

**Community Development
Corporation of Fort Wayne**

December 31, 2023 and 2022

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Financial Statements with Supplementary Information
December 31, 2023 and 2022

INDEX

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Cash Flows	7
Statements of Functional Expenses	8 - 9
Notes to Financial Statements	10 - 27
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal and Nonfederal Awards	28
Notes to Schedule of Expenditures of Federal and Nonfederal Awards	29
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	30 - 31
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	32 - 34
Schedule of Findings and Questioned Costs	35 - 36
Summary Schedule of Prior Findings and Questioned Costs	37



Certified Public Accountants • Business Consultants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Development Corporation of Fort Wayne and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Development Corporation of Fort Wayne's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Development Corporation of Fort Wayne's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Development Corporation of Fort Wayne's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was 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 schedule of expenditures of federal and nonfederal awards 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 19, 2024, 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 the Community Development Corporation of Fort Wayne's internal control over financial reporting and compliance.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 19, 2024

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,339,783	\$ 6,803,152
Accrued interest receivable - loans	12,934	9,168
Accrued interest receivable - cash and cash equivalents	35,955	3,053
Loans receivable (net of allowance for credit losses of \$168,590 in 2023 and \$105,650 in 2022)	<u>4,949,008</u>	<u>4,404,019</u>
TOTAL ASSETS	<u>\$ 11,337,680</u>	<u>\$ 11,219,392</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 32,967	\$ 26,512
Other liabilities	<u>35,457</u>	<u>36,728</u>
Total Liabilities	68,424	63,240
NET ASSETS		
Net assets without donor restrictions	2,447,164	2,376,359
Net assets with donor restrictions	<u>8,822,092</u>	<u>8,779,793</u>
Total Net Assets	<u>11,269,256</u>	<u>11,156,152</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,337,680</u>	<u>\$ 11,219,392</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statement of Activities Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Interest income - loans	\$ -	\$ 201,881	\$ 201,881
Interest income - cash and cash equivalents	47,338	72,370	119,708
Loan application and commitment fees	-	6,342	6,342
SBA closing and servicing fee income	355,084	-	355,084
Miscellaneous income	2,725	-	2,725
Return of revolving loan funds to donor	-	(3,842)	(3,842)
Net assets released from restrictions due to satisfaction of purpose restrictions	<u>233,973</u>	<u>(233,973)</u>	<u>-</u>
Total Revenue and Support	639,120	42,778	681,898
EXPENSES			
Program services	319,276	-	319,276
Management and general	<u>249,518</u>	<u>-</u>	<u>249,518</u>
Total Expenses	<u>568,794</u>	<u>-</u>	<u>568,794</u>
CHANGE IN NET ASSETS	70,326	42,778	113,104
TRANSFER OF NET ASSETS			
Transfer of net assets with donor restrictions to net assets without donor restrictions for administrative fees retained from repayment to donor	479	(479)	-
NET ASSETS, BEGINNING OF YEAR	<u>2,376,359</u>	<u>8,779,793</u>	<u>11,156,152</u>
NET ASSETS, END OF YEAR	<u>\$ 2,447,164</u>	<u>\$ 8,822,092</u>	<u>\$ 11,269,256</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Federal funding	\$ -	\$ 471,890	\$ 471,890
Interest income - loans	-	158,391	158,391
Interest income - cash and cash equivalents	7,674	18	7,692
Loan application and commitment fees	-	15,494	15,494
SBA closing and servicing fee income	367,395	-	367,395
Miscellaneous income	2,289	-	2,289
Return of revolving loan funds to donor	-	(3,309)	(3,309)
Net assets released from restrictions due to satisfaction of purpose restrictions	<u>102,831</u>	<u>(102,831)</u>	<u>-</u>
Total Revenue and Support	480,189	539,653	1,019,842
EXPENSES			
Program services	175,247	-	175,247
Management and general	<u>200,377</u>	<u>-</u>	<u>200,377</u>
Total Expenses	<u>375,624</u>	<u>-</u>	<u>375,624</u>
CHANGE IN NET ASSETS	104,565	539,653	644,218
TRANSFER OF NET ASSETS			
Transfer of net assets with donor restrictions to net assets without donor restrictions for administrative fees retained from repayment to donor	584	(584)	-
NET ASSETS, BEGINNING OF YEAR	<u>2,271,210</u>	<u>8,240,724</u>	<u>10,511,934</u>
NET ASSETS, END OF YEAR	<u>\$ 2,376,359</u>	<u>\$ 8,779,793</u>	<u>\$ 11,156,152</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 113,104	\$ 644,218
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided By Operating Activities:		
Provision for credit losses	58,940	(78,183)
(Increase) Decrease in Assets:		
Accrued interest receivable - loans	(3,766)	(49)
Accrued interest receivable - cash and cash		
equivalents	(32,902)	(208)
Grant receivable - federal funding	-	19,501
Increase (Decrease) in Liabilities:		
Accounts payable	6,455	(5,152)
Other liabilities	<u>(1,271)</u>	<u>(8,618)</u>
Net Cash Provided By Operating Activities	140,560	571,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements from nonfederal funds	(1,200,161)	(261,393)
Loan disbursements from federal funds	-	(526,743)
Principal payments received on loans	592,232	722,887
Recovery of previously charged off loans	<u>4,000</u>	<u>13,332</u>
Net Cash Used In Investing Activities	<u>(603,929)</u>	<u>(51,917)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(463,369)	519,592
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,803,152</u>	<u>6,283,560</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,339,783</u></u>	<u><u>\$ 6,803,152</u></u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statement of Functional Expenses **Year Ended December 31, 2023**

