

**Community Housing Advocacy and Development and Subsidiaries
Audit Report
For the Year Ended September 30, 2015**

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Selden Fox, LTD.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
619 Enterprise Drive
Oak Brook, Illinois 60523-8835

630-954-1400
630-954-1327 FAX

email@seldenfox.com
www.seldenfox.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Housing Advocacy
and Development and Subsidiaries
Wheaton, Illinois

We have audited the accompanying consolidated financial statements of **Community Housing Advocacy and Development and Subsidiaries**, which comprise the consolidated statement of financial position at September 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Advocacy and Development and Subsidiaries at September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Housing Advocacy and Development and Subsidiaries' 2014 consolidated financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2014. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the consolidating statements of financial position and activities at September 30, 2015 and 2014 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 January 25, 2016 on our consideration of Community Housing Advocacy and Development and Subsidiaries' 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering* Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting and compliance.

Selden Fox, Ltd.

January 25, 2016

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Financial Position
September 30, 2015
(With Comparative Totals for 2014)

Assets	2015	2014
Current assets:		
Cash and cash equivalents	\$ 738,777	\$ 953,998
Rent receivable, net of an allowance of \$5,000 at September 30, 2015 and 2014	10,613	23,243
Grants receivable	655,540	662,240
Insurance receivable	-	39,242
Other receivables	4,900	4,000
Prepaid expenses	35,898	19,914
Total current assets	1,445,728	1,702,637
Property and equipment:		
Land	6,251,303	6,251,303
Buildings	27,909,687	27,311,893
Maintenance vehicles	69,368	69,368
Building improvements and appliances	7,339,380	7,284,526
Construction in progress	560,822	-
Total property and equipment	42,130,560	40,917,090
Less accumulated depreciation	12,372,710	11,455,014
Net property and equipment	29,757,850	29,462,076
Other assets:		
Restricted cash	575,074	578,403
Deposits	165,018	151,223
Property held for sale	-	309,000
Investment in Just Homes	1,948,422	2,214,984
Bond issuance costs, net of accumulated amortization of \$86,765 and \$80,657 at September 30, 2015 and 2014	61,077	67,185
Total other assets	2,749,591	3,320,795
Total assets	\$ 33,953,169	\$ 34,485,508

See accompanying notes.

Liabilities and Net Assets	2015	2014
Current liabilities:		
Bonds payable, current portion	\$ 417,000	\$ 397,000
Mortgage loans payable, current portion	337,034	612,779
Accounts payable	79,507	29,649
Contractual obligations payable	393,824	-
Accrued interest	94,548	93,734
Accrued real estate taxes	13,610	26,169
Accrued other expense	88,668	109,405
Rent received in advance	94,599	-
Funds held for others	39,148	54,536
Security deposits	381,473	372,775
Total current liabilities	1,939,411	1,696,047
Long-term liabilities:		
Bonds payable, noncurrent	5,762,000	6,179,000
Mortgage loans payable, noncurrent	5,360,898	5,461,600
Total long-term liabilities	11,122,898	11,640,600
Total liabilities	13,062,309	13,336,647
Net assets:		
Unrestricted	15,007,539	15,162,090
Temporarily restricted	5,883,321	5,986,771
Total net assets	20,890,860	21,148,861
Total liabilities and net assets	\$ 33,953,169	\$ 34,485,508

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Activities
For the Year Ended September 30, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Total	2014 Total
Revenues:				
Housing assistance payments	\$ 861,587	\$ -	\$ 861,587	\$ 847,015
Rent income	3,977,982	-	3,977,982	3,990,586
Discount provided to tenants	(715,570)	-	(715,570)	(744,854)
Grant income	-	43,900	43,900	579,048
Late fees and laundry room income	36,110	-	36,110	49,194
Interest income	106	-	106	70
Donations	116,765	2,600	119,365	105,589
Loss on investment in Just-Homes program	(109,668)	-	(109,668)	-
Gain on sale of assets	-	-	-	37,516
Impairment on property held for sale	-	-	-	(408,940)
Release of intercompany payables	-	-	-	89,968
Cancellation of debt income	-	-	-	990,000
Miscellaneous income	79,355	-	79,355	58,742
Net assets released from restrictions	149,950	(149,950)	-	-
Total revenues	4,396,617	(103,450)	4,293,167	5,593,934
Functional expenses:				
Program services	4,174,411	-	4,174,411	4,180,997
Management and general	317,517	-	317,517	303,094
Fund-raising	59,240	-	59,240	110,543
Total functional expenses	4,551,168	-	4,551,168	4,594,634
Change in net assets	(154,551)	(103,450)	(258,001)	999,300
Net assets, beginning of the year	15,162,090	5,986,771	21,148,861	20,149,561
Net assets, end of the year	\$ 15,007,539	\$ 5,883,321	\$ 20,890,860	\$ 21,148,861

