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June 4, 2009

Board of Directors
Community Development
Corporation of Fort Wayne
300 W. 21st Ave.
Gary, IN 46407

We have reviewed the audit report prepared by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Development Corporation of Fort Wayne, as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. Pages 18 and 19 contain three current audit findings. The status of three prior audit findings can be found on pages 20 and 21.

STATE BOARD OF ACCOUNTS

Financial Statements

Community Development Corporation of Fort Wayne

December 31, 2008 and 2007

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Financial Statements
December 31, 2008 and 2007

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Baden
Gage & Schroeder LLC

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, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Community Development Corporation of Fort Wayne's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Development Corporation of Fort Wayne, as of December 31, 2008 and 2007, 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 18, 2009, 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 important for assessing the results of our audit.

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

Baden, Gage & Schroeder, LLC
BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 18, 2009

PERMISSION TO PUBLISH EXCERPTS FROM THIS REPORT OR REFERENCES THERETO, WITH MENTION OF OUR NAME, IS WITHHELD UNTIL THE FORM AND SUBSTANCE OF SUCH EXCERPTS OR REFERENCES ARE APPROVED BY US.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Financial Position
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 3,047,164	$ 2,346,817
Restricted cash and cash equivalents for bank loan fund reserve	404	1,829
Accrued interest receivable - loans	27,164	35,787
Accrued interest receivable - investments	10,569	21,594
Loans receivable (net of allowance for loan losses of $193,180 in 2008 and $261,830 in 2007)	5,425,387	6,390,272
TOTAL ASSETS	$ 8,510,688	$ 8,796,299
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 58,514	$ 63,976
Interest payable - bank loan fund	-	1,603
Bank loan fund - payable	56,004	118,354
Note payable - City of Fort Wayne	40,000	50,000
Total Liabilities	154,518	233,933
NET ASSETS		
Unrestricted	366,230	334,619
Temporarily restricted	7,989,940	8,227,747
Total Net Assets	8,356,170	8,562,366
TOTAL LIABILITIES AND NET ASSETS	$ 8,510,688	$ 8,796,299

See Notes to Financial Statements.

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COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Activities
Years Ended December 31, 2008 and 2007

	2008		
	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Loan interest (net)	$ 344	$ 262,676	$ 263,020
Investment interest	7,965	38,998	46,963
Loan application and commitment fees	118,218	5,704	123,922
Donated personnel services	108,881	-	108,881
Net assets released from restrictions due to satisfaction of purpose restrictions	361,623	(361,623)	-
Total Revenue and Support	597,031	(54,245)	542,786
EXPENSES			
Advertising	7,780	-	7,780
Annual report	217	-	217
Bad debt expense	216,372	-	216,372
Bank service charges	3,466	-	3,466
Contract services	161,878	-	161,878
Credit reports	527	-	527
Directors' liability insurance	3,003	-	3,003
Fee and license expense	4,790	-	4,790
In-kind personnel services	108,881	-	108,881
Legal and professional fees	15,237	-	15,237
Meetings, conferences	802	-	802
Miscellaneous expense	1,466	-	1,466
Office supplies/computer services	17,476	-	17,476
Postage	2,895	-	2,895
Printing expense	838	-	838
Problem loan expenses	1,232	-	1,232
Seminars, training	15,390	-	15,390
Telephone	1,302	-	1,302
Travel	1,868	-	1,868
Total Expenses	565,420	-	565,420
CHANGE IN NET ASSETS	31,611	(54,245)	(22,634)
TRANSFER OF NET ASSETS	-	(183,562)	(183,562)
NET ASSETS, BEGINNING OF YEAR	334,619	8,227,747	8,562,366
NET ASSETS, END OF YEAR	$ 366,230	$ 7,989,940	$ 8,356,170

See Notes to Financial Statements.

