

**Community Development
Corporation of Fort Wayne**

December 31, 2022 and 2021

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Financial Statements with Supplementary Information
December 31, 2022 and 2021

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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

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, 2022 and 2021, 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, 2022 and 2021, 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 22, 2023, 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 22, 2023

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Financial Position December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,803,152	\$ 6,283,560
Accrued interest receivable - loans	9,168	9,119
Accrued interest receivable - cash and cash equivalents	3,053	2,845
Grant receivable - federal funding	-	19,501
Loans receivable (net of allowance for loan losses of \$105,650 in 2022 and \$170,501 in 2021)	<u>4,404,019</u>	<u>4,273,919</u>
TOTAL ASSETS	<u>\$ 11,219,392</u>	<u>\$ 10,588,944</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 26,512	\$ 31,664
Other liabilities	<u>36,728</u>	<u>45,346</u>
Total Liabilities	63,240	77,010
NET ASSETS		
Net assets without donor restrictions	2,376,359	2,271,210
Net assets with donor restrictions	<u>8,779,793</u>	<u>8,240,724</u>
Total Net Assets	<u>11,156,152</u>	<u>10,511,934</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,219,392</u>	<u>\$ 10,588,944</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statement of Activities Years 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

Statement of Activities Years Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Federal funding	\$ -	\$ 646,538	\$ 646,538
Interest income - loans	-	171,444	171,444
Interest income - cash and cash equivalents	878	5,815	6,693
Loan application and commitment fees	-	10,535	10,535
SBA closing and servicing fee income	304,550	-	304,550
Miscellaneous income	3,285	-	3,285
Return of revolving loan funds to donor	-	(35,897)	(35,897)
Net assets released from restrictions due to satisfaction of purpose restrictions	<u>238,087</u>	<u>(238,087)</u>	<u>-</u>
Total Revenue and Support	546,800	560,348	1,107,148
EXPENSES			
Program services	234,293	-	234,293
Management and general	<u>182,882</u>	<u>-</u>	<u>182,882</u>
Total Expenses	<u>417,175</u>	<u>-</u>	<u>417,175</u>
CHANGE IN NET ASSETS	129,625	560,348	689,973
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	6,335	(6,335)	-
NET ASSETS, BEGINNING OF YEAR	<u>2,135,250</u>	<u>7,686,711</u>	<u>9,821,961</u>
NET ASSETS, END OF YEAR	<u>\$ 2,271,210</u>	<u>\$ 8,240,724</u>	<u>\$ 10,511,934</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 644,218	\$ 689,973
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided By Operating Activities:		
Provision for loan losses	(78,183)	-
(Increase) Decrease in Assets:		
Accrued interest receivable - loans	(49)	1,904
Accrued interest receivable - cash and cash		
equivalents	(208)	31
Grant receivable - federal funding	19,501	39,499
Other receivables	-	6,775
Increase (Decrease) in Liabilities:		
Accounts payable	(5,152)	(2,537)
Other liabilities	<u>(8,618)</u>	<u>1,296</u>
Net Cash Provided By Operating Activities	571,509	736,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements from nonfederal funds	(261,393)	(199,525)
Loan disbursements from federal funds	(526,743)	(781,975)
Principal payments received on loans	722,887	1,420,767
Recovery of previously charged off loans	<u>13,332</u>	<u>25,221</u>
Net Cash Provided By (Used In) Investing Activities	<u>(51,917)</u>	<u>464,488</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	519,592	1,201,429
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,283,560</u>	<u>5,082,131</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,803,152</u></u>	<u><u>\$ 6,283,560</u></u>

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	2022 Total Expenses	2021 Total Expenses
Advertising	\$ 16,538	\$ -	\$ 16,538	\$ 31,059
Annual meeting, annual report	-	332	332	-
Contract services	184,912	158,974	343,886	302,071
Credit reports	345	-	345	142
Directors' liability insurance	-	10,913	10,913	9,344
Economic development investments	25,000	-	25,000	25,000
Fees and licenses	8,141	1,521	9,662	10,378
Legal and professional fees	-	22,475	22,475	21,525
Miscellaneous expense	-	736	736	614
Office supplies and computer services	6,142	3,375	9,517	12,180
Payroll taxes	2,955	2,051	5,006	1,380
Printing and postage	3,202	-	3,202	2,505
Provision for loan losses	(78,183)	-	(78,183)	-
Seminars and training	5,460	-	5,460	463
Travel	735	-	735	514
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ <u>175,247</u>	\$ <u>200,377</u>	\$ <u>375,624</u>	\$ <u>417,175</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Statement of Functional Expenses **Year Ended December 31, 2021**

