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September 6, 2022

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, 2020 to December 31, 2020. 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, 2020, 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 Indiana 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

*Financial Statements*

**Community Development  
Corporation of Fort Wayne**

December 31, 2020 and 2019

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Financial Statements with Accompanying Information  
December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 23, 2021, 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 23, 2021

**COMMUNITY DEVELOPMENT CORPORATION  
OF FORT WAYNE**

**Statements of Financial Position  
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 5,082,131	\$ 5,575,680
Accrued interest receivable - loans	11,023	11,242
Accrued interest receivable - cash and cash equivalents	2,876	4,497
Grant receivable - federal funding	59,000	-
Other receivables	6,775	-
Loans receivable (net of allowance for loan losses of \$145,280 in 2020 and \$38,141 in 2019)	<u>4,738,407</u>	<u>4,081,064</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,900,212</u></b>	<b><u>\$ 9,672,483</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 34,201	\$ 28,632
Other liabilities	<u>44,050</u>	<u>14,866</u>
Total Liabilities	78,251	43,498
<b>NET ASSETS</b>		
Net assets without donor restrictions	2,135,250	2,099,331
Net assets with donor restrictions	<u>7,686,711</u>	<u>7,529,654</u>
Total Net Assets	<u>9,821,961</u>	<u>9,628,985</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,900,212</u></b>	<b><u>\$ 9,672,483</u></b>

See Notes to Financial Statements.

**COMMUNITY DEVELOPMENT CORPORATION  
OF FORT WAYNE**

*Statement of Activities*  
Years Ended December 31, 2020

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Totals</b>
<b>REVENUE AND SUPPORT</b>			
Federal funding	\$ -	\$ 661,023	\$ 661,023
Interest income - loans	-	177,920	177,920
Interest income - cash and cash equivalents	1,733	8,440	10,173
Loan application and commitment fees	-	5,677	5,677
Administrative fee	948	-	948
SBA closing and servicing fee income	253,919	-	253,919
Miscellaneous income	2,139	-	2,139
Return of revolving loan funds to donor	-	(437,980)	(437,980)
Net assets released from restrictions due to satisfaction of purpose restrictions	<u>258,023</u>	<u>(258,023)</u>	<u>-</u>
Total Revenue and Support	516,762	157,057	673,819
<b>EXPENSES</b>			
Program services	306,716	-	306,716
Management and general	<u>174,127</u>	<u>-</u>	<u>174,127</u>
Total Expenses	<u>480,843</u>	<u>-</u>	<u>480,843</u>
<b>CHANGE IN NET ASSETS</b>	35,919	157,057	192,976
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,099,331</u>	<u>7,529,654</u>	<u>9,628,985</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,135,250</u>	<u>\$ 7,686,711</u>	<u>\$ 9,821,961</u>

See Notes to Financial Statements.

**COMMUNITY DEVELOPMENT CORPORATION  
OF FORT WAYNE**

*Statement of Activities*  
Years Ended December 31, 2019

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Totals</b>
<b>REVENUE AND SUPPORT</b>			
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
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
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	348,911	(147,206)	201,705
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,750,420</u>	<u>7,676,860</u>	<u>9,427,280</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,099,331</u>	<u>\$ 7,529,654</u>	<u>\$ 9,628,985</u>

See Notes to Financial Statements.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

## **Statements of Cash Flows** Years Ended December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 192,976	\$ 201,705
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Provision for loan losses	81,398	(167,133)
(Increase) Decrease in Assets:		
Accrued interest receivable - loans	219	657
Accrued interest receivable - cash and cash equivalents	1,621	(766)
Grant receivable - federal funding	(59,000)	-
Other receivables	(6,775)	607
Increase (Decrease) in Liabilities:		
Accounts payable	5,569	4,054
Other liabilities	29,184	2,906
Net Cash Provided By Operating Activities	245,192	42,030
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan disbursements from nonfederal funds	(306,735)	(224,486)
Loan disbursements from federal funds	(1,609,927)	(698,457)
Principal payments received on loans	1,152,180	676,188
Recovery of previously charged off loans	25,741	164,722
Net Cash Used In Investing Activities	(738,741)	(82,033)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(493,549)	(40,003)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	5,575,680	5,615,683
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 5,082,131	\$ 5,575,680

