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September 29, 2021

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

We have reviewed the audit report of Community Development Corporation of Fort Wayne, which was opined upon by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Community Development Corporation of Fort Wayne, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 33. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 35.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

Financial Statements

**Community Development
Corporation of Fort Wayne**

December 31, 2019 and 2018

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

**Financial Statements with Accompanying Information
December 31, 2019 and 2018**

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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 financial statements of Community Development Corporation of Fort Wayne (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to 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 auditors consider 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, 2019 and 2018, 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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources* issued by the Indiana State Board of Accounts, 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 audits 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 18, 2020, 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 solely 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 effectiveness of the Community Development Corporation of Fort Wayne's 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 18, 2020

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

**Statements of Financial Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,575,680	\$ 5,615,683
Accrued interest receivable - loans	11,242	11,899
Accrued interest receivable - cash and cash equivalents	4,497	3,731
Other receivables	-	607
Loans receivable (net of allowance for loan losses of \$38,141 in 2019 and \$40,552 in 2018)	<u>4,081,064</u>	<u>3,831,898</u>
TOTAL ASSETS	<u>\$ 9,672,483</u>	<u>\$ 9,463,818</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 28,632	\$ 24,578
Other liabilities	<u>14,866</u>	<u>11,960</u>
Total Liabilities	43,498	36,538
NET ASSETS		
Net assets without donor restrictions	2,099,331	1,750,420
Net assets with donor restrictions	<u>7,529,654</u>	<u>7,676,860</u>
Total Net Assets	<u>9,628,985</u>	<u>9,427,280</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,672,483</u>	<u>\$ 9,463,818</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		Totals
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	
REVENUE AND SUPPORT			
Interest income - loans	\$ 1,177	\$ 156,839	\$ 158,016
Interest income - cash and cash equivalents	3,519	14,787	18,306
Loan application and commitment fees	-	21,268	21,268
Administrative fee	-	-	-
Donated personnel services	-	-	-
SBA closing and servicing fee income	298,928	-	298,928
Miscellaneous income	1,643	-	1,643
Net assets released from restrictions due to satisfaction of purpose restrictions	<u>340,100</u>	<u>(340,100)</u>	<u>-</u>
Total Revenue and Support	645,367	(147,206)	498,161
EXPENSES			
Program services	130,794	-	130,794
Management and general	<u>165,662</u>	<u>-</u>	<u>165,662</u>
Total Expenses	<u>296,456</u>	<u>-</u>	<u>296,456</u>
CHANGE IN NET ASSETS	348,911	(147,206)	201,705
TRANSFER OF NET ASSETS			
Transfer of net assets from CDC to City of Fort Wayne to repay CDBG loan balances	-	-	-
Transfer of net assets from CDC to City of Fort Wayne for collections of CDBG loan balances	-	-	-
Transfers of net assets from City of Fort Wayne to CDC for CEDIT funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Transfer of Net Assets	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>1,750,420</u>	<u>7,676,860</u>	<u>9,427,280</u>
NET ASSETS, END OF YEAR	<u>\$ 2,099,331</u>	<u>\$ 7,529,654</u>	<u>\$ 9,628,985</u>

See Notes to Financial Statements.