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2015
(With Comparative Totals for 2014)

	Program Services	Management and General	Fund-raising	Total	2014 Total
Assessments	\$ 195,440	\$ -	\$ -	\$ 195,440	\$ 189,272
Automobile	35,161	-	-	35,161	26,640
Bad debts	41,314	-	-	41,314	81,593
Consulting fees	10,441	-	-	10,441	9,236
Depreciation and amortization	912,739	11,064	-	923,803	918,120
Fund-raising	-	-	25,160	25,160	33,653
Interest	509,774	-	-	509,774	555,387
JUST HOMES	2,000	-	-	2,000	(479)
Miscellaneous	16,790	16,788	-	33,578	48,761
Operating expenses	-	62,431	-	62,431	79,653
Other insurance	15,015	8,818	-	23,833	24,633
Other property costs	49,652	-	-	49,652	25,232
Professional fees	66,784	120,054	-	186,838	115,068
Property insurance	107,749	5,041	-	112,790	100,293
Real estate taxes	23,966	2,663	-	26,629	38,348
Repairs and maintenance	981,102	-	-	981,102	972,974
Salaries and payroll taxes	781,438	86,826	34,080	902,344	948,324
Security	45,718	-	-	45,718	44,832
Utilities	379,328	3,832	-	383,160	380,154
Selling expense	-	-	-	-	2,940
Total functional expenses	\$ 4,174,411	\$ 317,517	\$ 59,240	\$ 4,551,168	\$ 4,594,634

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in total net assets	\$ (258,001)	\$ 999,300
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	923,803	918,120
Bad debt expense	41,314	81,593
Cancellation of debt income	-	(990,000)
Impairment of property held for sale	-	408,940
Gain on sale of property and equipment	-	(37,516)
(Increase) decrease in receivables	16,358	(161,829)
(Increase) decrease in prepaid expense	(15,984)	1,479
Decrease in restricted cash	3,329	5,710
Increase in deposits	(13,795)	(14,213)
Increase (decrease) in accounts payable and accrued expenses	17,376	(144,465)
Increase in contractual obligation payable	393,824	-
Increase (decrease) in rent received in advance	94,599	-
Decrease in funds held for others	(15,388)	(8,999)
Increase in security deposits	8,698	22,599
Contributions restricted for property	(43,900)	(579,048)
Net cash from operating activities	1,152,233	501,671
Cash flows from investing activities:		
Loss on investment in Just Homes property	109,668	-
Purchase of property and equipment	(819,575)	(535,489)
Proceeds from sale of property	309,000	400,373
Net cash used in investing activities	(400,907)	(135,116)
Cash flows from financing activities:		
Payments made on mortgage notes	(613,447)	(326,472)
Payments made on bonds payable	(397,000)	(378,000)
Proceeds from contributions restricted for property	43,900	579,048
Net cash used in financing activities	(966,547)	(125,424)
Net change in cash	(215,221)	241,131
Cash, beginning of the year	953,998	712,867
Cash, end of the year	\$ 738,777	\$ 953,998
Supplemental disclosures:		
Noncash investing and financing transactions:		
Property loans and line of credit borrowings used to purchase property	\$ 237,000	\$ -
Conversion of Just Homes inventory and investment to property and equipment	\$ 156,895	\$ -
Cancellation of debt	\$ -	\$ 990,000
Cash payments for interest	\$ 509,153	\$ 559,596

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

General – Community Housing Advocacy and Development, formerly known as Community Housing Association of DuPage, was incorporated February 16, 1983 under the Not-for-profit Corporation Act of the State of Illinois, with the purpose to provide and advocate quality affordable housing to participants in the U.S. Department of Housing and Urban Development's Section 8 program and to low and moderate income individuals and families. The subsidiary, CHAD Homes, Inc. was incorporated in the State of Illinois as a corporation in 2006.

