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September 20, 2019

Board of Directors  
Martindale-Brightwood Community Development Corporation  
2855 North Keystone Ave.  
Indianapolis, IN 46218

We have reviewed the audit report of Martindale-Brightwood Community Development Corporation which was opined upon by Thomas & Reed, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Martindale-Brightwood Community Development Corporation as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Thomas & Reed, LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner



**MARTINDALE-BRIGHTWOOD COMMUNITY DEVELOPMENT CORPORATION**

**AUDIT OF FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**MARTINDALE-BRIGHTWOOD COMMUNITY DEVELOPMENT  
CORPORATION**

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**THOMAS  
& REED, LLC**  
Certified Public Accountants & Consultants

*Independent Accountants' Audit Report*

November 27, 2018

To the Board of Directors  
Martindale-Brightwood Community Development Corporation  
2855 N Keystone Ave, Ste 130  
Indianapolis, IN 46218

**Report on the Financial Statements**

We have audited the accompanying financial statements of Martindale-Brightwood Community Development Corporation, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2017 and the related statements of activities, functional expenses and cash flows for the year 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Martindale-Brightwood Community Development Corporation, as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Thomas E. Reed, LLC". The signature is written in a cursive style with a small dot above the 'i' in "Reed".

Thomas & Reed, LLC  
Indianapolis, Indiana

**MARTINDALE-BRIGHTWOOD COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2017**

	<b>2017</b>
<b><u>ASSETS</u></b>	
Cash and Equivalents	9,427
Prepaid Rent	157,398
Other Assets	21,691
Furniture, Fixtures & Equipment	18,536
Accumulated Depreciation	(9,730)
Property Held for Development	148,210
<b>TOTAL ASSETS</b>	<b>345,532</b>
<b><u>LIABILITIES</u></b>	
Accounts Payable	18,321
Payroll Liabilities	56,175
Loan Due	3,000
Long-Term Debt	21,691
Line of Credit	47,525
<b>TOTAL LIABILITIES</b>	<b>146,712</b>
<b><u>NET ASSETS</u></b>	
Unrestricted Net Assets at the Beginning of the year	246,286
Change in Net Assets	(47,466)
<b>TOTAL NET ASSETS</b>	<b>198,820</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>345,532</b>

*Please see accompanying notes and accountant's report*

**MARTINDALE-BRIGHTWOOD COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**

	<b>UNRESTRICTED</b>
<b><u>REVENUES, GAINS AND OTHER SUPPORT</u></b>	
Grants Revenue	365,424
Fundraising Revenue	31,397
Contributions Revenue	8,300
Other Income	4,000
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>409,121</b>
<b><u>EXPENSES</u></b>	
<b>Grant &amp; Contract Expenses:</b>	
Lake City Bank (Homeowner Repair)	105,930
Grant Expenses	2,375
Youth Employment Services	28,509
Golf Expense	6,501
<b>Payroll &amp; Related Expenses:</b>	
Reimbursement	3,091
Payroll Expenses	1,850
Salaries & Wages	196,158
Pension Plan Contributions	4,380
Payroll Taxes	14,791
<b>Property Maintenance - Vacant Lots:</b>	
Ground Maintenance/Lawn Care	2,910
Property Taxes	1,612
Utilities	237
<b>Professional Fees:</b>	
Consultant	4,549
Audit & Accounting Fees	15,343
Marketing	5,275
Computer Services	100
<b>Administrative and Occupancy Expenses:</b>	
Supplies	1,265
Telephone	4,777
Postage/Delivery	443
Equipment Rental	13,906
Depreciation Expense	9,730
Printing & Copying	974
Rent	23,544
	25
Travel & Meeting Expenses	90
Fines & Judgements	(4,674)
Filing Fees	17
Interest Expense	8,787
Insurance	2,332
Bank Service Fees	1,334
Membership Dues & Subscription	320
Business Meals	61
Other Expenses	45
<b>TOTAL EXPENSES</b>	<b>456,587</b>
<b>CHANGE IN NET ASSETS</b>	<b>(47,466)</b>
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>320,847</b>
Prior Period Adjustment	(74,561)
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>198,820</b>

*Please see accompanying notes and accountant's report*

**MARTINDALE-BRIGHTWOOD COMMUNITY DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**As of December 31, 2017**

	<u>Jan - Dec</u>
	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Decrease in Net Assets	(47,466)
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in Other Assets	22,317
Decrease in Prepaid Expense	22,440
Decrease in Accounts Payable	(9,218)
Decrease in Payroll Liabilities	(7,690)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(19,617)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Furniture & Fixtures	7,637
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>7,637</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Line of Credit	(885)
Capital Lease	(28,405)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(29,290)</b>
Net (Decrease) Increase in Cash and Equivalents	(31,508)
<b>CASH AT THE BEGINNING OF THE PERIOD:</b>	<b>40,935</b>
<b>CASH AT THE END OF THE PERIOD:</b>	<b>9,427</b>

*Please see accompanying notes and accountant's report*

**MARTINDALE-BRIGHTWOOD COMMUNITY DEVELOPMENT CORPORATION**  
**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT**  
**ACCOUNTING POLICIES**

**Nature of Activities:** Martindale-Brightwood Community Development Corporation (MBCDC) was incorporated under the laws of the State of Indiana on November 4, 1992. MBCDC was formed for the express purpose of improving housing through acquisition and rehabilitation of existing units, as well as participating in new construction.