2018		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
\$ 44	\$ 156,210	\$ 156,254
4,939	10,033	14,972
-	5,900	5,900
7,710	-	7,710
98,348	-	98,348
321,393	-	321,393
2,706	-	2,706
<u>198,403</u>	<u>(198,403)</u>	<u>-</u>
633,543	(26,260)	607,283
298,162	-	298,162
<u>188,672</u>	<u>-</u>	<u>188,672</u>
<u>486,834</u>	<u>-</u>	<u>486,834</u>
146,709	(26,260)	120,449
-	(25,574)	(25,574)
-	(25,825)	(25,825)
<u>-</u>	<u>40,150</u>	<u>40,150</u>
-	(11,249)	(11,249)
<u>1,603,711</u>	<u>7,714,369</u>	<u>9,318,080</u>
<u>\$ 1,750,420</u>	<u>\$ 7,676,860</u>	<u>\$ 9,427,280</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 201,705	\$ 120,449
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Provision for loan losses	(167,133)	9,374
(Increase) Decrease in Assets:		
Accrued interest receivable - loans	657	632
Accrued interest receivable - cash and cash equivalents	(766)	(2,094)
Other receivables	607	46,033
Increase (Decrease) in Liabilities:		
Accounts payable	4,054	(14,152)
Other liabilities	<u>2,906</u>	<u>11,960</u>
Net Cash Provided By Operating Activities	42,030	172,202
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements from nonfederal funds	(224,486)	(301,735)
Loan disbursements from federal funds	(698,457)	(221,735)
Principal payments received on loans	676,188	671,488
Recovery of previously charged off loans	<u>164,722</u>	<u>18,297</u>
Net Cash Provided By (Used In) Investing Activities	(82,033)	166,315
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer of Administrative funds to close out CDBG loan balances	-	(25,574)
Transfer of CDBG funds to the City of Fort Wayne	-	(25,825)
Transfer of funds from the City of Fort Wayne	<u>-</u>	<u>40,150</u>
Net Cash Used In Financing Activities	<u>-</u>	<u>(11,249)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,003)	327,268
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,615,683</u>	<u>5,288,415</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,575,680</u>	<u>\$ 5,615,683</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Loans charged-off	\$ -	\$ 71,619

See Notes to Financial Statements.

**COMMUNITY DEVELOPMENT CORPORATION OF
FORT WAYNE**

**Statement of Functional Expenses
Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Manage- ment and General</u>	<u>Total Expenses</u>
Advertising	\$ 25,427	\$ -	\$ 25,427
Annual meeting, annual report	-	232	232
Contract services	215,563	132,165	347,728
Credit reports	322	-	322
Directors' liability insurance	-	7,882	7,882
Economic Development Investments	25,000	-	25,000
Fee and license expense	3,843	5,278	9,121
Legal and professional fees	-	-	14,305
Miscellaneous expense	-	763	763
Office supplies/computer services	7,627	4,442	12,069
Payroll taxes	576	595	1,171
Printing and postage	2,939	-	2,939
Problem loan expenses	247	-	247
Provision for loan losses	(167,133)	-	(167,133)
Seminars, training	12,089	-	12,089
Travel	<u>4,294</u>	<u>-</u>	<u>4,294</u>
Total Expenses	<u>\$ 130,794</u>	<u>\$ 165,662</u>	<u>\$ 296,456</u>

See Notes to Financial Statements.

**COMMUNITY DEVELOPMENT CORPORATION OF
FORT WAYNE**

**Statement of Functional Expenses
Year Ended December 31, 2018**

	<u>Program Services</u>	<u>Manage- ment and General</u>	<u>Total Expenses</u>
Advertising	\$ 26,033	\$ -	\$ 26,033
Annual meeting, annual report	-	238	238
Contract services	200,705	57,142	257,847
Credit reports	475	-	475
Directors' liability insurance	-	7,762	7,762
Economic Development Investments	25,000	-	25,000
Fee and license expense	5,868	3,507	9,375
In-kind personnel services	-	98,348	98,348
Legal and professional fees	-	13,205	13,205
Miscellaneous expense	-	798	798
Office supplies/computer services	8,449	7,328	15,777
Payroll taxes	585	344	929
Printing and postage	2,363	-	2,363
Problem loan expenses	4,075	-	4,075
Provision for loan losses	9,374	-	9,374
Seminars, training	12,927	-	12,927
Travel	<u>2,308</u>	<u>-</u>	<u>2,308</u>
Total Expenses	<u>\$ 298,162</u>	<u>\$ 188,672</u>	<u>\$ 486,834</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements
December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies

Organization:

Community Development Corporation of Fort Wayne d/b/a Community Development Corporation of Northeast Indiana (CDC or Organization), is a nonprofit 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 Small Business Administration (SBA) 504 loan program. Most loan programs administered by the CDC are for the use of businesses in Allen County. The SBA 504 loan program is administered in the state of Indiana and loans have been provided in outlying states (Ohio and Michigan). Funding through the U.S. Department of Agriculture allows the CDC to service a fifteen 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 revenue with donor restrictions. When a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates:

Preparation of the financial statements in accordance 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, 2019, CDC held accounts at ten area financial institutions. Amounts in excess of federal and private insurance coverage at December 31, 2019 and 2018, amounted to \$3,460,004 and \$3,303,575, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Loans Receivable and Allowance for Loan Losses:

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 loan losses.

The current methodology for determining the allowance for loan losses is based on specific allocations for impaired loans, historical loss rates and other qualitative judgments. Historical loss rates are applied based on the internal grading assigned, adjusted for factors that, in management's judgment, are necessary to reflect the current inherent risk in the portfolio.

There have been no changes in methodology for determining the allowance for loan losses in the current year.

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.

Revenue Recognition:

Revenue is recognized under Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), when performance obligations under the terms of a contract with the borrower have been satisfied and control has transferred to the borrower. Revenue is measured based on the consideration specified in each contract.

The Organization recognizes revenues as they are earned based on contractual terms, as transactions occur, or as services are provided and collectibility is reasonably assured. The Organization's principal source of revenue is income from servicing Small Business Administration 504 (SBA) loans. The revenue is recognized at a point in time, generally at loan closing or when monthly payments are received.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Contributed Services:

Salaries and fringe benefits for certain CDC staff have been provided by the City of Fort Wayne during the year ended December 31, 2018. 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. Salaries and fringe benefits are no longer provided in-kind by the City of Fort Wayne as of January 1, 2019.

Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amounts charged in 2019 and 2018 were \$25,427 and \$26,033, respectively.

Functional Allocation of Expenses:

The financial statements report certain categories of expenses that are attributed to program services and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied while adhering to applicable funding sources and loan program requirements. The expenses that are allocated include salaries and benefits (contract services), advertising, bad debt, liability insurance, fee and licensing, legal and professional fees, office/computer services, seminars/training, problem loans and other miscellaneous and related operational expenses, which are allocated on the basis of the percentage of outstanding number of loans by funding source compared to the total number of loans outstanding unless the expense is designated as a program specific expense, as well as time and effort associated with supporting functions.

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 that 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 as of December 31, 2019. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2016.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards:

Adopted Pronouncements:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard requires an entity to recognize revenue in a manner that depicts the transfer of goods or services (performance obligations) to customers at an amount that reflects the consideration to which the entity expects to be entitled to receive. The Organization adopted this standard on January 1, 2019 using the modified retrospective method of adoption applied to all contracts at that date. Adoption of the ASU did not require an adjustment to the opening balance of net assets. The standard did not have a significant effect on its results of operations or financial position in 2019.

Pronouncements Currently Under Evaluation:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard is effective for the calendar year ending December 31, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Subsequent Events:

CDC's management has evaluated events and transactions for possible recognition or disclosure through March 18, 2020, the date the financial statements were available to be issued.