Principles of Consolidation – The accompanying financial statements were prepared on a consolidated basis, and include the accounts of the Corporation and its wholly-owned subsidiaries, CHAD Homes, Inc. and CHAD Property Management, Inc., collectively referred to hereafter as the Corporation. All significant intercompany transactions have been eliminated.

CHAD Homes, Inc. ceased operations in the current year and all remaining balances were eliminated as of September 30, 2015. The Company is now considered inactive. Articles of dissolution were filed in October 2014.

Basis of Accounting – These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Corporation as a whole so as to present balances and transactions according to the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that the Association maintain them permanently. The Association has no permanently restricted net assets.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may be met by actions of the Association, or by the passage of time.

Unrestricted Net Assets – Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities at the date of the financial statements and during the reporting period. Significant estimates made by management in the financial statements include determining that impairment on property held for investment is not necessary based on the current and expected future housing market in DuPage County, Illinois, determining an allowance for uncollectible accounts receivable, and depreciating property and equipment over their estimated useful lives. Actual results could differ from those estimates. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information becomes available.

Concentration of Risk – At September 30, 2015, the Corporation had uninsured balances in excess of FDIC coverage totaling \$492,252 at two financial institutions.

Investments – The Corporation has long-term real estate investments, recorded at cost, purchased under the “JUST HOMES” program. Under this program, the Corporation’s clients buy an equity portion of the home and the Corporation retains the remaining interest. At such time as the client wishes to sell his interest, the Corporation has the right of first refusal to buy that equity interest at the then current fair market value based upon an appraisal. When the Corporation purchases a client interest and subsequently resells that interest, the Corporation’s investment is adjusted to their percentage interest in that newly determined value of the property. During the current year, the Corporation repurchased three homes and removed them from the program, incurring debt to purchase two homes and using existing cash reserves for the third home. Subsequent to year end, the Corporation received clear title on the third property and then utilized existing grant proceeds and a new mortgage loan payable to finance the cost of the third home.

Rent Receivables – Rent receivables are stated at amounts billed for rent. The Corporation does not charge interest but does charge late fees on amounts past due. The Corporation has established an allowance for doubtful accounts. Management’s periodic evaluation of the collectability of receivables is based on past experience, known and inherent risks in the accounts, adverse situations that may affect ability to repay, and current economic conditions. The allowance for doubtful accounts totaled \$5,000 at September 30, 2015 (\$5,000 at September 30, 2014). Accounts deemed uncollectible are charged against the allowance.

Property and Equipment – Property and equipment are capitalized at cost. Major additions, defined by the Corporation as in excess of \$2,500, are capitalized, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed in the period incurred. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	10 - 40 years
Building improvements and appliances	5 - 40 years
Maintenance vehicles	5 - 7 years

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

1. **Summary of Significant Accounting Policies (cont'd)**

Property and Equipment (cont'd)

Depreciation expense was \$917,695 and \$912,013 for the years ended September 30, 2015 and 2014, respectively.

Property held by the subsidiary of Community Housing Advocacy and Development was sold subsequent to year end in October 2014 at a price below net book value. The carrying value of the property was marked down to the selling price as of September 30, 2014, and the Corporation recognized an impairment loss of \$408,940 in the prior year.

Contributions – All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment – Contributions of exhaustible long-lived assets, or of cash or other assets used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the Corporation's depreciation policies.

Grants and Housing Assistance – The Corporation receives various federal grants from the DuPage County Community Development Commission and the City of Aurora, Illinois for the purchase of and improvements to housing units which have been approved by DuPage County and City of Aurora, Illinois as suitable for use as low-income housing units. In exchange, the grants require that the Corporation manage such properties as low income housing, as defined in the grant agreements, for periods which vary by grant, ranging from 10 to 40 years. The grants are recognized as revenue in the period when the related grant expenditures for the property acquisitions or improvements have been made. The Corporation also receives low-income rental assistance payments under a U.S. Department of Housing and Urban Development program. Income under this program is recognized when rent becomes due according to the terms of the lease agreement.

Rental Support – The Corporation provides significant rental support to its tenants by offering housing at rates below fair market value. Rent income is reported at the fair market value, and the rental support is reported as a related discount immediately below rent income in the statement of activities.

Functional Allocation of Expenses – Costs of providing the various services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to and categorized as program services, management and general, and fund-raising expenses.

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Income Taxes – The Corporation is a not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except for taxes on unrelated business income generated from unrelated or trade business activities. The Corporation had no net unrelated business taxable income in 2015 or 2014. Accordingly, no provision for income taxes is included in the financial statements.