**See Notes to Financial Statements.**

**COMMUNITY DEVELOPMENT CORPORATION OF  
FORT WAYNE**

**Statement of Functional Expenses  
Year Ended December 31, 2020**

	<u>Program Services</u>	<u>Manage- ment and General</u>	<u>Total Expenses</u>
Advertising	\$ 18,277	\$ -	\$ 18,277
Contract services	159,536	139,437	298,973
Credit reports	277	-	277
Directors' liability insurance	-	8,518	8,518
Economic Development Investments	25,000	-	25,000
Fee and license expense	5,642	4,533	10,175
Legal and professional fees	-	14,450	14,450
Miscellaneous expense	-	516	516
Office supplies/computer services	11,803	6,050	17,853
Payroll taxes	1,107	623	1,730
Printing and postage	2,128	-	2,128
Provision for loan losses	81,398	-	81,398
Seminars, training	1,205	-	1,205
Travel	<u>343</u>	<u>-</u>	<u>343</u>
<b>Total Expenses</b>	<u>\$ 306,716</u>	<u>\$ 174,127</u>	<u>\$ 480,843</u>

**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	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>
<b>Total Expenses</b>	<b><u>\$ 130,794</u></b>	<b><u>\$ 165,662</u></b>	<b><u>\$ 296,456</u></b>

See Notes to Financial Statements.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements  
December 31, 2020 and 2019**

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## **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, 2020, CDC held accounts at ten area financial institutions. Amounts in excess of federal and private insurance coverage at December 31, 2020 and 2019, amounted to \$2,695,142 and \$3,460,004, respectively.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
**December 31, 2020 and 2019**

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**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, 2020 and 2019**

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## **Note 1. Summary of Significant Accounting Policies (Continued)**

### Revenue Recognition (Continued):

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2020 and 2019, approximately \$5,393,784 and \$0, respectively, of contributions have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met. These contributions require specific expenditures related to the COVID-19 revolving loan program through the EDA. The CDC has two years from the date of the award, July 2022, to issue loans to eligible borrowers or to cover administrative costs incurred for loans under the program.

All contributions of cash and other assets are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amounts charged in 2020 and 2019 were \$18,277 and \$25,427, 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.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
**December 31, 2020 and 2019**

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## **Note 1. Summary of Significant Accounting Policies (Continued)**

### Income Taxes (Continued):

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, 2020. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2017.

### Recently Issued Accounting Standards:

#### *Pronouncements Currently Under Evaluation:*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 23, 2021, 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 \$35,603,734 and \$35,868,358 at December 31, 2020 and 2019, respectively.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
December 31, 2020 and 2019

**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:

	<b>2020</b>	<b>2019</b>
<b>SBA 504 Income:</b>		
Application fees collected, net of refunds	\$ 17,459	\$ 11,658
Closing fees	62,152	40,117
Escrow float income	21,360	34,909
Late fees	200	-
Monthly servicing fees	181,932	215,150
Total SBA Income	\$ 283,103	\$ 301,834
<b>SBA 504 Expenses:</b>		
Advertising	\$ 8,856	\$ 14,862
Contract services	160,154	213,632
Directors' liability insurance	4,480	5,194
Economic development investment	25,000	25,000
Fees and license expense	5,190	4,854
Legal and professional fees	6,556	8,081
Miscellaneous and other	920	1,358
Office supplies/computer services	7,721	7,812
Payroll taxes	1,236	1,172
Printing and postage	998	1,752
Problem loan expense	-	156
Seminars, training	521	7,385
Travel	194	2,514
Total SBA Expense	\$ 221,826	\$ 293,772

Salary expenses in relation to total revenue for the year ended December 31, 2020 are as follows:

		<b>% of Total Revenue</b>	<b>% of SBA 504 Revenue</b>
All CDC Personnel Costs	\$ <u>160,154</u>	24 %	57 %

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

		<b>% of Total Revenue</b>	<b>% of SBA 504 Revenue</b>
All CDC Personnel Costs	\$ <u>213,632</u>	43 %	71 %

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
December 31, 2020 and 2019

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

CDC reimburses the City of Fort Wayne for any personnel costs and also pays a bonus to those employees from SBA 504 related income.