	Program Services	Manage- ment and General	2023 Total Expenses	2022 Total Expenses
Advertising	\$ 6,084	\$ -	\$ 6,084	\$ 16,538
Annual meeting, annual report	-	251	251	332
Contract services	194,672	178,489	373,161	343,886
Credit reports	122	-	122	345
Directors' liability insurance	-	10,913	10,913	10,913
Economic development investments	25,000	-	25,000	25,000
Fees and licenses	6,243	1,558	7,801	9,662
Legal and professional fees	-	23,450	23,450	22,475
Miscellaneous expense	-	650	650	736
Office supplies and computer services	14,917	31,891	46,808	9,517
Payroll taxes	2,595	1,823	4,418	5,006
Printing and postage	727	493	1,220	3,202
Provision for credit losses	58,940	-	58,940	(78,183)
Seminars and training	9,392	-	9,392	5,460
Travel	584	-	584	735
Total Expenses	\$ 319,276	\$ 249,518	\$ 568,794	\$ 375,624

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statement of Functional Expenses **Year Ended December 31, 2022**

	Program Services	Manage- ment and General	Total Expenses
Advertising	\$ 16,538	\$ -	\$ 16,538
Annual meeting, annual report	-	332	332
Contract services	184,912	158,974	343,886
Credit reports	345	-	345
Directors' liability insurance	-	10,913	10,913
Economic development investments	25,000	-	25,000
Fees and licenses	8,141	1,521	9,662
Legal and professional fees	-	22,475	22,475
Miscellaneous expense	-	736	736
Office supplies and computer services	6,142	3,375	9,517
Payroll taxes	2,955	2,051	5,006
Printing and postage	3,202	-	3,202
Provision for credit losses	(78,183)	-	(78,183)
Seminars and training	5,460	-	5,460
Travel	735	-	735
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ <u>175,247</u>	\$ <u>200,377</u>	\$ <u>375,624</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements **December 31, 2023 and 2022**

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, 2023, CDC held accounts at ten area financial institutions. Amounts in excess of federal and private insurance coverage at December 31, 2023 and 2022, amounted to \$4,082,318 and \$4,340,112, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2023 and 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Loans Receivable and Allowance for Credit Losses:

Loans receivable are recorded at their contract amounts adjusted for any charge-offs and the allowance for credit losses. Loans are considered past due based on how recently payments have been received. The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis (principal outstanding) to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance is measured on a collective (pool) basis when similar risk characteristics exist and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The CDC lends strictly for commercial loan purposes only and has identified the following loan pools based on industry types: industrial/manufacturing, retail and service, and collateral types: real estate mortgage, lien on equipment, lien on business assets/other. Relevant risk characteristics for commercial loan pools include credit scores, debt-to-income ratios, collateral type and loan-to-value ratios. The CDC uses the vintage loss rate method to measure the allowance for credit losses for all loan pools to calculate a loss rate that combines the pool's risk characteristics, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loans balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on various economic conditions over a period of up to two years followed by a reversion back to historical losses.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. A loan is considered collateral dependent when management determines that foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The CDC will not issue foreclosure proceedings on defaulted real estate commercial loans unless a 1st lien position is held; otherwise, the financial institution must issue the foreclosure proceedings in order for the CDC to potentially attempt to collect on the defaulted loan.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2023 and 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Loans Receivable and Allowance for Credit Losses (Continued):

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications, unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date, and are not unconditionally cancelable by CDC.

Because of uncertainties inherent in the estimation process, management's estimate of credit 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.

CDC 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.

CDC 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. At December 31, 2023 and 2022, there were no conditional promises to give that were not recognized in the statements of activities.

All contributions of cash and other assets are considered to be available for the general programs of CDC unless specifically restricted by the donor. CDC 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.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2023 and 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amounts charged in 2023 and 2022 were \$6,084 and \$16,538, 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, liability insurance, fees and licenses, legal and professional fees, office supplies and computer services, seminars and training, 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, 2023. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2020.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards:

Adopted Pronouncements:

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The standard changes from an incurred loss approach of recognizing estimated credit losses (which delays recognition until a loss is probable or has been incurred) to an expected loss approach (requiring immediate recognition of estimated credit losses that are expected to occur over the life of the financial asset) referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. The standard was adopted effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

Subsequent Events:

CDC's management has evaluated events and transactions for possible recognition or disclosure through March 19, 2024, the date the financial statements were available to be issued.

Note 2. Loans Receivable, Credit Quality and the Allowance for Credit 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 \$40,088,665 and \$37,664,521 at December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
SBA 504 loans	\$ 4,259,000	\$ 6,911,000
All other CDC loans	<u>630,680</u>	<u>1,526,680</u>
	<u>\$ 4,889,680</u>	<u>\$ 8,437,680</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

Note 2. Loans Receivable, Credit Quality and the Allowance for Credit 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:

	<u>2023</u>	<u>2022</u>
SBA 504 Income:		
Application fees collected, net of refunds	\$ 6,841	\$ (3,680)
Closing fees	79,808	143,146
Escrow float income	61,702	20,122
Late fees	-	200
Monthly servicing fees	205,462	198,989
Other	-	-
	<u>353,813</u>	<u>358,777</u>
Change in accrual	<u>1,271</u>	<u>8,618</u>
Total SBA Income	<u>\$ 355,084</u>	<u>\$ 367,395</u>
SBA 504 Expenses:		
Advertising	\$ 3,619	\$ 9,189
Salaries and benefits	240,011	190,150
Directors' liability insurance	6,243	7,188
Economic development investment	25,000	25,000
Fees and license expense	4,277	4,609
Legal and professional fees	13,485	12,795
Miscellaneous and other	1,494	1,296
Office supplies/computer services	28,709	5,646
Payroll taxes	4,418	5,006
Printing and postage	751	1,926
Seminars, training	6,082	3,568
Travel	<u>392</u>	<u>389</u>
Total SBA Expense	<u>\$ 334,481</u>	<u>\$ 266,762</u>

Salary expenses in relation to total revenue for the year ended December 31, 2023 are as follows:

		<u>% of Total Revenue</u>	<u>% of SBA 504 Revenue</u>
All SBA 504 Personnel Costs	\$ <u>244,429</u>	<u>36</u> %	<u>69</u> %

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

Salary expenses in relation to total revenue for the year ended December 31, 2022 are as follows:

		<u>% of Total Revenue</u>	<u>% of SBA 504 Revenue</u>
All SBA 504 Personnel Costs	\$ <u>195,156</u>	<u>19 %</u>	<u>53 %</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.

