | 26 - 27      |
| Summary Schedule of Prior Findings and Questioned Costs  | 28           |



Certified Public Accountants • Business Consultants

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community Development Corporation of Fort Wayne (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Development Corporation of Fort Wayne's internal control over financial reporting and compliance.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
March 13, 2013

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

## **Statements of Financial Position December 31, 2012 and 2011**

|   | <u>2012</u>                              | <u>2011</u>                |
|---|--|----------------------------|
|   | <b><u>ASSETS</u></b>                     |                            |
| Cash and cash equivalents   | \$ 3,027,406                             | \$ 2,645,792               |
| Restricted cash and cash equivalents:   |  |                            |
| Economic Development Administration loans   | <u>452,408</u>                           | <u>452,915</u>             |
| Total cash and cash equivalents   | 3,479,814                                | 3,098,707                  |
| Accrued interest receivable - loans   | 22,708                                   | 28,611                     |
| Accrued interest receivable - investments   | 1,586                                    | 5,203                      |
| Other receivables   | 21,598                                   | 24,921                     |
| Loans receivable (net of allowance for loan losses of<br>\$221,121 in 2012 and \$211,896 in 2011) | <u>5,392,887</u>                         | <u>5,667,573</u>           |
| <b>TOTAL ASSETS</b>   | <b>\$ <u>8,918,593</u></b>               | <b>\$ <u>8,825,015</u></b> |
|   | <b><u>LIABILITIES AND NET ASSETS</u></b> |                            |
| <b>LIABILITIES</b>  |  |                            |
| Accounts payable  | \$ 61,715                                | \$ 66,708                  |
| Note payable - City of Fort Wayne   | <u>-</u>                                 | <u>10,000</u>              |
| Total Liabilities   | 61,715                                   | 76,708                     |
| <b>NET ASSETS</b>   |  |                            |
| Unrestricted  | 871,360                                  | 692,767                    |
| Temporarily restricted  | <u>7,985,518</u>                         | <u>8,055,540</u>           |
| Total Net Assets  | <u>8,856,878</u>                         | <u>8,748,307</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b>\$ <u>8,918,593</u></b>               | <b>\$ <u>8,825,015</u></b> |

See Notes to Financial Statements.

# COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

## Statements of Activities

Years Ended December 31, 2012 and 2011

|  | 2012              |                           |                     |
|--|-------------------|---------------------------|---------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Totals              |
| <b>REVENUE AND SUPPORT</b>   |                   |                           |                     |
| USDA funding   | \$ -              | \$ -                      | \$ -                |
| Loan interest (net)  | 1,632             | 233,954                   | 235,586             |
| Investment interest  | 1,295             | 5,081                     | 6,376               |
| Loan application and commitment fees   | 260,375           | 22,447                    | 282,822             |
| Administrative fee   | 53,946            | -                         | 53,946              |
| Donated personnel services   | 85,523            | -                         | 85,523              |
| Net assets released from restrictions due to<br>satisfaction of purpose restrictions | <u>204,238</u>    | <u>(204,238)</u>          | <u>-</u>            |
| Total Revenue and Support  | 607,009           | 57,244                    | 664,253             |
| <b>EXPENSES</b>  |                   |                           |                     |
| Advertising  | 15,255            | -                         | 15,255              |
| Bad debt expense   | -                 | -                         | -                   |
| Contract services  | 240,904           | -                         | 240,904             |
| Credit reports   | 2,752             | -                         | 2,752               |
| Directors' liability insurance   | 3,233             | -                         | 3,233               |
| Fee and license expense  | 6,707             | -                         | 6,707               |
| In-kind personnel services   | 85,523            | -                         | 85,523              |
| Legal and professional fees  | 17,917            | -                         | 17,917              |
| Meetings, conferences, annual report   | 1,064             | -                         | 1,064               |
| Miscellaneous expense  | 1,803             | -                         | 1,803               |
| Office supplies/computer services  | 21,207            | -                         | 21,207              |
| Printing and postage   | 4,153             | -                         | 4,153               |
| Problem loan expenses  | 9,062             | -                         | 9,062               |
| Seminars, training   | 15,612            | -                         | 15,612              |
| Telephone  | -                 | -                         | -                   |
| Travel   | <u>3,224</u>      | <u>-</u>                  | <u>3,224</u>        |
| Total Expenses   | <u>428,416</u>    | <u>-</u>                  | <u>428,416</u>      |
| <b>CHANGE IN NET ASSETS</b>  | 178,593           | 57,244                    | 235,837             |
| <b>TRANSFER OF NET ASSETS - OUT</b>  | -                 | (357,637)                 | (357,637)           |
| <b>TRANSFER OF NET ASSETS - IN</b>   | -                 | 230,371                   | 230,371             |
| <b>NET ASSETS, BEGINNING OF YEAR</b>   | <u>692,767</u>    | <u>8,055,540</u>          | <u>8,748,307</u>    |
| <b>NET ASSETS, END OF YEAR</b>   | <u>\$ 871,360</u> | <u>\$ 7,985,518</u>       | <u>\$ 8,856,878</u> |