At December 31, 2020 and 2019, CDC had undisbursed loan commitments to various enterprises. These loans will be secured by real estate and/or equipment and are summarized as follows:

	<b>2020</b>	<b>2019</b>
SBA 504 loans	\$ 7,798,000	\$ 8,168,000
All other CDC loans	595,578	1,053,828
	<b>\$ 8,393,578</b>	<b>\$ 9,221,828</b>

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

	<b>2020</b>	<b>2019</b>
Industrial, manufacturing and wholesale loans:		
Real estate held loans	\$ 2,389,973	\$ 2,840,075
Equipment held loans	31,575	169,910
Other collateral held loans	410,200	445,264
Total industrial, manufacturing and wholesale loans	2,831,748	3,455,249
Retail loans:		
Real estate held loans	403,733	87,297
Other collateral held loans	186,000	5,511
Total retail loans	589,733	92,808
Service loans:		
Real estate held loans	1,453,332	510,992
Equipment held loans	-	26,346
Other collateral held loans	8,874	33,810
Total service loans	1,462,206	571,148
Total loans receivable	4,883,687	4,119,205
Less: Allowance for loan losses	145,280	38,141
Loans receivable - Net	<b>\$ 4,738,407</b>	<b>\$ 4,081,064</b>

# COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

*Notes to Financial Statements (Continued)*  
December 31, 2020 and 2019

**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, 2020</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 2020</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 31,326	\$ 3,348	\$ 4,835	\$ -	\$ 39,509
Equipment held loans	425	4,805	4,677	-	9,907
Other collateral held loans	<u>1,113</u>	<u>22,846</u>	<u>-</u>	<u>-</u>	<u>23,959</u>
Total industrial, manufacturing and wholesale loans	32,864	30,999	9,512	-	73,375
Retail loans:					
Real estate held loans	218	4,318	-	-	4,536
Other collateral held loans	<u>14</u>	<u>41,685</u>	<u>-</u>	<u>-</u>	<u>41,699</u>
Total retail loans	232	46,003	-	-	46,235
Service loans:					
Real estate held loans	4,895	4,384	16,229	-	25,508
Equipment held loans	66	-	-	-	66
Other collateral held loans	<u>84</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>96</u>
Total service loans	<u>5,045</u>	<u>4,396</u>	<u>16,229</u>	<u>-</u>	<u>25,670</u>
Total	<u>\$ 38,141</u>	<u>\$ 81,398</u>	<u>\$ 25,741</u>	<u>\$ -</u>	<u>\$ 145,280</u>

**COMMUNITY DEVELOPMENT CORPORATION  
OF FORT WAYNE**

*Notes to Financial Statements (Continued)*  
December 31, 2020 and 2019

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

	<u>January 1, 2019</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 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, 2020 and 2019**

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**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, 2020 and 2019

**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, 2020:

	<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	\$ -	\$ 2,389,973	\$ -	\$ -	\$ -	\$ -	\$ 2,389,973
Equipment held loans	-	10,197	-	21,378	-	-	31,575
Other collateral held loans	-	310,200	-	100,000	-	-	410,200
Total industrial, manufacturing and wholesale loans	-	2,710,370	-	121,378	-	-	2,831,748
Retail loans:							
Real estate held loans	-	262,733	141,000	-	-	-	403,733
Other collateral held loans	-	-	-	186,000	-	-	186,000
Total retail loans	-	262,733	141,000	186,000	-	-	589,733
Service loans:							
Real estate held loans	-	1,415,807	30,645	6,880	-	-	1,453,332
Other collateral held loans	-	8,874	-	-	-	-	8,874
Total service loans	-	1,424,681	30,645	6,880	-	-	1,462,206
Total loans	\$ -	\$ 4,397,784	\$ 171,645	\$ 314,258	\$ -	\$ -	\$ 4,883,687

# COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

## Notes to Financial Statements (Continued) December 31, 2020 and 2019

### 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, 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, 2020 and 2019