The Corporation's U.S. federal and Illinois tax returns for fiscal years 2014, 2013, and 2012 remain subject to examination.

CHAD Homes, Inc. is subject to federal and state income taxes; however, due to net operating loss carryforward there is no provision for income taxes for the years ended September 30, 2015 or 2014.

Subsequent Events – Subsequent events have been evaluated through January 25, 2016, which is the date the financial statements were available to be issued.

2. Required Cash Balances

The Corporation is required to maintain certain separate accounts to be in compliance with loan requirements. Balances of the restricted cash accounts at September 30 are as follows:

	2015	2014
Required accounts:		
Tenants' security deposits	\$ 74,430	\$ 71,608
Real estate escrow	1,938	1,938
Debt service	498,706	504,857
	\$ 575,074	\$ 578,403

3. Contractual Obligation Payable

The Corporation accrued a liability for housing rehabilitation work performed prior to September 30, 2015 in connection with a grant through DuPage County. Under terms of the agreement, the Corporation must withhold payment to the contractor pending approval by the County's Housing Quality Inspector. Such approval was obtained subsequent to year end and the Corporation made full payment on the liability.

4. Lines of Credit

The Corporation had a \$500,000 line of credit available at September 30, 2015 with no balance outstanding at September 30, 2015 and 2014. This line of credit bears a variable rate of interest of the bank's prime rate with a floor rate of 4.00% (4.00% at September 30, 2014). This line of credit was secured by a second mortgage on a building at 35 West St. Charles Road, Villa Park, Illinois, which had a net book value of \$355,361 at September 30, 2015. There were no draws on this line of credit in the current or prior year.

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Debt Obligations

The Corporation had the following long-term debt obligations at September 30, 2015 and 2014:

	2015	2014
<p>On August 17, 2015, the Corporation entered into a \$128,000 mortgage note payable to West Suburban Bank, secured by property located in Glendale Heights, Illinois with a net book value of \$217,608 at September 30, 2015. The Corporation is required to make monthly payments of \$698, including interest at a rate of 4.25%, commencing October 1, 2015, with the unpaid balance due at maturity on September 1, 2020.</p>	\$ 128,000	\$ -
<p>On December 17, 2014, the Corporation entered into a \$109,000 mortgage note payable to West Suburban Bank, secured by property located in Darien, Illinois with a net book value of \$179,396 at September 30, 2015. The Corporation is required to make monthly payments for the first sixty months of \$536, and then \$542 for the next three hundred months, including interest at a rate of 4.25%, commencing February 1, 2015, with the unpaid balance due at maturity on January 1, 2045. The interest rate is subject to change on February 1, 2020 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.</p>	107,862	-
<p>On August 1, 2013, the Corporation converted a \$448,470 line of credit balance into a mortgage note payable to West Suburban Bank, secured by property located in Winfield, Glendale Heights, and Downers Grove, Illinois with a net book value of \$514,421 at September 30, 2015. The Corporation is required to make monthly payments of \$2,493, including interest at a rate of 4.50%, commencing September 1, 2013, with the unpaid balance due at maturity on August 1, 2018.</p>	427,250	437,684
<p>On January 10, 2012, the Corporation entered into a \$1,100,000 mortgage note payable to West Suburban Bank, secured by commercial property located in Wheaton, Illinois with a net book value of \$1,242,753 at September 30, 2015. The Corporation is required to make monthly payments of \$7,109, including interest at a rate of 4.75%, commencing March 1, 2012, with the unpaid balance due at maturity on February 1, 2017.</p>	971,141	1,009,330

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Debt Obligations (cont'd)