See Notes to Financial Statements.

---

| 2011                |                                   |                     |
|---------------------|-----------------------------------|---------------------|
| <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Totals</u>       |
| \$ -                | \$ 7,350                          | \$ 7,350            |
| 1,912               | 256,442                           | 258,354             |
| 4,949               | 11,131                            | 16,080              |
| 158,793             | 9,881                             | 168,674             |
| 23,173              | -                                 | 23,173              |
| 83,010              | -                                 | 83,010              |
| <u>264,824</u>      | <u>(264,824)</u>                  | <u>-</u>            |
| 536,661             | 19,980                            | 556,641             |
| 11,771              | -                                 | 11,771              |
| 75,000              | -                                 | 75,000              |
| 205,251             | -                                 | 205,251             |
| 2,482               | -                                 | 2,482               |
| 3,233               | -                                 | 3,233               |
| 5,529               | -                                 | 5,529               |
| 83,010              | -                                 | 83,010              |
| 11,622              | -                                 | 11,622              |
| 900                 | -                                 | 900                 |
| 1,706               | -                                 | 1,706               |
| 14,382              | -                                 | 14,382              |
| 6,266               | -                                 | 6,266               |
| 19,952              | -                                 | 19,952              |
| 8,831               | -                                 | 8,831               |
| 236                 | -                                 | 236                 |
| <u>3,618</u>        | <u>-</u>                          | <u>3,618</u>        |
| <u>453,789</u>      | <u>-</u>                          | <u>453,789</u>      |
| 82,872              | 19,980                            | 102,852             |
| -                   | (154,487)                         | (154,487)           |
| -                   | 83,745                            | 83,745              |
| <u>609,895</u>      | <u>8,106,302</u>                  | <u>8,716,197</u>    |
| <u>\$ 692,767</u>   | <u>\$ 8,055,540</u>               | <u>\$ 8,748,307</u> |



# COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

## Statements of Cash Flows

Years Ended December 31, 2012 and 2011

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Change in net assets  | \$ 235,837          | \$ 102,852          |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities: |                     |                     |
| Bad debt expense  | -                   | 75,000              |
| (Increase) Decrease in Assets:  |                     |                     |
| Accrued interest receivable - loans   | 5,903               | (1,591)             |
| Accrued interest receivable - investments   | 3,617               | (1,339)             |
| Other receivables   | 3,323               | 15,259              |
| Increase (Decrease) in Liabilities:   |                     |                     |
| Accounts payable  | <u>(4,993)</u>      | <u>(81,594)</u>     |
| Net Cash Provided By Operating Activities   | 243,687             | 108,587             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Loan disbursements from nonfederal funds  | (520,434)           | (623,977)           |
| Loan disbursements from federal funds   | (734,266)           | (287,013)           |
| Principal payments received on loans, net   | 1,490,597           | 1,072,780           |
| Recovery of previously charged off loans  | <u>38,789</u>       | <u>56,292</u>       |
| Net Cash Provided By Investing Activities   | 274,686             | 218,082             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Payment on note payable - City of Fort Wayne  | (10,000)            | (10,000)            |
| Transfer of CDBG funds to the City of Fort Wayne  | (357,637)           | (154,487)           |
| Transfer of funds from the City of Fort Wayne   | <u>230,371</u>      | <u>83,745</u>       |
| Net Cash Used In Financing Activities   | <u>(137,266)</u>    | <u>(80,742)</u>     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 381,107             | 245,927             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <u>3,098,707</u>    | <u>2,852,780</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>\$ 3,479,814</u> | <u>\$ 3,098,707</u> |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>                                |                     |                     |
| Loans charged-off   | \$ 29,564           | \$ 343,396          |

See Notes to Financial Statements.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

*Notes to Financial Statements*  
December 31, 2012 and 2011

---

## **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 sponsored by the City of Fort Wayne for the purpose of providing low interest, secured loans to new and expanding businesses. CDC is funded through government revolving loan programs, along with fees collected from borrowers on the SBA 504 loan program. Most loan programs administered by the CDC are for the use of businesses in Allen County. Funding through the U.S. Department of Agriculture allows the CDC to service an eight 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 consist of checking, savings and money market accounts, and certificates of deposit with maturities of twelve months or less.

At December 31, 2012, CDC held accounts at ten area financial institutions. Amounts in excess of FDIC and NCUA coverage at December 31, 2012 and 2011, amounted to \$1,101,176 and \$621,024, respectively.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

## ***Notes to Financial Statements (Continued)*** **December 31, 2012 and 2011**

---

### **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 2012 and 2011 were \$15,255 and \$11,771, respectively.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
**December 31, 2012 and 2011**

---

**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, 2012. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2009.

**Subsequent Events:**

CDC's management has evaluated events and transactions for possible recognition or disclosure through March 13, 2013, 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 \$27,762,782 and \$19,671,038 at December 31, 2012 and 2011, respectively.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

## **Notes to Financial Statements (Continued)** December 31, 2012 and 2011

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

At December 31, 2012 and 2011, 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>2012</u>          | <u>2011</u>         |
|---------------------|----------------------|---------------------|
| SBA 504 loans       | \$ 11,292,946        | \$ 4,288,271        |
| All other CDC loans | <u>903,500</u>       | <u>-</u>            |
|                     | <u>\$ 12,196,446</u> | <u>\$ 4,288,271</u> |

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

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| Industrial, manufacturing and wholesale loans:      |                     |                     |
| Real estate held loans                              | \$ 2,872,674        | \$ 3,137,823        |
| Equipment held loans                                | 303,248             | 176,226             |
| Other collateral held loans                         | <u>1,242,795</u>    | <u>1,157,215</u>    |
| Total industrial, manufacturing and wholesale loans | 4,418,717           | 4,471,264           |
| Retail loans:                                       |                     |                     |
| Real estate held loans                              | 277,558             | 306,962             |
| Other collateral held loans                         | <u>38,038</u>       | <u>56,803</u>       |
| Total retail loans                                  | 315,596             | 363,765             |
| Service loans:                                      |                     |                     |
| Real estate held loans                              | 787,787             | 937,464             |
| Equipment held loans                                | 60,086              | 70,016              |
| Other collateral held loans                         | <u>31,822</u>       | <u>36,960</u>       |
| Total service loans                                 | <u>879,695</u>      | <u>1,044,440</u>    |
| Total Gross Loans                                   | 5,614,008           | 5,879,469           |
| Less: Allowance for loan losses                     | <u>221,121</u>      | <u>211,896</u>      |
| Loans - Net   | <u>\$ 5,392,887</u> | <u>\$ 5,667,573</u> |

# COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

## Notes to Financial Statements (Continued) December 31, 2012 and 2011

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

Effective for year ending December 31, 2011, CDC 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.