**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, 2020:

	<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	\$ 2,389,973	\$ -	\$ -	\$ 2,389,973
Equipment held loans	31,575	-	-	31,575
Other collateral held loans	<u>410,200</u>	<u>-</u>	<u>-</u>	<u>410,200</u>
Total industrial, manufacturing and wholesale loans	2,831,748	-	-	2,831,748
Retail loans:				
Real estate held loans	403,733	-	-	403,733
Other collateral held loans	<u>186,000</u>	<u>-</u>	<u>-</u>	<u>186,000</u>
Total retail loans	589,733	-	-	589,733
Service loans:				
Real estate held loans	1,446,452	-	6,880	1,453,332
Other collateral held loans	<u>8,874</u>	<u>-</u>	<u>-</u>	<u>8,874</u>
Total service loans	<u>1,455,326</u>	<u>-</u>	<u>6,880</u>	<u>1,462,206</u>
Total Loans Receivable	<u>\$ 4,876,807</u>	<u>\$ -</u>	<u>\$ 6,880</u>	<u>\$ 4,883,687</u>

There were no impaired loans at December 31, 2020.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Financial Statements (Continued)**  
December 31, 2020 and 2019

**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, 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, 2020 and 2019**

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**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:

	<b>2020</b>	<b>2019</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 5,082,131	\$ 5,575,680
Accrued interest receivable	13,899	15,739
Grant receivable - federal funding	59,000	-
Other receivables	6,775	-
Loans, net of allowance for loan losses	4,738,407	4,081,064
Total financial assets	9,900,212	9,672,483
Less: Financial assets not available to be used within one year:		
Restricted by donors with purpose restrictions	7,686,711	7,529,654
Total financial assets available for general expenditures within one year	\$ 2,213,501	\$ 2,142,829

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, 2020 and 2019

**Note 4. Net Assets With Donor Restrictions**

Net assets with donor restrictions at December 31, 2020 and 2019, are available for the following loan programs in accordance with established guidelines:

	<b>2020</b>	<b>2019</b>
Business Development Revolving Loan Programs:		
Economic Development Administration	\$ 4,965,925	\$ 4,945,104
CEDIT - Fort Wayne	794,166	813,753
Economic Development Administration - COVID-19	635,616	-
Urban Development Action Grant	45,791	53,058
Investment Incentive Program - City	173,725	183,495
Investment Incentive Program - County	163,242	169,827
Revenue Sharing	540	539
	6,779,005	6,165,776
Other Loan Programs:		
Fort Wayne - Allen County Opportunity Loan Fund	716,510	727,273
Enterprise Zone Revolving Loan Fund	53,036	488,068
Rural Development Loan Fund	138,160	148,537
	907,706	1,363,878
	<b>\$ 7,686,711</b>	<b>\$ 7,529,654</b>

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

**Note 5. COVID-19 Funding**

New funding of \$661,023 was received in 2020 as a passthrough from the Economic Development Administration (EDA) and utilized for the purpose of the new COVID-19 Recovery Revolving Loan Fund. The award includes funds for both loan disbursements and administrative costs. These funds were provided by the CARES Act due to the 2020 pandemic and are to be used in Allen County, Indiana for small businesses that have been negatively impacted or have substantially grown due to COVID-19. The CDC has 24 months from the time the grant was awarded to disburse these funds. Additionally, the CDC recorded a grant receivable of \$59,000 at December 31, 2020, related to this funding.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

***Notes to Financial Statements (Continued)***  
**December 31, 2020 and 2019**

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**Note 6. Return of Revolving Loan Funds to Donor**

In 2020, the CDC and the Fort Wayne Urban Enterprise Association, Inc. (UEA) mutually agreed to end the Enterprise Zone Revolving Loan Program due to limited activity in recent years. The CDC returned the undisbursed cash on hand to the UEA in the amount of \$431,661 in June 2020 and also agreed to return the remaining outstanding balances of principal and interest as cash payments are collected from the respective borrowers. These amounts are to be remitted to the UEA on a semi-annual basis as they are collected from outstanding loans receivable maturing through 2030, less an administrative fee retained by the CDC in the amount of 15% of collections. The four remaining outstanding loans receivable, as of December 31, 2020, had outstanding principal balances totaling approximately \$48,300. For the year ended, December 31, 2020, the CDC had returned revolving loan funds to the UEA in the amount of \$437,980, less administrative fee income recognized of \$948.