The portfolio segments and classes include the following commercial loan industries:

- Industrial/Manufacturing/Wholesale loans
- Retail loans
- Service loans

Loan Portfolio Classifications:

Commercial Real Estate Loans (collateral type: real estate mortgage) are offered to small businesses for the acquisition, renovations or new construction of real estate used in their businesses, such as offices, warehouses and production facilities, and other commercial buildings. Commercial real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. Commercial real estate lending typically involves higher loan principal amounts with longer terms and the repayment of these loans is generally dependent on sufficient income from the properties securing the loans to cover operating expenses and debt service. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The CDC collateral lien position is typically secondary behind a financial institution.

Commercial Equipment Loans (collateral type: specified equipment) are primarily made for the purchase and/or installation of equipment and are underwritten based on the identified or projected cash flows of the borrower and/or the underlying collateral provided by the borrower. The primary repayment risks of commercial loans are that the cash flows of the borrower may be unpredictable, and the collateral securing these loans may fluctuate in value. Collateral for these loans generally includes the specified equipment with the possibility of a lien on all business assets (UCC). The collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. These loans may incorporate a corporate or personal guarantee.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

Loan Portfolio Classifications (Continued):

Commercial Working Capital Loans (collateral type: business assets or other specified lien such as vehicles) are primarily made for business working capital needs and are underwritten based on the identified or projected cash flows of the borrower and/or the underlying collateral provided by the borrower. The primary repayment risks of commercial loans are that the cash flows of the borrower may be unpredictable, and the collateral securing these loans may fluctuate in value. Collateral for these loans generally includes a lien (UCC) on the business assets financed, accounts receivable, chattel paper, fixtures, general intangibles, and inventory. The collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. These loans may incorporate a corporate or personal guarantee.

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

	<u>2023</u>	<u>2022</u>
Industrial, manufacturing and wholesale loans:		
Real estate held loans	\$ 1,215,367	\$ 1,118,911
Equipment held loans	344,316	10,739
Other collateral held loans	<u>101,695</u>	<u>207,956</u>
Total industrial, manufacturing and wholesale loans	1,661,378	1,337,606
Retail loans:		
Real estate held loans	1,154,210	1,259,909
Other collateral held loans	<u>166,776</u>	<u>178,675</u>
Total retail loans	1,320,986	1,438,584
Service loans:		
Real estate held loans	<u>2,135,234</u>	<u>1,733,479</u>
Total loans receivable	5,117,598	4,509,669
Less: Allowance for credit losses	<u>168,590</u>	<u>105,650</u>
Loans receivable - Net	<u>\$ 4,949,008</u>	<u>\$ 4,404,019</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

CDC follows disclosure guidance that requires the allocation of the allowance for credit losses to portfolio segments and enhanced disclosures related to credit quality by type and classification of loans. While the allowance for credit 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 credit losses is as follows:

	<u>January 1, 2023</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 2023</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 24,643	\$ 5,894	\$ 4,000	\$ -	\$ 34,537
Equipment held loans	15,655	18,861	-	-	34,516
Other collateral held loans	<u>23,959</u>	<u>1,768</u>	<u>-</u>	<u>-</u>	<u>25,727</u>
Total industrial, manufacturing and wholesale loans	64,257	26,523	4,000	-	94,780
Retail loans:					
Real estate held loans	14,253	14,735	-	-	28,988
Other collateral held loans	<u>13,995</u>	<u>589</u>	<u>-</u>	<u>-</u>	<u>14,584</u>
Total retail loans	28,248	15,324	-	-	43,572
Service loans:					
Real estate held loans	<u>13,145</u>	<u>17,093</u>	<u>-</u>	<u>-</u>	<u>30,238</u>
Total	<u>\$ 105,650</u>	<u>\$ 58,940</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 168,590</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