Note 2. Loans Receivable, 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 loan payments 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 \$35,868,358 and \$38,471,330 at December 31, 2019 and 2018, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

A summary of the income and expenses related to SBA 504 activity recorded by CDC for the years ended December 31 is as follows:

	2019	2018
SBA 504 Income:		
Net application fees collected (refunded)	\$ 11,658	\$ (10,420)
Closing fees	40,117	110,851
Escrow float income	34,909	24,129
Late fees	-	100
Monthly servicing fees	215,150	208,695
Total SBA Income	\$ 301,834	\$ 333,355
SBA 504 Expenses:		
Advertising	\$ 14,862	\$ 15,438
Contract services	213,632	159,339
Directors' liability insurance	5,194	5,137
Economic development investment	25,000	25,000
Fees and license expense	4,854	4,973
Legal and professional fees	8,081	7,147
Miscellaneous and other	1,358	1,433
Office supplies/computer services	7,812	8,914
Payroll taxes	1,172	928
Printing and postage	1,752	1,387
Problem loan expense	156	2,642
Seminars, training	7,385	8,455
Travel	2,514	1,511
Total SBA Expense	\$ 293,772	\$ 242,304

Salary expenses in relation to total revenue for the year ended December 31, 2019 are as follows:

	% of Total Revenue	% of SBA 504 Revenue
All CDC Personnel Costs	\$ 213,632	43 %
		71 %

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

Salary expenses in relation to total revenue for the year ended December 31, 2018 are as follows:

		<u>% of Total Revenue</u>	<u>% of SBA 504 Revenue</u>
Salary and benefits - management	\$ 13,132	2 %	4 %
Other CDC Personnel Costs	<u>244,715</u>	<u>40</u>	<u>73</u>
Total CDC Personnel Costs	<u>\$ 257,847</u>	<u>42 %</u>	<u>77 %</u>

CDC reimburses the City of Fort Wayne for any personnel costs and also pays a bonus to those employees from SBA 504 related income. In 2018, the City of Fort Wayne contributed management's salary and benefits as described in Note 1 and CDC paid a bonus from SBA 504 related income.

At December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
SBA 504 loans	\$ 8,168,000	\$ 8,057,000
All other CDC loans	<u>1,053,828</u>	<u>300,000</u>
	<u>\$ 9,221,828</u>	<u>\$ 8,357,000</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

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

	2019	2018
Industrial, manufacturing and wholesale loans:		
Real estate held loans	\$ 2,840,075	\$ 2,735,414
Equipment held loans	169,910	213,166
Other collateral held loans	445,264	390,874
Total industrial, manufacturing and wholesale loans	3,455,249	3,339,454
Retail loans:		
Real estate held loans	87,297	82,338
Other collateral held loans	5,511	10,754
Total retail loans	92,808	93,092
Service loans:		
Real estate held loans	510,992	386,497
Equipment held loans	26,346	-
Other collateral held loans	33,810	53,407
Total service loans	571,148	439,904
Total loans receivable	4,119,205	3,872,450
Less: Allowance for loan losses	38,141	40,552
Loans receivable - Net	\$ 4,081,064	\$ 3,831,898

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

CDC follows disclosure guidance that requires 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:

	<u>January 1,</u> <u>2019</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31,</u> <u>2019</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 27,186	\$ (155,805)	\$ 159,945	\$ -	\$ 31,326
Equipment held loans	533	(4,785)	4,677	-	425
Other collateral held loans	<u>2,402</u>	<u>(1,289)</u>	<u>-</u>	<u>-</u>	<u>1,113</u>
Total industrial, manufacturing and wholesale loans	30,121	(161,879)	164,622	-	32,864
Retail loans:					
Real estate held loans	206	12	-	-	218
Other collateral held loans	<u>27</u>	<u>(113)</u>	<u>100</u>	<u>-</u>	<u>14</u>
Total retail loans	233	(101)	100	-	232
Service loans:					
Real estate held loans	10,064	(5,169)	-	-	4,895
Equipment held loans	-	66	-	-	66
Other collateral held loans	<u>134</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>84</u>
Total service loans	<u>10,198</u>	<u>(5,153)</u>	<u>-</u>	<u>-</u>	<u>5,045</u>
Total	<u>\$ 40,552</u>	<u>\$ (167,133)</u>	<u>\$ 164,722</u>	<u>\$ -</u>	<u>\$ 38,141</u>