	Program Services	Manage- ment and General	Total Expenses
Advertising	\$ 31,059	\$ -	\$ 31,059
Contract services	160,765	141,306	302,071
Credit reports	142	-	142
Directors' liability insurance	-	9,344	9,344
Economic development investments	25,000	-	25,000
Fees and licenses	7,792	2,586	10,378
Legal and professional fees	-	21,525	21,525
Miscellaneous expense	-	614	614
Office supplies and computer services	5,163	7,017	12,180
Payroll taxes	890	490	1,380
Printing and postage	2,505	-	2,505
Seminars and training	463	-	463
Travel	514	-	514
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ <u>234,293</u>	\$ <u>182,882</u>	\$ <u>417,175</u>

See Notes to Financial Statements.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements **December 31, 2022 and 2021**

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, 2022, CDC held accounts at eleven area financial institutions. Amounts in excess of federal and private insurance coverage at December 31, 2022 and 2021, amounted to \$4,340,112 and \$3,830,069, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2022 and 2021**

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.

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.

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.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2022 and 2021**

Note 1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued):

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. Consequently, at December 31, 2022 and 2021, approximately \$0 and \$5,393,784, 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 required specific expenditures related to the COVID-19 revolving loan program through the EDA. The grant disbursement period for this program closed in July 2022.

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.

Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amounts charged in 2022 and 2021 were \$16,538 and \$31,059, 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.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2022 and 2021**

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, 2022. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2019.

Reclassification:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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 22, 2023, the date the financial statements were available to be issued.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2022 and 2021

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 \$37,664,521 and \$35,466,498 at December 31, 2022 and 2021, respectively.

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>2022</u>	<u>2021</u>
SBA 504 Income:		
Application fees collected, net of refunds	\$ (3,680)	\$ 11,892
Closing fees	143,146	70,140
Escrow float income	20,122	1,648
Late fees	200	400
Monthly servicing fees	198,989	221,714
Other	<u>-</u>	<u>52</u>
	358,777	305,846
Change in accrual	<u>8,618</u>	<u>(1,296)</u>
Total SBA Income	<u><u>\$ 367,395</u></u>	<u><u>\$ 304,550</u></u>
SBA 504 Expenses:		
Advertising	\$ 9,189	\$ 11,465
Contract services	190,150	121,816
Directors' liability insurance	7,188	5,506
Economic development investment	25,000	25,000
Fees and license expense	4,609	3,377
Legal and professional fees	12,795	9,757
Miscellaneous and other	1,296	643
Office supplies/computer services	5,646	5,491
Payroll taxes	5,006	1,380
Printing and postage	1,926	1,192
Seminars, training	3,568	273
Travel	<u>389</u>	<u>157</u>
Total SBA Expense	<u><u>\$ 266,762</u></u>	<u><u>\$ 186,057</u></u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

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

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

		<u>% of Total Revenue</u>	<u>% of SBA 504 Revenue</u>
All CDC Personnel Costs	\$ <u>195,156</u>	<u>19</u> %	<u>54</u> %

Salary expenses in relation to total revenue for the year ended December 31, 2021 are as follows:

		<u>% of Total Revenue</u>	<u>% of SBA 504 Revenue</u>
All CDC Personnel Costs	\$ <u>123,196</u>	<u>11</u> %	<u>40</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.

At December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
SBA 504 loans	\$ 6,911,000	\$ 7,538,000
All other CDC loans	<u>1,526,680</u>	<u>771,400</u>
	<u>\$ 8,437,680</u>	<u>\$ 8,309,400</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2022 and 2021**