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

|   | January 1,<br>2012 | Provision       | Recoveries       | Charge-Offs        | December 31,<br>2012 |
|---|--------------------|-----------------|------------------|--------------------|----------------------|
| Industrial, manufacturing and<br>wholesale loans:         |                    |                 |                  |                    |                      |
| Real estate held loans                                    | \$ 92,420          | \$ 47,115       | \$ 7,729         | \$ -               | \$ 147,264           |
| Equipment held loans                                      | 34,784             | 4,386           | -                | -                  | 39,170               |
| Other collateral held loans                               | <u>8,803</u>       | <u>(3,009)</u>  | <u>-</u>         | <u>-</u>           | <u>5,794</u>         |
| Total industrial,<br>manufacturing and<br>wholesale loans | 136,007            | 48,492          | 7,729            | -                  | 192,228              |
| Retail loans:   |                    |                 |                  |                    |                      |
| Real estate held loans                                    | 26,318             | 11,440          | -                | (29,564)           | 8,194                |
| Other collateral held loans                               | <u>142</u>         | <u>(37)</u>     | <u>-</u>         | <u>-</u>           | <u>105</u>           |
| Total retail loans  | 26,460             | 11,403          | -                | (29,564)           | 8,299                |
| Service loans:  |                    |                 |                  |                    |                      |
| Real estate held loans                                    | 49,214             | (59,902)        | 31,060           | -                  | 20,372               |
| Equipment held loans                                      | 175                | (10)            | -                | -                  | 165                  |
| Other collateral held loans                               | <u>40</u>          | <u>17</u>       | <u>-</u>         | <u>-</u>           | <u>57</u>            |
| Total service loans                                       | <u>49,429</u>      | <u>(59,895)</u> | <u>31,060</u>    | <u>-</u>           | <u>20,594</u>        |
| Total   | <u>\$ 211,896</u>  | <u>\$ -</u>     | <u>\$ 38,789</u> | <u>\$ (29,564)</u> | <u>\$ 221,121</u>    |

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

*Notes to Financial Statements (Continued)*  
December 31, 2012 and 2011

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

|   | <u>January 1,<br/>2011</u> | <u>Provision</u> | <u>Recoveries</u> | <u>Charge-Offs</u>  | <u>December 31,<br/>2011</u> |
|---|----------------------------|------------------|-------------------|---------------------|------------------------------|
| Industrial, manufacturing and<br>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,<br>manufacturing and<br>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, 2012 and 2011