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

	<u>January 1, 2018</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 2018</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 45,735	\$ (29,966)	\$ 11,417	\$ -	\$ 27,186
Equipment held loans	653	(6,200)	6,080	-	533
Other collateral held loans	<u>1,186</u>	<u>1,216</u>	<u>-</u>	<u>-</u>	<u>2,402</u>
Total industrial, manufacturing and wholesale loans	47,574	(34,950)	17,497	-	30,121
Retail loans:					
Real estate held loans	29,651	(30,245)	800	-	206
Other collateral held loans	<u>39</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>27</u>
Total retail loans	29,690	(30,257)	800	-	233
Service loans:					
Real estate held loans	5,286	41,555	-	(36,777)	10,064
Equipment held loans	16	34,826	-	(34,842)	-
Other collateral held loans	<u>1,934</u>	<u>(1,800)</u>	<u>-</u>	<u>-</u>	<u>134</u>
Total service loans	<u>7,236</u>	<u>74,581</u>	<u>-</u>	<u>(71,619)</u>	<u>10,198</u>
Total	<u>\$ 84,500</u>	<u>\$ 9,374</u>	<u>\$ 18,297</u>	<u>\$ (71,619)</u>	<u>\$ 40,552</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

Credit Quality Indicators:

Management measures impairment individually for all loans receivable. 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 certificates of deposit, savings or money market accounts, securities or letters of credit in an amount equal to 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 one year old paying by monthly paper check and having satisfactory annual financial performance; new borrowers greater than six 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 one year old paying monthly by paper check or new borrower less than six months paying via ACH; existing borrower that may have had occasional delinquent payments.
- Special Mention - Accounts that have consistent delinquent payments due to varying reasons of cyclical business, but sufficient collateral 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 one 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, 2019 and 2018

Note 2. Loans Receivable, 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 portfolio by risk grade at December 31, 2019:

	<u>Excellent</u>	<u>Above Average</u>	<u>Average</u>	<u>Special Mention</u>	<u>Sub- standard</u>	<u>Special Allowance</u>	<u>Total</u>
Industrial, manufacturing and wholesale loans:							
Real estate held loans	\$ -	\$ 2,518,210	\$ 296,331	\$ 25,534	\$ -	\$ -	\$ 2,840,075
Equipment held loans	-	169,910	-	-	-	-	169,910
Other collateral held loans	-	445,264	-	-	-	-	445,264
Total industrial, manufacturing and wholesale loans	-	3,133,384	296,331	25,534	-	-	3,455,249
Retail loans:							
Real estate held loans	-	87,297	-	-	-	-	87,297
Other collateral held loans	-	5,511	-	-	-	-	5,511
Total retail loans	-	92,808	-	-	-	-	92,808
Service loans:							
Real estate held loans	-	501,892	-	9,100	-	-	510,992
Equipment held loans	-	26,346	-	-	-	-	26,346
Other collateral held loans	-	33,810	-	-	-	-	33,810
Total service loans	-	562,048	-	9,100	-	-	571,148
Total loans	\$ -	\$ 3,788,240	\$ 296,331	\$ 34,634	\$ -	\$ -	\$ 4,119,205

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

The following table summarizes the credit risk profile for CDC's portfolio by risk grade at December 31, 2018:

	<u>Excellent</u>	<u>Above Average</u>	<u>Average</u>	<u>Special Mention</u>	<u>Sub- standard</u>	<u>Special Allowance</u>	<u>Total</u>
Industrial, manufacturing and wholesale loans:							
Real estate held loans	\$ -	\$ 2,597,714	\$ 98,253	\$ 39,447	\$ -	\$ -	\$ 2,735,414
Equipment held loans	-	213,166	-	-	-	-	213,166
Other collateral held loans	-	360,874	30,000	-	-	-	390,874
Total industrial, manufacturing and wholesale loans	-	3,171,754	128,253	39,447	-	-	3,339,454
Retail loans:							
Real estate held loans	-	82,338	-	-	-	-	82,338
Other collateral held loans	-	10,754	-	-	-	-	10,754
Total retail loans	-	93,092	-	-	-	-	93,092
Service loans:							
Real estate held loans	-	275,557	100,000	10,940	-	-	386,497
Equipment held loans	-	-	-	-	-	-	-
Other collateral held loans	-	53,407	-	-	-	-	53,407
Total service loans	-	328,964	100,000	10,940	-	-	439,904
Total loans	<u>\$ -</u>	<u>\$ 3,593,810</u>	<u>\$ 228,253</u>	<u>\$ 50,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,872,450</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2019 and 2018

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

The following table summarizes CDC's loans by class and delinquency category at December 31, 2019:

	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90+ Days Past Due, Accruing</u>	<u>Total Loans</u>
Industrial, manufacturing and wholesale loans:				
Real estate held loans	\$ 2,840,075	\$ -	\$ -	\$ 2,840,075
Equipment held loans	169,910	-	-	169,910
Other collateral held loans	<u>445,264</u>	<u>-</u>	<u>-</u>	<u>445,264</u>
Total industrial, manufacturing and wholesale loans	3,455,249	-	-	3,455,249
Retail loans:				
Real estate held loans	87,297	-	-	87,297
Other collateral held loans	<u>5,511</u>	<u>-</u>	<u>-</u>	<u>5,511</u>
Total retail loans	92,808	-	-	92,808
Service loans:				
Real estate held loans	501,892	-	9,100	510,992
Equipment held loans	26,346	-	-	26,346
Other collateral held loans	<u>33,810</u>	<u>-</u>	<u>-</u>	<u>33,810</u>
Total service loans	<u>562,048</u>	<u>-</u>	<u>9,100</u>	<u>571,148</u>
Total Loans Receivable	<u>\$ 4,110,105</u>	<u>\$ -</u>	<u>\$ 9,100</u>	<u>\$ 4,119,205</u>

There were no impaired loans at December 31, 2019.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2019 and 2018

Note 2. Loans Receivable, 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, 2018:

	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90+ Days Past Due, Accruing</u>	<u>Total Loans</u>
Industrial, manufacturing and wholesale loans:				
Real estate held loans	\$ 2,695,967	\$ -	\$ 39,447	\$ 2,735,414
Equipment held loans	213,166	-	-	213,166
Other collateral held loans	<u>390,874</u>	<u>-</u>	<u>-</u>	<u>390,874</u>
Total industrial, manufacturing and wholesale loans	3,300,007	-	39,447	3,339,454
Retail loans:				
Real estate held loans	82,338	-	-	82,338
Other collateral held loans	<u>10,754</u>	<u>-</u>	<u>-</u>	<u>10,754</u>
Total retail loans	93,092	-	-	93,092
Service loans:				
Real estate held loans	375,557	10,940	-	386,497
Other collateral held loans	<u>53,407</u>	<u>-</u>	<u>-</u>	<u>53,407</u>
Total service loans	<u>428,964</u>	<u>10,940</u>	<u>-</u>	<u>439,904</u>
Total Loans Receivable	<u>\$ 3,822,063</u>	<u>\$ 10,940</u>	<u>\$ 39,447</u>	<u>\$ 3,872,450</u>

The following table summarizes CDC's loans receivable that are considered impaired loans by class, as well as the related allowance for loan losses at December 31, 2018:

	<u>Total Impaired Loans</u>	<u>Allowance</u>
December 31, 2018		
Industrial, manufacturing and wholesale loans:		
Real estate held loans	<u>\$ 39,447</u>	<u>\$ 15,779</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 3. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting use, within one year of the statements of financial position date, comprise the following:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 5,575,680	\$ 5,615,683
Accrued interest receivable	15,739	15,630
Other receivables	-	607
Loans, net of allowance for loan losses	4,081,064	3,831,898
Total financial assets	9,672,483	9,463,818
Less: Financial assets not available to be used within one year:		
Restricted by donors with purpose restrictions	7,529,654	7,676,860
Total financial assets available for general expenditures within one year	\$ 2,142,829	\$ 1,786,958

The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's Board of Directors reviews and approves the operating budget annually and any costs exceeding the budget will be sufficiently covered by the current available cash and cash equivalents associated from the general administrative fund account which does not contain donor restrictions.