**Basis of Accounting:** The financial statements of MBCDC have been prepared on the accrual basis of accounting and accordingly reflect all receivables and payables.

**Cash and Cash Equivalents:** Cash and cash equivalents include all monies in banks and highly liquid investments with maturity of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Financial Statement Presentation:** In accordance with FASB ASC 958-205 Not-For-Profit Entities, the entity is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. MBCDC did not have any temporarily or permanently restricted net assets as of December 31, 2017.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contributions:** In accordance with FASB ASC 958-205 Not-For-Profit Entities, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Generally, the donors of these assets permit the entity to use all or part of the income earned on the related investments for general or specific purposes.

**Contributed Facilities and Services:** Donated goods and services are reflected in the financial statements at the fair value of the goods and services received. The donations of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**Bad Debt Expenses:** Martindale-Brightwood CDC utilizes the specific write-off method of recognizing bad debts on accounts and notes receivable. This method does not result in material differences in expenses from the allowance method.

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED:**

**Investments in Partnerships:** The investment in partnerships is recorded using the equity method of accounting. The investment is increased by MBCDC's pro-rata share of income and reduced by its pro-rata share of losses and distributions.

**NOTE 2 – PREPAID RENT**

MBCDC on March 26, 2015, sold its 30% interest in a limited liability company known as Genesis Plaza, LLC. MBCDC received \$100,000 in cash and prepaid rent for 5 years in the amount of \$241,548.

**NOTE 3 – TAX PROVISIONS**

MBCDC is a not-for-profit organization exempt from income taxes under Section 501(C) (3) of the Internal Revenue Code. However, the entity is required to file annual information return Form 990. The entities federal and various state income tax returns for 2014 through 2017 are subject to examination by the applicable authorities.

Also, accounting for uncertain tax positions, relating to both federal and state income taxes are required when more likely than not threshold is attained. If such positions result in uncertainties, the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance.

The Organization has determined that it has a \$56,176 payroll tax liability. Based on the new rules, the impact on the Organization's financial statements is recorded as a payroll liability.

**NOTE 4 – CONCENTRATION**

The Organization has several cash accounts at local banks. These accounts are insured, up to \$250,000, by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on cash.

Approximately 80% of MBCDC's grant revenue was provided from Indiana Housing and Community Development Authority (IHCDA).

**NOTE 5 – LINE OF CREDIT**

MBCDC has a \$50,000 line of credit with PNC Bank. The line of credit is due on demand and accrues interest at the rate of 9.5%, as of December 31, 2017 and an outstanding balance was \$47,525.

## **NOTE 6 – ADVERTISING/FUNDRAISING EXPENSE**

The Organization incurred \$5,275 of marketing expense for the calendar year ended December 31, 2017.

## **NOTE 7 – FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the MBCDC. Unobservable inputs are inputs that reflect the MBCDC's assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

The fair value hierarchy input levels are as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 - Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of December 31, 2017, there were no assets or liabilities valued on a recurring basis. The fair value of short-term financial instruments, including cash and cash equivalents, property under development, accounts payable, notes payable and other accrued liabilities approximate the carrying value in the accompanying financial statements due to the short maturity of such assets. All methods of assessing fair value result in a general approximation of value and such value may never be realized.

## **NOTE 8 – OPERATING LEASES**

MBCDC entered into a five-year lease agreement for office space located in Genesis Plaza, commencing on June 23, 2015 by selling its 30% equity interest in the limited liability company known as Genesis Plaza, LLC. Genesis Plaza, LLC consists of retail and office space to house several agencies that provide social, economic and medical services to neighborhood residents. MBCDC's investment totaled \$358,827. MBCDC received \$100,000 in cash and prepaid rent for 5 years for \$241,548. Net rent expense totaled \$23,569 for 2017.

Future minimum lease payments as of December 31, 2017 are as follows:

<b>LEASE OF BUILDING - GENESIS PLAZA, LLC</b>		
<b>Rental Period</b>	<b>Annually</b>	<b>Monthly</b>
01/01/2018 - 12/31/2018	\$ 28,050	\$ 2,550
01/01/2019 - 12/31/2019	\$ 30,600	\$ 2,550
01/01/2020 - 12/31/2020	\$ 31,006	\$ 2,584
01/01/2021 - 12/31/2021	\$ 31,006	\$ 2,584
01/01/2022 - 1/31/2023	\$ 33,556	\$ 2,584

In March 2013, MBCDC entered a five-year copier lease with Marlin Leasing Corporation. The lease requires a monthly payment of \$534.68. A total of \$6,416 was incurred for calendar year ending December 31, 2017.

Future minimum lease payments as of December 31, 2017 are as follows:

<b>LEASE OF COPIER - MARLING LEASING CORPORATION</b>		
<b>Rental Period</b>	<b>Period</b>	<b>Monthly</b>
01/01/2018 - 3/31/2018	\$ 1,632	\$ 544