---

**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, 2012 and 2011

### 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, 2012:

|  | <u>Excellent</u> | <u>Above<br/>Average</u> | <u>Average</u>    | <u>Special<br/>Mention</u> | <u>Sub-<br/>standard</u> | <u>Special<br/>Allowance</u> | <u>Total</u>        |
|--|------------------|--------------------------|-------------------|----------------------------|--------------------------|------------------------------|---------------------|
| Industrial, manufacturing<br>and wholesale loans:    |                  |                          |                   |                            |                          |                              |                     |
| Real estate held loans                               | \$ -             | \$ 2,576,147             | \$ 161,523        | \$ 26,385                  | \$ -                     | \$ 108,619                   | \$ 2,872,674        |
| Equipment held loans                                 | -                | 114,205                  | 154,614           | -                          | 34,429                   | -                            | 303,248             |
| Other collateral held loans                          | <u>47,369</u>    | <u>1,179,764</u>         | <u>11,297</u>     | <u>4,365</u>               | <u>-</u>                 | <u>-</u>                     | <u>1,242,795</u>    |
| Total industrial,<br>manufacturing, and<br>wholesale | 47,369           | 3,870,116                | 327,434           | 30,750                     | 34,429                   | 108,619                      | 4,418,717           |
| Retail loans:  |                  |                          |                   |                            |                          |                              |                     |
| Real estate held loans                               | -                | 260,589                  | -                 | 16,969                     | -                        | -                            | 277,558             |
| Other collateral held loans                          | <u>-</u>         | <u>38,038</u>            | <u>-</u>          | <u>-</u>                   | <u>-</u>                 | <u>-</u>                     | <u>38,038</u>       |
| Total retail   | -                | 298,627                  | -                 | 16,969                     | -                        | -                            | 315,596             |
| Service loans:                                       |                  |                          |                   |                            |                          |                              |                     |
| Real estate held loans                               | -                | 657,971                  | 100,222           | 29,594                     | -                        | -                            | 787,787             |
| Equipment held loans                                 | -                | 60,086                   | -                 | -                          | -                        | -                            | 60,086              |
| Other collateral held loans                          | <u>11,082</u>    | <u>20,740</u>            | <u>-</u>          | <u>-</u>                   | <u>-</u>                 | <u>-</u>                     | <u>31,822</u>       |
| Total service  | <u>11,082</u>    | <u>738,797</u>           | <u>100,222</u>    | <u>29,594</u>              | <u>-</u>                 | <u>-</u>                     | <u>879,695</u>      |
| Total loans  | <u>\$ 58,451</u> | <u>\$ 4,907,540</u>      | <u>\$ 427,656</u> | <u>\$ 77,313</u>           | <u>\$ 34,429</u>         | <u>\$ 108,619</u>            | <u>\$ 5,614,008</u> |

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

*Notes to Financial Statements (Continued)*  
December 31, 2012 and 2011

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

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<br/>Average</u> | <u>Average</u>    | <u>Special<br/>Mention</u> | <u>Sub-<br/>standard</u> | <u>Special<br/>Allowance</u> | <u>Total</u>        |
|--|-------------------|--------------------------|-------------------|----------------------------|--------------------------|------------------------------|---------------------|
| Industrial, manufacturing,<br>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>1,157,215</u>    |
| Total industrial,<br>manufacturing, and<br>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                          | <u>-</u>          | <u>56,803</u>            | <u>-</u>          | <u>-</u>                   | <u>-</u>                 | <u>-</u>                     | <u>56,803</u>       |
| Total retail   | -                 | 280,985                  | 60,024            | -                          | -                        | 22,756                       | 363,765             |
| 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, 2012 and 2011

**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, 2012:

|   | <u>Current</u>      | <u>30-89 Days<br/>Past Due</u> | <u>90+ Days<br/>Past Due</u> | <u>Total Loans</u>  | <u>90+ Days Past<br/>Due, Accruing</u> |
|---|---------------------|--------------------------------|------------------------------|---------------------|--|
| Industrial,<br>manufacturing, and<br>wholesale loans:     |                     |                                |                              |                     |  |
| Real estate held loans                                    | \$ 2,662,046        | \$ 26,385                      | \$ 184,243                   | \$ 2,872,674        | \$ 184,243                             |
| Equipment held loans                                      | 268,818             | -                              | 34,430                       | 303,248             | 34,430                                 |
| Other collateral held loans                               | <u>1,231,498</u>    | <u>-</u>                       | <u>11,297</u>                | <u>1,242,795</u>    | <u>11,297</u>                          |
| Total industrial<br>manufacturing, and<br>wholesale loans | 4,162,362           | 26,385                         | 229,970                      | 4,418,717           | 229,970                                |
| Retail loans:   |                     |                                |                              |                     |  |
| Real estate held loans                                    | 244,012             | 33,546                         | -                            | 277,558             | -                                      |
| Other collateral held loans                               | <u>38,038</u>       | <u>-</u>                       | <u>-</u>                     | <u>38,038</u>       | <u>-</u>                               |
| Total retail loans  | 282,050             | 33,546                         | -                            | 315,596             | -                                      |
| Service loans:  |                     |                                |                              |                     |  |
| Real estate held loans                                    | 736,423             | 21,770                         | 29,594                       | 787,787             | 29,594                                 |
| Equipment held loans                                      | 60,086              | -                              | -                            | 60,086              | -                                      |
| Other collateral held loans                               | <u>31,822</u>       | <u>-</u>                       | <u>-</u>                     | <u>31,822</u>       | <u>-</u>                               |
| Total service loans                                       | <u>828,331</u>      | <u>21,770</u>                  | <u>29,594</u>                | <u>879,695</u>      | <u>29,594</u>                          |
| Total Loans   | <u>\$ 5,272,743</u> | <u>\$ 81,701</u>               | <u>\$ 259,564</u>            | <u>\$ 5,614,008</u> | <u>\$ 259,564</u>                      |

