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November 22, 2019

Board of Directors  
Fort Wayne Downtown Development Trust, Inc.  
200 East Main St. Suite 800  
Fort Wayne, IN 46802

We have reviewed the audit report of Fort Wayne Downtown Development Trust, Inc. which was opined upon by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Fort Wayne Downtown Development Trust, Inc. 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, Dulin, Ward & DeWald, Inc. 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*  
Paul D. Joyce, CPA  
State Examiner

**FORT WAYNE DOWNTOWN  
DEVELOPMENT TRUST, INC.  
AND ITS SUBSIDIARY**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Fort Wayne Downtown Development Trust, Inc.  
and its Subsidiary  
Fort Wayne, Indiana

We have audited the accompanying financial statements of Fort Wayne Downtown Development Trust, Inc. and its subsidiary (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated 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 controls 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 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 of 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 auditor's judgment, including the assessment of the risks of material misstatements 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.

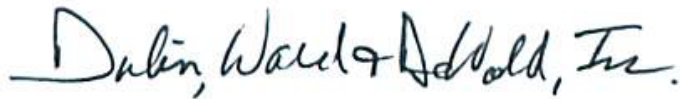
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Downtown Development Trust, Inc. and its subsidiary 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.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of government funds received is presented for purposes of additional analysis as required by the Indiana State Board of Accounts 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.



Fort Wayne, Indiana  
September 26, 2018

**FORT WAYNE DOWNTOWN DEVELOPMENT TRUST, INC.  
AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
December 31, 2017**

**ASSETS**

Cash	\$ 119,907
Accounts receivable (net of allowance of \$28,463)	-
Prepaid expenses	2,294
Note receivable	460,000
Property acquired for future development	235,903
Intangible assets (net of amortization of \$60,000)	<u>240,000</u>
<b>Total Assets</b>	<b><u><u>\$ 1,058,104</u></u></b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 10,099
Accrued property taxes	1,074
Accrued interest	52,373
Deferred rent	1,100
Notes payable - NSP	735,750
Notes payable	<u>1,347,229</u>
<b>Total Liabilities</b>	<b>2,147,625</b>
Net assets (deficit):	
Unrestricted	<u>(1,089,521)</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,058,104</u></u></b>

The accompanying notes are an integral part of these financial statements.

**FORT WAYNE DOWNTOWN DEVELOPMENT TRUST, INC.  
AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>CHANGE IN NET ASSETS</b>			
<b>Support and Revenues</b>			
Grants	\$ -	\$ 2,925,420	\$ 2,925,420
Contributions	44	-	44
In-kind contributions	540,120	-	540,120
Development revenue	150,000	-	150,000
Lease income	69,456	-	69,456
<b>Net Assets Released From Restrictions:</b>			
Satisfaction of purpose requirements	<u>2,925,420</u>	<u>(2,925,420)</u>	<u>-</u>
<b>Total Support and Revenues</b>	<b>3,685,040</b>	<b>-</b>	<b>3,685,040</b>
<b>Expenses and Losses:</b>			
Program	2,863,103	-	2,863,103
Management and general	9,010	-	9,010
Loss on disposal of property	<u>3,005,767</u>	<u>-</u>	<u>3,005,767</u>
<b>Total Expenses and Losses</b>	<u>5,877,880</u>	<u>-</u>	<u>5,877,880</u>
<b>CHANGE IN NET ASSETS</b>	<b>(2,192,840)</b>	<b>-</b>	<b>(2,192,840)</b>
<b>NET ASSETS - January 1, 2017</b>	<u>1,103,319</u>	<u>-</u>	<u>1,103,319</u>
<b>NET ASSETS - December 31, 2017</b>	<u><u>\$ (1,089,521)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,089,521)</u></u>

The accompanying notes are an integral part of these financial statements.

**FORT WAYNE DOWNTOWN DEVELOPMENT TRUST, INC.  
AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017**

	<b>Program</b>	<b>Management and General</b>	<b>Total</b>
Professional fees	\$ 2,203,054	\$ 7,707	\$ 2,210,761
Real estate donation	500,000	-	500,000
Interest	55,387	-	55,387
Property taxes	12,082	-	12,082
Utilities	12,078	-	12,078
Insurance	10,206	820	11,026
Repairs and maintenance	5,203	-	5,203
Office expense	-	483	483
Bad debts (recoveries)	(6,000)	-	(6,000)
	<hr/>	<hr/>	<hr/>
<b>Total Expenses Before Depreciation</b>	2,792,010	9,010	2,801,020
Depreciation	71,093	-	71,093
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<u><u>\$ 2,863,103</u></u>	<u><u>\$ 9,010</u></u>	<u><u>\$ 2,872,113</u></u>

The accompanying notes are an integral part of these financial statements.



**FORT WAYNE DOWNTOWN DEVELOPMENT TRUST, INC.**  
**AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Fort Wayne Downtown Development Trust, Inc. (Trust) is a nonprofit organization whose mission is to advance the goals of the Downtown Fort Wayne Blueprint, the Comprehensive Plan and future urban revitalization by facilitating real estate acquisition, redevelopment, rehabilitation and/or construction.

DDT Holdings, LLC is a single member LLC owned by the Trust. The LLC was created in 2014 to hold a liquor license.

The consolidated financial statements include the accounts of Fort Wayne Downtown Development Trust, Inc. and its wholly-owned subsidiary, DDT Holdings, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

**Taxes**

The Trust is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Trust has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

**Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Allowance for Doubtful Accounts**

When appropriate, the Trust provides an allowance for doubtful accounts which is based on management's estimate of losses that will be incurred in the collection of all receivables.

(continued)

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(continued)

**Property Acquired for Future Development**

Property acquired for future development is carried at cost.