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

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

	<u>2022</u>	<u>2021</u>
Industrial, manufacturing and wholesale loans:		
Real estate held loans	\$ 1,118,911	\$ 1,380,922
Equipment held loans	10,739	17,534
Other collateral held loans	<u>207,956</u>	<u>297,632</u>
Total industrial, manufacturing and wholesale loans	1,337,606	1,696,088
Retail loans:		
Real estate held loans	1,259,909	872,565
Other collateral held loans	<u>178,675</u>	<u>250,508</u>
Total retail loans	1,438,584	1,123,073
Service loans:		
Real estate held loans	1,733,479	1,623,436
Other collateral held loans	<u>-</u>	<u>1,823</u>
Total service loans	<u>1,733,479</u>	<u>1,625,259</u>
Total loans receivable	4,509,669	4,444,420
Less: Allowance for loan losses	<u>105,650</u>	<u>170,501</u>
Loans receivable - Net	<u>\$ 4,404,019</u>	<u>\$ 4,273,919</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2022 and 2021

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, 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, 2022 and 2021

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

	<u>January 1, 2021</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31, 2021</u>
Industrial, manufacturing and wholesale loans:					
Real estate held loans	\$ 39,509	\$ -	\$ 5,200	\$ -	\$ 44,709
Equipment held loans	9,907	-	5,768	-	15,675
Other collateral held loans	<u>23,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,959</u>
Total industrial, manufacturing and wholesale loans	73,375	-	10,968	-	84,343
Retail loans:					
Real estate held loans	4,536	-	14,253	-	18,789
Other collateral held loans	<u>41,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,699</u>
Total retail loans	46,235	-	14,253	-	60,488
Service loans:					
Real estate held loans	25,508	-	-	-	25,508
Equipment held loans	66	-	-	-	66
Other collateral held loans	<u>96</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96</u>
Total service loans	<u>25,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,670</u>
Total	<u>\$ 145,280</u>	<u>\$ -</u>	<u>\$ 25,221</u>	<u>\$ -</u>	<u>\$ 170,501</u>

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2022 and 2021

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 at December 31, 2022:

- 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 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, 2022 and 2021

Note 2. Loans Receivable, Credit Quality and the Allowance for Loan 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 internal grading scale is as follows for assessment of credit risk and for allowance of loan loss purposes at December 31, 2021:

- 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, 2022 and 2021

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, 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	-	97,478	110,478	-	-	-	207,956
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	92,903	85,772	-	-	-	-	178,675
Total retail loans	595,357	843,227	-	-	-	-	1,438,584
Service loans:							
Real estate held loans	1,271,753	458,638	3,088	-	-	-	1,733,479
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, 2022 and 2021

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, 2021:

	<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	\$ -	\$ 1,380,922	\$ -	\$ -	\$ -	\$ -	\$ 1,380,922
Equipment held loans	-	-	-	17,534	-	-	17,534
Other collateral held loans	-	297,632	-	-	-	-	297,632
Total industrial, manufacturing and wholesale loans	-	1,678,554	-	17,534	-	-	1,696,088
Retail loans:							
Real estate held loans	-	782,565	90,000	-	-	-	872,565
Other collateral held loans	-	250,508	-	-	-	-	250,508
Total retail loans	-	1,033,073	90,000	-	-	-	1,123,073
Service loans:							
Real estate held loans	-	1,530,019	88,491	4,926	-	-	1,623,436
Other collateral held loans	-	1,823	-	-	-	-	1,823
Total service loans	-	1,531,842	88,491	4,926	-	-	1,625,259
Total loans	\$ -	\$ 4,243,469	\$ 178,491	\$ 22,460	\$ -	\$ -	\$ 4,444,420

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2022 and 2021

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, 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, 2022 and 2021

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, 2021:

	<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	\$ 1,380,922	\$ -	\$ -	\$ 1,380,922
Equipment held loans	17,534	-	-	17,534
Other collateral held loans	<u>297,632</u>	<u>-</u>	<u>-</u>	<u>297,632</u>
Total industrial, manufacturing and wholesale loans	1,696,088	-	-	1,696,088
Retail loans:				
Real estate held loans	872,565	-	-	872,565
Other collateral held loans	<u>250,508</u>	<u>-</u>	<u>-</u>	<u>250,508</u>
Total retail loans	1,123,073	-	-	1,123,073
Service loans:				
Real estate held loans	1,612,276	6,234	4,926	1,623,436
Other collateral held loans	<u>1,823</u>	<u>-</u>	<u>-</u>	<u>1,823</u>
Total service loans	<u>1,614,099</u>	<u>6,234</u>	<u>4,926</u>	<u>1,625,259</u>
Total Loans Receivable	<u>\$ 4,433,260</u>	<u>\$ 6,234</u>	<u>\$ 4,926</u>	<u>\$ 4,444,420</u>