2007		
Unrestricted	Temporarily Restricted	Totals
$ 405	$ 287,524	$ 287,929
25,809	107,373	133,182
99,309	13,044	112,353
102,304	-	102,304
168,988	(168,988)	-
396,815	238,953	635,768
6,701	-	6,701
755	-	755
11,495	-	11,495
317	-	317
143,453	-	143,453
748	-	748
3,003	-	3,003
3,725	-	3,725
102,304	-	102,304
26,820	-	26,820
782	-	782
557	-	557
28,417	-	28,417
2,634	-	2,634
970	-	970
1,019	-	1,019
11,564	-	11,564
1,699	-	1,699
1,422	-	1,422
348,385	-	348,385
48,430	238,953	287,383
-	(583,274)	(583,274)
286,189	8,572,068	8,858,257
$ 334,619	$ 8,227,747	$ 8,562,366

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (22,634)	$ 287,383
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Bad debt expense	216,372	11,495
(Increase) Decrease in Assets:		
Accrued interest receivable - loans	8,623	(14,786)
Accrued interest receivable - investments	11,025	2,627
Increase (Decrease) in Liabilities:		
Accounts payable	(5,462)	24,235
Interest payable - bank loan fund	(1,603)	(770)
Net Cash Provided By Operating Activities	206,321	310,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements from nonfederal funds	(49,073)	(357,992)
Loan disbursements from federal funds	(182,220)	(2,318,847)
Principal payments received on loans, net	977,884	1,023,918
Recovery of previously charged off loans	1,922	2,100
Net Cash Provided By (Used In) Investing Activities	748,513	(1,650,821)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments under bank loan fund agreement	(62,350)	(33,898)
Proceeds from (payment on) note payable - City of Fort Wayne	(10,000)	50,000
Transfer of cash to the City of Fort Wayne	(183,562)	(583,274)
Net Cash Used In Financing Activities	(255,912)	(567,172)
NET INCREASE (DECREASE) IN CASH	698,922	(1,907,809)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,348,646	4,256,455
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,047,568	$ 2,348,646
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Loans charged-off	$ 285,108	$ -

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements
December 31, 2008 and 2007

Note 1. Summary of Significant Accounting Policies

Organization:

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

Method of Accounting:

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

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

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

Cash and Cash Equivalents:

For purposes of the statement of cash flows, CDC considers all highly liquid debt instruments purchased with a maturity of twelve months or less to be cash equivalents.

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 2008 and 2007 were $7,780 and $6,701, respectively.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2008, consisted of the following:

Checking Account:	
National City Bank	$ 446,680
Tower Bank	1,259
Total Checking Accounts	447,939
Money Market Accounts:	
MarkleBank	150,652
Midwest America Federal Credit Union	327,508
Three Rivers Federal Credit Union	327,226
National City Bank	1,518
Total Money Market Accounts	806,904
Certificates of Deposit:	
Crossroads Bank	150,000
First Financial Bank	108,650
Grabill Bank	100,499
JP Morgan Chase	201,697
Lake City Bank	286,694
Tower Bank	286,396
Star Financial Bank	456,321
Wells Fargo	202,468
Total Certificates of Deposit	1,792,725
Cash and cash equivalents	$ 3,047,568

Cash and cash equivalents at December 31, 2007 consisted of the following:

Checking Account:	
National City Bank	$ 101,564
Money Market Accounts:	
Tower Bank	1,364
National City Bank	960,841
Total Money Market Accounts	962,205
Certificates of Deposit:	
First Financial Bank	105,408
Lake City Bank	204,862
National City Bank	518,513
Tower Bank	206,094
Star Financial Bank	250,000
Total Certificates of Deposit	1,284,877
Cash and cash equivalents	$ 2,348,646

Amounts in excess of FDIC and NCUA coverage at December 31, 2008 and 2007 amounted to $494,804 and $2,654,385, respectively.

Note 3. Loans Receivable

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

CDC packages and approves loans for funding from the Small Business Administration (SBA). The SBA gives final approval before the loans are funded. CDC assigns the loan payments to be received to the SBA, and the SBA provides CDC with a monthly report indicating outstanding loan balances and status of payments for each SBA loan processed by CDC. These loans, though administered by CDC, are nonrecourse in nature and totaled $12,425,605 and $9,202,746 at December 31, 2008 and 2007, respectively.