	<u>January 1, 2022</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 2022</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 44,709	\$ (26,066)	\$ 6,000	\$ -	\$ 24,643
Equipment held loans	15,675	(20)	-	-	15,655
Other collateral held loans	<u>23,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,959</u>
Total industrial, manufacturing and wholesale loans	84,343	(26,086)	6,000	-	64,257
Retail loans:					
Real estate held loans	18,789	(4,536)	-	-	14,253
Other collateral held loans	<u>41,699</u>	<u>(27,704)</u>	<u>-</u>	<u>-</u>	<u>13,995</u>
Total retail loans	60,488	(32,240)	-	-	28,248
Service loans:					
Real estate held loans	25,508	(19,695)	7,332	-	13,145
Equipment held loans	66	(66)	-	-	-
Other collateral held loans	<u>96</u>	<u>(96)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total service loans	<u>25,670</u>	<u>(19,857)</u>	<u>7,332</u>	<u>-</u>	<u>13,145</u>
Total	<u>\$ 170,501</u>	<u>\$ (78,183)</u>	<u>\$ 13,332</u>	<u>\$ -</u>	<u>\$ 105,650</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

Credit Quality Indicators:

The allowance is measured on a collective (pool) basis when similar risk characteristics exist and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The internal grading scale is as follows for assessment of credit risk and for allowance of credit loss purposes at December 31:

- Minimal Risk - The loans rated in this category would be assigned to borrowers exhibiting a minimal risk of non-payment and are considered to have assets of high quality. These borrowers would typically outperform their peers in all categories and have a record of strong, growing earnings, substantially current balance sheet, sound capitalization with solid cash flow and a strong ownership/management team. Also applies to existing borrowers paying via ACH for more than 6 months or 1 year of self payment. These accounts are reserved at 0.25%.
- Acceptable Risk - The loans rated in this category are perceived to have limited credit risk. Obligors show capacity to meet financial obligations, business financial statements are within policy compared similar business concerns. These accounts are reserved at 5%.
- Special Mention - Loans classified in this category have potential weaknesses, if not checked or corrected, weaken the asset or inadequately protect the CDC position at some future date. Loans in this category may include deviations from standard operating procedures, CDC Credit Policy, prudent lending practices and/or those subject to economic or market conditions that may, in the future, affect the borrower adversely. These accounts are reserved at 25%.
- Substandard - Loans classified in this category are inadequately protected by the repayment capacity, equity and/or collateral pledged. Assets so classified must have well-defined weakness or weaknesses that could hinder the collection of debt. They are characterized by the distinct possibility that the CDC/SBA will sustain some loss if the deficiencies are not corrected. While existing in the aggregate amount of substandard assets, loss potential does not have to exist in individual assets. These accounts are reserved at 40%.
- Doubtful - Assets classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high. Because of certain important, specific, pending factors that may work to the advantage or disadvantage of the assets, classification as Loss is deferred until a more exact status can be determined. Pending factors might include a proposed merger, acquisition, liquidation, capital injection, and perfecting liens on additional collateral or refinancing plans. These accounts are reserved at 80%.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

Credit Quality Indicators (continued):

- **Loss** - Loans represented in this category are considered to be a loss. Typically collection efforts haven't had any success in continued repayments and recovery has ceased. The CDC's recovery is most likely non-existent due to the condition of the collateral or the CDC's inferior lien position which would not justify an offer to purchase the collateral to liquidate. There would be a breakdown in owner involvements with no succession plan in place, business experiencing delinquency and/or substantial losses without a viable plan to restructure operations. These accounts are reserved at 100%.