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

*Notes to Financial Statements (Continued)*  
December 31, 2012 and 2011

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

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

|  | <u>Current</u>      | <u>30-89 Days<br/>Past Due</u> | <u>90+ Days<br/>Past Due</u> | <u>Total Loans</u>  | <u>90+ Days Past<br/>Due, Accruing</u> |
|--|---------------------|--------------------------------|------------------------------|---------------------|--|
| Industrial, manufacturing<br>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,<br>manufacturing, and<br>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   | 363,765             | -                              | -                            | 363,765             | -                                      |
| 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>                      |

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

## **Notes to Financial Statements (Continued)** December 31, 2012 and 2011

### **Note 3. Note Payable - City of Fort Wayne**

CDC had 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 was repaid in 5 annual installments of \$10,000 beginning in April 2008 and matured in April 2012. Collateral for the loan consisted of all accounts receivable, depository accounts, and investment earnings. The outstanding balance under this agreement at December 31, 2012 and 2011, was \$0 and \$10,000, respectively.

### **Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2012 and 2011, are available for the following loan programs in accordance with established guidelines:

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| Industrial Development Revolving Loan Programs: |                     |                     |
| Economic Development Administration             | \$ 4,780,874        | \$ 4,705,144        |
| CEDIT - Fort Wayne                              | 401,493             | 170,015             |
| Community Development Block Grant               | 414,272             | 660,109             |
| Urban Development Action Grant                  | 77,182              | 80,377              |
| Investment Incentive Program - City             | 243,196             | 254,417             |
| Investment Incentive Program - County           | 204,918             | 216,385             |
| Revenue Sharing                                 | <u>4,142</u>        | <u>5,212</u>        |
|   | <u>6,126,077</u>    | <u>6,091,659</u>    |
| Other Loan Programs:                            |                     |                     |
| Fort Wayne - Allen County Opportunity Loan Fund | 1,191,196           | 1,268,125           |
| Enterprise Zone Revolving Loan Fund             | 546,497             | 564,343             |
| Rural Development Loan Fund                     | <u>121,748</u>      | <u>131,413</u>      |
|   | <u>1,859,441</u>    | <u>1,963,881</u>    |
|   | <u>\$ 7,985,518</u> | <u>\$ 8,055,540</u> |

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

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
December 31, 2012 and 2011

**Note 5. 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 Revolving Loan 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 an 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>2012</u>                     |  | <u>2011</u>                     |  |
|------|---------------------------------|--|---------------------------------|--|
|      | <u>Returned to<br/>the City</u> | <u>Loans Receivable<br/>to be Returned</u> | <u>Returned to<br/>the City</u> | <u>Loans Receivable<br/>to be Returned</u> |
| FWOF | 86,612                          | 237,881                                    | 55,963                          | 305,758                                    |
| EDA  | <u>271,025</u>                  | <u>454,122</u>                             | <u>98,524</u>                   | <u>696,779</u>                             |
|      | <u>\$ 357,637</u>               | <u>\$ 692,003</u>                          | <u>\$ 154,487</u>               | <u>\$ 1,002,537</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, 2012 and 2011, were \$230,371 and \$83,745, respectively.