**Intangible Assets**

Intangible assets with a definite life are being amortized over the estimated life of the assets for financial reporting purposes.

**Contributions**

Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

**Subsequent Events**

Management has evaluated subsequent events through September 26, 2018, the date which the financial statements were available for issue.

**2. LEASE INCOME**

The Trust leased a building to another entity under an operating lease that expired in November 2017. The Trust recognized \$11,196 in lease income from this lease in 2017.

The Trust also leased buildings under month to month leases. Revenue under these cancelable leases total \$58,260 in 2017.

**3. INTANGIBLE ASSETS**

The Organization’s intangible assets include a noncompete agreement in the amount of \$240,000 at December 31, 2017 amortized using the straight-line method over 15 years. Amortization expense was \$20,000 for the year ended December 31, 2017.

Expected future amortization expense for the next five years is as follows:

2018	\$ 20,000
2019	20,000
2020	20,000
2021	20,000
2022	<u>20,000</u>
Total	<u>\$ 100,000</u>

**4. NOTES PAYABLE - NSP**

Notes payable – NSP are capital advance notes from HUD Neighborhood Stabilization Program (NSP) through the City of Fort Wayne, Office of Housing and Neighborhood Services. The principal amount of the loans will be forgiven effective on the maturity date. The notes bear no interest and have no terms for repayment as long as the commercial floors and parking lot are used exclusively for uses, activities and purposes that are eligible under NSP, including without limitation, commercial use(s) that provide an economic benefit to the area and residential floors that shall be affordable rental units for a period of 20 years for the 120 percent area median income. Real estate is pledged as collateral.

Notes payable – NSP consist of the following:

Commercial floors and parking lot (NSP1)	\$ 313,377
Residential floors (NSP3)	<u>422,373</u>
	<u>\$ 735,750</u>

**5. NOTES PAYABLE**

Notes payable consist of the following:

Note payable to the Community Foundation of Greater Fort Wayne, Inc. bearing interest at 1.50%, secured by real estate, due upon sale of real estate.	\$ 652,400
Note payable to the Community Foundation of Greater Fort Wayne, Inc. bearing interest at 1.50%, secured by real estate, due upon sale of real estate.	465,000
Note payable to Fort Wayne New Markets Revitalization Funds, LLC bearing interest at 0.00%, secured by real estate, due upon sale of real estate.	<u>229,829</u>
	<u>\$ 1,347,229</u>

Interest cost incurred and charged to operations was \$55,387 in 2017.

See Note 10 for refinancing of the Community Foundation of Greater Fort Wayne, Inc. notes.

**6. NET ASSETS**

The Trust has received \$1,000,000 of Legacy funds from the City of Fort Wayne and has acquired real estate in accordance with its mission. Upon the sale of these properties, net funds realized by the Trust are to be retained and used for the acquisition, development, marketing and sale of additional Downtown Development projects.

**7. IN-KIND CONTRIBUTIONS**

The Trust recognizes contribution revenue for certain services received at the fair value of those services received. Those services include the following for 2017:

Program	
Professional fees	\$ 35,120
Property acquired for future development	\$ 505,000

**8. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES**

Noncash investing and financing activities for 2017 include the following.

Purchase of property acquired for future development via note payable	\$ (229,829)
Purchase of property acquired for future development via accrued property taxes	\$ (1,074)
Sale of property acquired for future development via note receivable	\$ 460,000
Sale of property acquired for future development via payoff of note payable	\$ 850,000

**9. CONCENTRATIONS**

The Trust receives a substantial amount of support through loans from the City of Fort Wayne and Summit Initiatives Foundation, Inc. A significant reduction in the level of this activity, if this were to occur, may have an effect on the Trust's operating results.

## 10. SUBSEQUENT EVENT

On May 10, 2018 the two notes payable to the Community Foundation of Greater Fort Wayne, Inc. in Note 5 were paid in full and a new note payable was issued to the Trust from the Community Foundation of Greater Fort Wayne, Inc. in the amount of \$1,175,633 at 2.50% interest. No amounts of any kind are payable on the note for a period of two years. On June 15, 2020, all accrued but unpaid interest will be added to the outstanding principal balance of the loan. Beginning June 15, 2020, quarterly principal and interest payments are required on the 15<sup>th</sup> day of March, June, September and December, with final payment of any balance due on May 11, 2033.

Future minimum required payments for the next five years are as follows:

2018	\$ -
2019	-
2020	51,413
2021	66,746
2022	<u>68,330</u>
Total	<u>\$ 186,489</u>

Also on May 10, 2018, the Trust entered into an agreement with The Landing Leverage Lender, LLC for a note receivable in the amount of \$1,175,633 at 2.50% interest. No amounts of any kind are receivable on the note for a period of two years. On June 15, 2020, all accrued but unpaid interest will be added to the outstanding principal balance of the note receivable. Beginning June 15, 2020, quarterly principal and interest payments are required on the 15<sup>th</sup> day of March, June, September and December, with final payment of any balance due to be received on May 11, 2033.

Future minimum required payments to be received for the next five years are as follows:

2018	\$ -
2019	-
2020	51,413
2021	66,746
2022	<u>68,330</u>
Total	<u>\$ 186,489</u>

**FORT WAYNE DOWNTOWN DEVELOPMENT TRUST, INC.  
AND ITS SUBSIDIARY  
SCHEDULE OF GOVERNMENT FUNDS RECEIVED  
Year Ended December 31, 2017**

<b>Federal Agency/ Pass-Through Agency/Program Title</b>	<b>Federal CFDA Number</b>	<b>Revenue Recognized</b>
State of Indiana: Passed through Capital Improvement Board Allen County Supplemental Food & Beverage Tax	n/a	\$ 2,425,420

The accompanying notes are an integral part of this schedule.