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, 2023:

	<u>Minimal Risk</u>	<u>Acceptable Risk</u>	<u>Special Mention</u>	<u>Sub- standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Industrial, manufacturing and wholesale loans:							
Real estate held loans	\$ 832,712	\$ 382,655	\$ -	\$ -	\$ -	\$ -	\$ 1,215,367
Equipment held loans	-	78,997	265,319	-	-	-	344,316
Other collateral held loans	<u>73,470</u>	<u>-</u>	<u>28,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,695</u>
Total industrial, manufacturing and wholesale loans	906,182	461,652	293,544	-	-	-	1,661,378
Retail loans:							
Real estate held loans	602,716	422,733	128,761	-	-	-	1,154,210
Other collateral held loans	<u>130,346</u>	<u>36,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,776</u>
Total retail loans	733,062	459,163	128,761	-	-	-	1,320,986
Service loans:							
Real estate held loans	<u>1,271,454</u>	<u>782,390</u>	<u>81,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,135,234</u>
Total loans	<u>\$ 2,910,698</u>	<u>\$ 1,703,205</u>	<u>\$ 503,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,117,598</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

The following table summarizes the credit risk profile for CDC's portfolio by risk grade at December 31, 2022:

	<u>Minimal Risk</u>	<u>Acceptable Risk</u>	<u>Special Mention</u>	<u>Sub- Standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
Industrial, manufacturing and wholesale loans:							
Real estate held loans	\$ 1,118,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,118,911
Equipment held loans	10,739	-	-	-	-	-	10,739
Other collateral held loans	<u>-</u>	<u>97,478</u>	<u>110,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,956</u>
Total industrial, manufacturing and wholesale loans	1,129,650	97,478	110,478	-	-	-	1,337,606
Retail loans:							
Real estate held loans	502,454	757,455	-	-	-	-	1,259,909
Other collateral held loans	<u>92,903</u>	<u>85,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,675</u>
Total retail loans	595,357	843,227	-	-	-	-	1,438,584
Service loans:							
Real estate held loans	<u>1,271,753</u>	<u>458,638</u>	<u>3,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,733,479</u>
Total loans	<u>\$ 2,996,760</u>	<u>\$ 1,399,343</u>	<u>\$ 113,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,509,669</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

The following table summarizes CDC's loans by class and delinquency category at December 31, 2023:

	<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	\$ 1,215,367	\$ -	\$ -	\$ 1,215,367
Equipment held loans	344,316	-	-	344,316
Other collateral held loans	<u>101,695</u>	<u>-</u>	<u>-</u>	<u>101,695</u>
Total industrial, manufacturing and wholesale loans	1,661,378	-	-	1,661,378
Retail loans:				
Real estate held loans	1,154,210	-	-	1,154,210
Other collateral held loans	<u>166,776</u>	<u>-</u>	<u>-</u>	<u>166,776</u>
Total retail loans	1,320,986	-	-	1,320,986
Service loans:				
Real estate held loans	<u>2,135,234</u>	<u>-</u>	<u>-</u>	<u>2,135,234</u>
Total Loans Receivable	<u>\$ 5,117,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,117,598</u>

There were no impaired loans at December 31, 2023.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2023 and 2022

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

The following table summarizes the CDC's loans by class and delinquency category at December 31, 2022:

	<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	\$ 1,118,911	\$ -	\$ -	\$ 1,118,911
Equipment held loans	10,739	-	-	10,739
Other collateral held loans	<u>207,956</u>	<u>-</u>	<u>-</u>	<u>207,956</u>
Total industrial, manufacturing and wholesale loans	1,337,606	-	-	1,337,606
Retail loans:				
Real estate held loans	1,259,909	-	-	1,259,909
Other collateral held loans	<u>178,675</u>	<u>-</u>	<u>-</u>	<u>178,675</u>
Total retail loans	1,438,584	-	-	1,438,584
Service loans:				
Real estate held loans	<u>1,730,391</u>	<u>-</u>	<u>3,088</u>	<u>1,733,479</u>
Total Loans Receivable	<u>\$ 4,506,581</u>	<u>\$ -</u>	<u>\$ 3,088</u>	<u>\$ 4,509,669</u>

There were no impaired loans at December 31, 2022.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2023 and 2022**