**COMMUNITY DEVELOPMENT CORPORATION  
OF FORT WAYNE**

***Schedule of Expenditures of Federal Awards***  
**Year Ended December 31, 2012**

---

| <u>FEDERAL GRANTOR/PASS-THROUGH<br/>GRANTOR/PROGRAM TITLE</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|------------------------------------|---------------------------------|
| U.S. Department of Agriculture/Rural Business-<br>Cooperative Service:  |                                    |                                 |
| Rural Business Enterprise Grant   | 10.769                             | \$ 10,000                       |
| U.S. Department of Commerce<br>Economic Development Administration:   |                                    |                                 |
| Pass-through From City of Fort Wayne Division of<br>Community and Economic Development<br>Revolving Loan Fund | 11.307                             | <u>4,592,441</u>                |
| <b>TOTAL</b>  |                                    | <b>\$ <u>4,602,441</u></b>      |

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, 2012**

---

### **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 Revolving Loan Fund (RLF) loans outstanding at year end | \$ 4,183,869        |
| 2. Cash and investment balance at year end                            | 1,939,998           |
| 3. Administrative expenses for the year*                              | 119,600             |
| 4. Unpaid principal of all loans written off during the year          | <u>-</u>            |
|   | 6,243,467           |
| 5. Federal share of the RLF   | <u>73.56 %</u>      |
| Federal expenditures  | <u>\$ 4,592,441</u> |

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





Certified Public Accountants • Business Consultants

**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, in accordance with the 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, the financial statements of Community Development Corporation of Fort Wayne (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2013.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Development Corporation of Fort Wayne's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Community Development Corporation of Fort Wayne's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Development Corporation of Fort Wayne's financial statements are free from 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*.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana  
March 13, 2013



Certified Public Accountants • Business Consultants

**Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Community Development Corporation of Fort Wayne's (a nonprofit organization) 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, 2012. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Community Development Corporation of Fort Wayne's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Community Development Corporation of Fort Wayne's compliance.

***Basis for Qualified Opinion on Economic Development Administration Revolving Loan Fund***

As described in the accompanying schedule of findings and questioned costs, Community Development Corporation of Fort Wayne did not comply with the requirements regarding CFDA 11.307 Economic Development Administration Revolving Loan Fund as described in finding number 2012-01 for Matching Funds. Compliance with such requirements is necessary, in our opinion, for Community Development Corporation of Fort Wayne to comply with requirements applicable to that program.

### ***Qualified Opinion on Economic Development Administration Revolving Loan Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Community Development Corporation of Fort Wayne complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Economic Development Administration Revolving Loan Fund for the year ended December 31, 2012.

### ***Other Matters***

Community Development Corporation of Fort Wayne's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Community Development Corporation of Fort Wayne's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

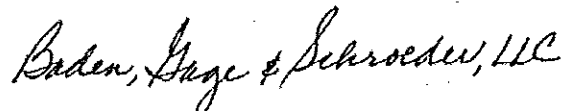
### **Report on Internal Control Over Compliance**

Management of Community Development Corporation of Fort Wayne is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Development Corporation of Fort Wayne's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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* 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana  
March 13, 2013

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

*Schedule of Findings and Questioned Costs*  
Year Ended December 31, 2012

---

## **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

11.307

Economic Development Administration  
Revolving Loan Fund

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, 2012**

---

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

**No Findings for 2012**

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

**Finding 2012-01:** (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, \$98,524 during 2011, and \$271,025 during 2012. As of December 31, 2012, loans receivable related to CDBG dollars in the EDA fund totaled \$454,122. 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, 2012**

---

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

No findings for 2011

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

**Finding 2011-01, 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, \$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.