There were no impaired loans at December 31, 2021.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 6,803,152	\$ 6,283,560
Accrued interest receivable	12,221	11,964
Grant receivable - federal funding	-	19,501
Loans receivable, net of allowance for loan losses	<u>4,404,019</u>	<u>4,273,919</u>
Total financial assets	11,219,392	10,588,944
Less: Financial assets not available to be used within one year:		
Restricted by donors with purpose restrictions	<u>8,779,793</u>	<u>8,240,724</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,439,599</u>	<u>\$ 2,348,220</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 eleven financial institutions.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) December 31, 2022 and 2021

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021, are available for the following loan programs in accordance with established guidelines:

	<u>2022</u>	<u>2021</u>
Business Development Revolving Loan Programs:		
Economic Development Administration	\$ 5,134,439	\$ 5,040,581
CEDIT - Fort Wayne	754,691	796,481
Economic Development Administration - COVID-19	1,458,876	1,019,481
Urban Development Action Grant	38,920	42,315
Investment Incentive Program - City	170,887	171,911
Investment Incentive Program - County	212,087	161,402
Revenue Sharing	<u>541</u>	<u>540</u>
	7,770,441	7,232,711
Other Loan Programs:		
Fort Wayne - Allen County Opportunity Loan Fund	724,394	717,952
Enterprise Zone Revolving Loan Fund	3,551	6,102
Rural Development Loan Fund	<u>281,407</u>	<u>283,959</u>
	<u>1,009,352</u>	<u>1,008,013</u>
	<u>\$ 8,779,793</u>	<u>\$ 8,240,724</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 and \$496,538 was recognized during the years ended December 31, 2022 and 2021, respectively, as a passthrough from the Economic Development Administration (EDA) and utilized for the purpose of the 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. In July 2022, the grant disbursement period closed. The CDC recorded a grant receivable \$19,501 at December 31, 2021, related to this funding.

Funding of \$150,000 was received in 2021 by transfer of U.S. Department of Agriculture (USDA) funds by New Allen Alliance as authorized by the USDA. These funds are to be utilized for both loan disbursements and administrative costs for the USDA loan program.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Notes to Financial Statements (Continued) **December 31, 2022 and 2021**

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 2024, less an administrative fee retained by the CDC in the amount of 15% of collections. For the years ended, December 31, 2022 and 2021, the CDC had returned revolving loan funds to the UEA in the amount of \$3,309 and \$35,897, respectively.

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Expenditures of Federal and Nonfederal Awards Year Ended December 31, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal Assistance Listing Number	Federal Expenditures
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	\$ 4,609,134
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>1,516,833</u>
TOTAL		<u><u>\$ 6,125,967</u></u>
STATE & LOCAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	State/Local Receipts	State/Local Expenditures

None in 2022

**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, 2022

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, 2022. 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 includes activity from January 1, 2022 until defederalization on April 8, 2022 and was calculated as follows:

1. Balance of Revolving Loan Fund (RLF) loans outstanding at April 8, 2022	\$ 3,272,786
2. Cash and investment balance at April 8, 2022	2,959,870
3. Administrative expenses for the period*	33,505
4. Unpaid principal of all loans written off during the period	-
	<u>6,266,161</u>
5. Federal share of the RLF	<u>73.5559 %</u>
Federal expenditures	<u>\$ 4,609,134</u>

* 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, 2022**

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	\$ 1,228,309
2. Cash and investment balance at year end	210,592
3. Administrative expenses for the year*	77,932
4. Unpaid principal of all loans written off during the year	<u>-</u>
	1,516,833
5. Federal share of the RLF	<u>100.0000 %</u>
Federal expenditures	\$ <u><u>1,516,833</u></u>

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



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**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, 2022, 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 22, 2023.

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 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 22, 2023



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, 2022. 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, 2022.

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 22, 2023

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Schedule of Findings and Questioned Costs **Year Ended December 31, 2022**

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, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

No Findings in 2022

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No Findings or Questioned Costs in 2022

COMMUNITY DEVELOPMENT CORPORATION OF FORT WAYNE

Summary Schedule of Prior Findings and Questioned Costs Year Ended December 31, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings for 2021

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

Findings 2021-001, 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: Economic Development Administration (EDA)
- AL 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. On April 8, 2022, the EDA approved defederalization of these funds, effectively resolving the prior noncompliance related to the matching requirement.