Income from donor-restricted fund accounts is restricted to specific purposes and is not available for general expenditure use except for allowable allocation for general operating expenses as it pertains to each loan program and funding source.

The Organization invests cash into diversified accounts which include, interest bearing accounts, certificates of deposits and money market funds through ten financial institutions.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are available for the following loan programs in accordance with established guidelines:

	2019	2018
Business Development Revolving Loan Programs:		
Economic Development Administration	\$ 4,945,104	\$ 4,984,456
CEDIT - Fort Wayne	813,753	844,368
Urban Development Action Grant	53,058	58,151
Investment Incentive Program - City	183,495	197,016
Investment Incentive Program - County	169,827	178,465
Revenue Sharing	539	537
	6,165,776	6,262,993
Other Loan Programs:		
Fort Wayne - Allen County Opportunity Loan Fund	727,273	749,632
Enterprise Zone Revolving Loan Fund	488,068	500,165
Rural Development Loan Fund	148,537	164,070
	1,363,878	1,413,867
	\$ 7,529,654	\$ 7,676,860

Net assets released from restrictions represent administrative expenses allocated to the net assets with donor restrictions.

Note 5. Transfer of Net Assets

In 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 received an administrative fee of 15% of the collections through 2018.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2019 and 2018

Note 5. Transfer of Net Assets (Continued)

A summary of the payments made during the year to the City, and the outstanding loans receivable at December 31, 2018 that were returned to the City, is as follows:

	2018	
	Returned to the City	Loans Receivable to be Returned
FWOF	\$ 3,147	\$ -
EDA	48,252	-
	\$ 51,399	\$ -

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 provided invoices to the City on a quarterly basis and received CEDIT funds to replace the CDBG funds, less the 15% administrative fee. Administrative fees for the year ended December 31, was as follows:

		2018
	Administrative fees:	
FWOF		\$ 254
EDA		7,456
		\$ 7,710

CEDIT funds received from the City during 2018, was \$40,150. The City of Fort Wayne and CDC agreed to close out the remaining CDBG funds outstanding by a one-time payoff to the City for the remaining balance of CDC funded loans. The funds were paid by using CDC administrative funds and will be collected as principal and interest payments are received through the remaining term of the loan(s) and will replenish the CDC administrative fund in which it was paid out. Following this transaction, CDC considers the CDBG funding to be repaid to the City and fully replaced by CEDIT funds.

**COMMUNITY DEVELOPMENT CORPORATION
OF FORT WAYNE**

Schedule of Expenditures of Federal and Nonfederal Awards
Year Ended December 31, 2019

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce Economic Development Administration: Pass-through From City of Fort Wayne Division of Community and Economic Development Revolving Loan Fund	11.307	\$ <u>4,739,803</u>
<u>STATE & LOCAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>State/Local Receipts</u>	<u>State/Local Expenditures</u>
None in 2019		

**See Notes to Schedule of Expenditures of Federal and
Nonfederal Awards.**

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Schedule of Expenditures of Federal and Nonfederal Awards Year Ended December 31, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and nonfederal awards (the Schedule) includes the federal award activity of Community Development Corporation of Fort Wayne under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule also presents nonfederal activity in accordance with the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources* issued by the Indiana State Board of Accounts. Because the Schedule presents only a selected portion of the operations of Community Development Corporation of Fort Wayne, it is not intended and does not present the financial position, changes in net assets, or cash flows of Community Development Corporation of Fort Wayne.