**COMMUNITY DEVELOPMENT CORPORATION  
OF FORT WAYNE**

**Schedule of Expenditures of Federal and Nonfederal Awards  
Year Ended December 31, 2020**

<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:		
Economic Adjustment Assistance, pass-through from City of Fort Wayne Division of Community and Economic Development, Revolving Loan Fund	11.307	\$ 4,657,671
COVID-19 - Economic Adjustment Assistance Coronavirus Aid, Relief, and Economic Security (CARES) Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Award, pass-through from City of Fort Wayne Division of Community and Economic Development, Revolving Loan Fund	11.307	<u>604,833</u>
<b>TOTAL</b>		<b>\$ <u>5,262,504</u></b>

<u>STATE &amp; LOCAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>State/Local Receipts</u>	<u>State/Local Expenditures</u>
None in 2020		

**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, 2020**

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**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, 2020. 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. Summary of Significant Accounting Policies**

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 Economic Adjustment Assistance expenditure amount was calculated as follows:

1. Balance of Revolving Loan Fund (RLF) loans outstanding at year end	\$ 3,810,313
2. Cash and investment balance at year end	2,401,211
3. Administrative expenses for the year*	120,623
4. Unpaid principal of all loans written off during the year	-
	6,332,147
5. Federal share of the RLF	73.5559 %
Federal expenditures	\$ 4,657,671

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

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Notes to Schedule of Expenditures of Federal and Nonfederal Awards (Continued)**  
**Year Ended December 31, 2020**

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

The COVID-19 EDA Economic Adjustment expenditure amount was calculated as follows:

1. Balance of Revolving Loan Fund (RLF) loans outstanding at year end	\$	573,967	
2. Cash and investment balance at year end		14,010	
3. Administrative expenses for the year*		16,856	
4. Unpaid principal of all loans written off during the year		<u>-</u>	
		604,833	
5. Federal share of the RLF		<u>100.0000</u>	%
Federal expenditures	\$	<u><u>604,833</u></u>	

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



Certified Public Accountants • Business Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Development Corporation of Fort Wayne (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 23, 2021.

**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 23, 2021



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, 2020. 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 2020-001 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, 2020.

### **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 23, 2021

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2020**

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**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 Adjustment Assistance 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, 2020**

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### **FINDINGS - FINANCIAL STATEMENT AUDIT**

#### **No Findings for 2020**

### **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Finding 2020-001:** (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 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, or a waiver of the requirement to replace the funds, as the local match remains in excess of the original requirement.

# **COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE**

## **Summary Schedule of Prior Findings and Questioned Costs Year Ended December 31, 2020**

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### **FINDINGS - FINANCIAL STATEMENT AUDIT**

**No findings for 2019**

### **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

**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:** 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
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2017	46,538
2018	48,252

As of December 31, 2018, all CDBG money had been replaced with CEDIT funds leaving no 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 NORTHEAST INDIANA

**CORRECTIVE ACTION PLAN**

**Findings: 2020-001; 2019-001; 2018-001; 2017-001; 2016-001; 2015-001; 2014-001; 2013-001; 2012-001; 2011-001; 2010-001; 2009-002; 2008-003**

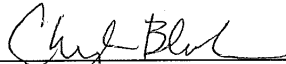
Contact Person Responsible for Corrective Action: Cheryl Blackman  
Contact Phone Number: 260-247-2108

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, which was completed in 2018. 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 either; the amount that must be replaced to maintain the appropriate federal to local share percentage, or the waiver of the requirement to replace the funds, as the local match remains in excess of the original requirement.

Anticipated Completion Date: December 31, 2021

  
\_\_\_\_\_  
(Signature)

Executive Director \_\_\_\_\_  
(Title)

March 23, 2021 \_\_\_\_\_  
(Date)

Alternative Financing for Business

200 East Berry Street • Suite 320 • Fort Wayne, Indiana • 46802 • www.cdnein.org  
phone: 260-427-1125 • fax: 260-427-1375  
An Equal Opportunity Employer