At December 31, 2008 and 2007, CDC had nondisbursed loan commitments to various enterprises. These loans will be secured by real estate and/or equipment and are summarized as follows:

	2008	2007
SBA 504 loans	$ 1,942,944	$ 3,111,135
All other CDC loans	303,776	20,000
	$ 2,246,720	$ 3,131,135

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

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

	2008	2007
Balance at January 1	$ 261,830	$ 250,243
Loans charged-off	(285,108)	-
Loan recoveries	1,922	2,100
Provision	216,372	11,495
Fees and interest credited (charged)	(1,836)	(2,008)
Balance at December 31	$ 193,180	$ 261,830

Note 4. Loans Payable

Bank Loan Fund: CDC administers two loan programs on behalf of and for the benefit of area banks. The banks have made available two separate irrevocable lines of credit from which loans may be made. The first fund was comprised of four area banks who committed an aggregate of $1,000,000 from which loans were made through 1998. The second fund, comprised of seven area banks, provides an aggregate of $1,300,000 from which loans may be made. According to the agreement, the CDC did not use the second fund until the available funds from the first fund were drawn. CDC is responsible for the collection and subsequent remittance of the banks' funds. The loans made from these funds bear interest at prime (3.25% at December 31, 2008 and 7.25% at December 31, 2007) plus 3%. The banks are entitled to receive an amount equal to the principal repayment, together with interest at prime plus 1%. The remaining 2% is retained by CDC as a servicing fee. The total amount of interest earned on loans in 2008 and 2007 amounted to $6,727 and $7,371, of which the banks were entitled to $5,351 and $9,263, respectively. Loans outstanding under this agreement at December 31, 2008 and 2007 were as follows:

	2008	2007
Bank Loan Fund I	$ 1,893	$ 5,002
Bank Loan Fund II	54,111	113,352
	$ 56,004	$ 118,354

In connection with the Bank Loan Fund, the City of Fort Wayne provided $50,000 to be held by CDC as a reserve (Reserve Fund - A) against losses. In addition, CDC contributes commitment fees collected and records recoveries of bad debts into the Reserve Fund - A. Upon default of a borrower, CDC shall draw upon the Reserve Fund - A in order to repay the banks' loans at a rate of $1 for each $1 of loss. The City also provided an additional $25,000 (Reserve Fund - B) to be used when the Reserve Fund - A is drawn to zero. This Reserve Fund - B is used to offset losses at a rate of $1 for each $2 of losses. Both reserve funds were used during 2003 to cover loan losses. The reserve for loan losses under these provisions at December 31, 2008 was $404 in Reserve Fund - A and $0 in Reserve Fund B.

Note 5. Note Payable - City of Fort Wayne

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

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007 are available for the following loan programs in accordance with established guidelines:

	2008	2007
Industrial Development Revolving Loan Programs:		
Economic Development Administration	$ 4,693,311	$ 4,672,949
Community Development Block Grant	860,451	958,419
Urban Development Action Grant	85,708	81,103
Investment Incentive Program - City	357,935	384,166
Investment Incentive Program - County	229,066	237,610
Revenue Sharing	11,183	15,150
	6,237,654	6,349,397
Other Loan Programs:		
Fort Wayne Opportunity Loan Fund	793,004	897,390
Facade Rehabilitation Loan Fund	144,411	151,752
Purchase Order Program	104,187	109,770
Enterprise Zone Revolving Loan Fund	595,925	607,269
Rural Development Loan Fund	110,984	108,952
Fort Wayne Area Bank Loan Fund	3,775	3,217
	2,119,410	4,901,674
	$ 7,989,940	$ 8,227,747