Note 2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

CDC has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Calculation of Economic Development Administration (EDA) Expenditures

The EDA expenditure amount was calculated as follows:

1. Balance of Revolving Loan Fund (RLF) loans outstanding at year end	\$ 3,523,989
2. Cash and investment balance at year end	2,806,009
3. Administrative expenses for the year*	113,808
4. Unpaid principal of all loans written off during the year	-
	6,443,806
5. Federal share of the RLF	73.5559 %
Federal expenditures	\$ 4,739,803

* 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, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 18, 2020.

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 communication is not suitable for any other purpose.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 18, 2020



Certified Public Accountants • Business Consultants

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 compliance with the types of compliance requirements described in the *OMB 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified opinion on compliance for the 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 2019-001 for Matching Funds. Compliance with such requirements is necessary, in our opinion, for Community Development Corporation of Fort Wayne to comply with the 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, 2019.

Other Matters

Community Development Corporation of Fort Wayne's response to the noncompliance finding identified in our audit is 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Development Corporation of Fort Wayne's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 18, 2020

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2019**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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 program: Qualified
- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? YES NO

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Development Administration Revolving Loan Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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, 2019**

FINDINGS - FINANCIAL STATEMENT AUDIT

No Findings for 2019

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2019-001: (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 returned collections on loans receivable on a quarterly basis. As requested, CDC returned the following amounts to the City:

2007	\$ 214,860
2008	92,998
2009	112,199
2010	101,223
2011	98,524
2012	271,025
2013	81,784
2014	97,313
2015	192,478
2016	50,575
2017	46,538
2018	48,252

As of December 31, 2018, all CDBG money had been replaced with CEDIT funds leaving no remaining loans receivable related to CDBG dollars in the EDA fund. 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.

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.

Effect: This returned CDBG money is no longer available to the CDC and, therefore, is not considered available as match funds.

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

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

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Summary Schedule of Prior Findings and Questioned Costs Year Ended December 31, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings for 2018

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Findings 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 2012-001, 2011-001, 2010-001, 2009-002, 2008-003: 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 returned collections on loans receivable on a quarterly basis. As requested, CDC returned the following amounts to the City:

2007	\$ 214,860
2008	92,998
2009	112,199
2010	101,223
2011	98,524
2012	271,025
2013	81,784
2014	97,313
2015	192,478
2016	50,575
2017	46,538
2018	48,252

As of December 31, 2018, there were no remaining loans receivable related to CDBG dollars in the EDA fund. 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.

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.

Effect: This returned CDBG money is no longer available to the CDC and, therefore, is not considered available as match funds.

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

Views of Responsible Officials and Planned Corrective Actions: 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 NORTHEAST INDIANA

CORRECTIVE ACTION PLAN

Findings: 2019-001; 2018-001; 2017-001; 2016-001; 2015-001; 2014-001; 2013-001; 2012-001; 2011-001; 2010-001; 2009-002; 2008-003

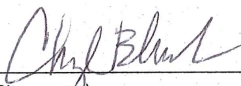
Contact Person Responsible for Corrective Action: Cheryl Blackman
Contact Phone Number: 260-247-2108

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

As of January 1, 2010, the City of Fort Wayne agreed to replace the CDBG dollars being returned to the City with CEDIT funds then which fulfills the match requirement for January 1, 2010 and forward until fully replaced. In order to resolve the monies returned during 2007-2009, in which CEDIT funds were not used to replace the CDBG funds returned, the CDC has been in correspondence with the EDA to determine the amount that must be replaced to maintain the appropriate federal to local share percentage.

Anticipated Completion Date: December 31, 2020



(Signature)

Executive Director

(Title)

3-10-20

(Date)

Alternative Financing for Business

200 East Berry Street • Suite 320 • Fort Wayne, Indiana • 46802 • www.cdnein.org
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