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:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 6,339,783	\$ 6,803,152
Accrued interest receivable	48,889	12,221
Loans receivable, net of allowance for credit losses	<u>4,949,008</u>	<u>4,404,019</u>
Total financial assets	11,337,680	11,219,392
Less: Financial assets not available to be used within one year:		
Restricted by donors with purpose restrictions	<u>8,822,092</u>	<u>8,779,793</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,515,588</u>	<u>\$ 2,439,599</u>

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, 2023 and 2022

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022, are available for the following loan programs in accordance with established guidelines:

	<u>2023</u>	<u>2022</u>
Business Development Revolving Loan Programs:		
Economic Development Administration	\$ 5,201,089	\$ 5,134,439
CEDIT - Fort Wayne	741,124	754,691
Economic Development Administration - COVID-19	1,467,853	1,458,876
Urban Development Action Grant	37,205	38,920
Investment Incentive Program - City	159,926	170,887
Investment Incentive Program - County	208,438	212,087
Revenue Sharing	<u>551</u>	<u>541</u>
	7,816,186	7,770,441
Other Loan Programs:		
Fort Wayne - Allen County Opportunity Loan Fund	729,317	724,394
Enterprise Zone Revolving Loan Fund	-	3,551
Rural Development Loan Fund	<u>276,589</u>	<u>281,407</u>
	<u>1,005,906</u>	<u>1,009,352</u>
	<u>\$ 8,822,092</u>	<u>\$ 8,779,793</u>

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

Note 5. New Funding

New funding of \$471,890 was recognized during the year ended December 31, 2022, as a passthrough from the Economic Development Administration (EDA) and utilized for the purpose of the COVID-19 Recovery Revolving Loan Fund. The award included 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. In July 2022, the grant disbursement period closed.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2023 and 2022**

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 were remitted to the UEA on a semi-annual basis as they were collected from outstanding loans receivable, less an administrative fee retained by the CDC in the amount of 15% of collections. For the years ended, December 31, 2023 and 2022, the CDC returned revolving loan funds to the UEA in the amount of \$3,842 and \$3,309, respectively. All funds have been returned to the UEA as of December 31, 2023.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Expenditures of Federal and Nonfederal Awards Year Ended December 31, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Commerce Economic Development Administration:		
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>1,499,280</u>

STATE & LOCAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	State/Local Receipts	State/Local Expenditures
None in 2023		

**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, 2023

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, 2023. 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 COVID-19 EDA Economic Adjustment expenditure amount was calculated as follows:

1. Balance of Revolving Loan Fund (RLF) loans outstanding at year end	\$ 1,035,588
2. Cash and investment balance at year end	442,839
3. Administrative expenses for the year*	20,853
4. Unpaid principal of all loans written off during the year	-
	<u>1,499,280</u>
5. Federal share of the RLF	<u>100.0000 %</u>
Federal expenditures	<u>\$ 1,499,280</u>

* This line item does not include an allowance for credit 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, 2023, 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 19, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

A handwritten signature in dark ink that reads "Baden, Gage & Schroeder, LLC". The signature is written in a cursive, flowing style.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 19, 2024



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

Opinion on Each Major Federal Program

We have audited Community Development Corporation of Fort Wayne's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, 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 each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Community Development Corporation of Fort Wayne and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Community Development Corporation of Fort Wayne's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Community Development Corporation of Fort Wayne's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Community Development Corporation of Fort Wayne's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Development Corporation of Fort Wayne's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Community Development Corporation of Fort Wayne's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Community Development Corporation of Fort Wayne's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Community Development Corporation of Fort Wayne's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Baden, Gage & Schroeder, LLC". The signature is written in a cursive, flowing style.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
March 19, 2024

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Findings and Questioned Costs Year Ended December 31, 2023

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:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance?

☐ YES ☒ NO

Identification of major programs:

AL Number(s)

Name of Federal Program or Cluster

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, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

No Findings in 2023

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No Findings or Questioned Costs in 2023

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Summary Schedule of Prior Findings and Questioned Costs
Year Ended December 31, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings for 2022

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

No Findings or Questioned Costs in 2022