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

Note 7. Transfer of Net Assets

During the first quarter of 2007, the CDC was notified that the City of Fort Wayne (City) was requesting that certain Community Development Block Grant funding used in CDC's loan programs be returned to the City. The loan programs affected include the Facade Rehabilitation Loan Fund (Facade), the Fort Wayne Opportunity Loan Fund (FWOF) and the Economic Development Administration Fund (EDA). The City requested that the undisbursed funds "on hand" be returned in May and June 2007. The remaining outstanding loan balances will be returned to the City on a quarterly basis as they are collected and mature through 2022. The CDC is allowed to retain a 15% processing fee. A summary of the payments made during 2008 and the outstanding loans receivable at December 31, 2008 that will be returned to the City of Fort Wayne is as follows:

	2008		2007	
	Returned to the City	Loans Receivable to be Returned	Returned to the City	Loans Receivable to be Returned
Facade	$ -	$ 290	$ 289,105	$ 290
FWOF	90,564	618,538	79,309	776,853
EDA	92,998	892,834	214,860	958,419
	$ 183,562	$ 1,511,662	$ 583,274	$ 1,735,562

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Federal Expenditures	Revolving Fund Loan Balance
U.S. Department of Agriculture/Rural Business-Cooperative Service:			
Rural Business Enterprise Grant (1 new loan)	10.769	$ 20,000	$ 59,900
U.S. Department of Commerce Economic Development Administration:			
Pass-through From City of Fort Wayne Division of Community and Economic Development Economic Development Grant (3 new loans)	11.300	147,220	2,795,365
U.S. Department of Housing and Urban Development:			
Pass-through from City of Fort Wayne Division of Community and Economic Development Community Development Block Grant	14.218	-	1,511,373
Pass-through From City of Fort Wayne Division of Community and Economic Development Urban Development Action Grants (1 new loan)	14.221	15,000	184,368
TOTAL		$ 182,220	$ 4,551,006

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, 2008

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.

Baden
Gage & Schroeder LLC

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

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

We have audited the financial statements of Community Development Corporation of Fort Wayne (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated March 18, 2009. 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 the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2008-01, 2008-02) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-01 to be a material weakness.

PERMISSION TO PUBLISH EXCERPTS FROM THIS REPORT OR REFERENCES THERETO, WITH MENTION OF OUR NAME, IS WITHHELD UNTIL THE FORM AND SUBSTANCE OF SUCH EXCERPTS OR REFERENCES ARE APPROVED BY US.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Development Corporation of Fort Wayne's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we reported to management of Community Development Corporation of Fort Wayne in a separate letter dated March 18, 2009.

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

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

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 18, 2009

Baden
Gage & Schroeder LLC

Certified Public Accountants • Business Consultants

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

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

Compliance

We have audited the compliance of Community Development Corporation of Fort Wayne with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Community Development Corporation of Fort Wayne's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Community Development Corporation of Fort Wayne's management. Our responsibility is to express an opinion on Community Development Corporation of Fort Wayne's compliance based on our audit.

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

As described in item 2008-03 in the accompanying schedule of findings and questioned costs, Community Development Corporation of Fort Wayne did not comply with requirements regarding matching that are applicable to its Economic Development Administration Loan Fund. Compliance with such requirements is necessary, in our opinion, for Community Development Corporation of Fort Wayne to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Community Development Corporation of Fort Wayne complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of Community Development Corporation of Fort Wayne is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered

PERMISSION TO PUBLISH EXCERPTS FROM THIS REPORT OR REFERENCES THERETO, WITH MENTION OF OUR NAME, IS WITHHELD UNTIL THE FORM AND SUBSTANCE OF SUCH EXCERPTS OR REFERENCES ARE APPROVED BY US.

Community Development Corporation of Fort Wayne's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Development Corporation of Fort Wayne's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 18, 2009

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	☒ YES ☐ NO
Significant deficiencies identified that are not considered to be material weaknesses?	☒ YES ☐ None Reported
Noncompliance material to financial statements noted?	☐ YES ☒ NO

Federal Awards

Noncompliance material to financial statements noted?	☒ YES ☐ NO
Internal control over major programs:	
Material weakness(es) identified?	☐ YES ☒ NO
Significant deficiency(ies) identified not considered to be material weaknesses?	☐ YES ☒ None Reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	☒ YES ☐ NO

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.300	Economic Development Grant (EDA)

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	☐ YES ☒ NO

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2008

Section II- Financial Statement Findings

Finding 2008-01 (repeat finding from 2007 and 2006):
Statement on Auditing Standards No. 112 "Communication of Internal Control Related Matters Identified in an Audit" requires consideration of whether an Organization has a system in place and qualified personnel capable of preparing financial statements in accordance with accounting principals generally accepted in the United States of America in cases where the independent public accountant prepares the financial statements. Baden, Gage & Schroeder, LLC prepares the financial statements for the CDC both as a convenience to the Organization and because the Organization does not have personnel who would be capable of preparing financial statements in accordance with the accounting principles generally accepted in the United States of America.

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

Finding 2008-02:
Delinquent loans are reviewed by the CDC and the work-out committee and are, at times, determined to be uncollectible and are then charged off. For the loans charged off in 2008, there is no documentation of this process or approval of the loans charged off by the Board of Directors. Therefore, the internal control system was not adequate to appropriately support the charged off loans.

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

Section III-Federal Award Findings and Questioned Costs

Finding 2008-03: (repeat finding from 2007) Economic Development Administration (EDA) - CFDA No. 11.300; Grant No. 06-19-01917; Grant Period: Year Ended December 31, 2008; Title IX Implementation Grant Revolving Loan Fund

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

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

Effect: This returned CDBG money was being held by the City in a separate non-interest bearing account until replacement funding could be obtained or until December 31, 2008, whichever occurs first. The 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: As the result of changes in the economic conditions within the Fort Wayne service area since the approval of the plan as submitted to the Economic Development Administration in 1982-1983 timeframe, the present goals for successful economic development are no longer consistent with its approved plan. Considerable time and effort are required to develop a modified plan, and there can be no assurances that EDA would approve such a modification. The decision by the City of Fort Wayne to re-program these funds was within its discretion. The CDC is presently investigating replacement funds but, as yet, no source has been identified.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Summary Schedule of Prior Findings and Questioned Costs
Year Ended December 31, 2008

Financial Statement Findings

Finding 2007-01 and 2006-01:
Statement on Auditing Standards No. 112 "Communication of Internal Control Related Matters Identified in an Audit" requires consideration of whether an Organization has personnel who are capable of preparing financial statements in accordance with accounting principals generally accepted in the United States of America in cases where the independent public accountant prepares the financial statements. Baden, Gage & Schroeder, LLC prepares the financial statements for the CDC both as a convenience to the Organization and because the Organization does not have personnel who would be capable of preparing financial statements in accordance with the accounting principles generally accepted in the United States of America.

Management's Response: See comment at 2008-01

Finding 2007-02:
The allowance for loan loss was not being reviewed on a regular basis. An analysis of loan ratings was being prepared; however, the analysis was not being used to determine whether or not the allowance for loan loss was adequate. Therefore, the internal control system was not adequate to appropriately account for valuation of loans.

Management's Response: Semi-annually, the CDC's staff reviews the loan portfolio and determines loan ratings based on payment history, contact with loan customers, etc. During 2008, the CDC staff calculated the estimated allowance for loan loss based on the loan rating analysis on a semi-annual basis. The calculation and analysis was presented to the Board Treasurer and the necessary adjustment to the allowance was determined by CDC management and the Board of Directors and recorded on the CDC's books.

Status: Consider this finding to be resolved.

Section III-Federal Award Findings and Questioned Costs

Finding 2007-03: Economic Development Administration (EDA) - CFDA No. 11.300; Grant No. 06-19-01917; Grant Period: Year Ended December 31, 2007; 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. As requested, CDC returned $214,860 to the City during 2007. On a quarterly basis, the CDC will return collections on loans receivable. As of December 31, 2007, loans receivable related to CDBG dollars in the EDA fund totaled $958,419. This money was considered match money for the EDA loan fund.

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

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

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Summary Schedule of Prior Findings and Questioned Costs (Continued)
Year Ended December 31, 2008

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

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

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

Status: Ongoing. See comment at 2008-03.