	2015	2014
<p>On July 27, 2011, the Corporation entered into a \$785,522 noninterest bearing mortgage note payable with the Illinois Housing Development Authority through its Financing Adjustment Factor Refunding Agreement programs with United States Department of Housing and Urban Development. The note is comprised of two tranches, Tranche A in the amount of \$280,000 and Tranche B in the amount of \$505,522. The Corporation is required to make monthly payments on Tranche A of \$1,167 commencing on the first day of the second calendar month after the funds have been fully drawn, for twenty years. Tranche B shall be forgiven on the maturity date provided the Tranche A note was not in default at any time beyond any applicable cure period; it is being recorded as a temporarily restricted grant income. The note is secured by a mortgage on certain property with a net book value of \$1,043,239 on September 30, 2015.</p>	\$	232,167
<p>On March 11, 2009, the Corporation entered into a \$350,000 mortgage note payable to West Suburban Bank, secured by property located in Bensenville, Illinois with a net book value of \$92,603 at September 30, 2015. The Corporation is required to make monthly payments of \$1,864, including interest at a rate of 4.75% (4.75% at September 30, 2014), commencing May 1, 2009, with the unpaid balance due at maturity on April 1, 2039. The interest rate is subject to change on April 1, 2014 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years, plus 2.75%.</p>	\$	246,167
<p>On November 5, 2008, the Corporation entered into a \$450,000 mortgage note payable to West Suburban Bank, secured by property located in Hillside and Glendale Heights, Illinois with a net book value of \$518,461 at September 30, 2015. The Corporation is required to make monthly payments of \$2,245, including interest at a rate of 4.12% (4.12% at September 30, 2014), commencing January 1, 2009, with the unpaid balance due at maturity on December 1, 2038. The interest rate is subject to change on December 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.</p>	316,662	323,804
<p>On November 5, 2008, the Corporation entered into a \$450,000 mortgage note payable to West Suburban Bank, secured by property located in Hillside and Glendale Heights, Illinois with a net book value of \$518,461 at September 30, 2015. The Corporation is required to make monthly payments of \$2,245, including interest at a rate of 4.12% (4.12% at September 30, 2014), commencing January 1, 2009, with the unpaid balance due at maturity on December 1, 2038. The interest rate is subject to change on December 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.</p>	402,547	412,673

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Debt Obligations (cont'd)

	2015	2014
<p>On August 29, 2008, the Corporation entered into a \$150,000 mortgage note payable to West Suburban Bank, secured by property located in Naperville, Illinois with a net book value of \$203,165 at September 30, 2015. The Corporation is required to make monthly payments of \$767, including interest at a rate of 4.39% (4.39% at September 30, 2014), commencing October 1, 2008, with the unpaid balance due at maturity on September 1, 2038. The interest rate is subject to change on October 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.</p>	\$ 133,114	\$ 136,395
<p>On April 15, 2008, the Corporation entered into a \$500,000 mortgage note payable to West Suburban Bank, secured by property in Wheaton, Illinois with a net book value of \$447,595 at September 30, 2015. The Corporation is required to make monthly payments of \$2,597 including interest at a rate of 3.45% (3.45% at September 30, 2014), commencing on May 1, 2008, with the unpaid balance due at maturity on May 1, 2033. The interest rate is subject to change on May 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.</p>	411,677	428,315
<p>On February 22, 2008, the Corporation converted a line of credit to a \$203,000 fixed rate mortgage note payable to West Suburban Bank, secured by property with a net book value of \$864,261 at September 30, 2015. The Corporation is required to make monthly payments of \$1,067, including interest at a rate of 3.62% (3.62% at September 30, 2014), commencing on April 1, 2008, with the unpaid balance due at maturity on March 1, 2033. Interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75% that is tied to the prime interest rate.</p>	165,793	172,463
<p>On April 19, 2005, the Corporation entered into a \$575,666 mortgage note payable to the Illinois Housing Development Authority secured by five different properties located in DuPage County, with a combined net book value of \$706,200 at September 30, 2015. The Corporation is required to make monthly payments of \$1,263 and bears 0% interest, with the unpaid balance due at maturity in May 2045.</p>	420,517	435,673

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Debt Obligations (cont'd)

	2015	2014
<p>On May 15, 2004, the Corporation entered into a \$262,000 mortgage note payable to West Suburban Bank, secured by five different properties located in DuPage County with a combined net book value of \$840,400 at September 30, 2015. The Corporation is required to make monthly payments of \$1,874, including interest at a rate of 3.37% (3.37% at September 30, 2014). The unpaid balance is due at maturity on June 1, 2024. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.</p>	\$ 170,210	\$ 186,660
<p>On May 2, 2003, the Corporation entered into a \$515,000 mortgage note payable to West Suburban Bank secured by two properties located in DuPage County, with a combined net book value of \$390,982 at September 30, 2015. The Corporation is required to make monthly payments of \$3,239, including interest at a rate of 3.37% (3.37% at September 30, 2014). The unpaid balance is due at maturity on June 1, 2023. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.</p>	264,690	294,073
<p>On December 20, 2002, the Corporation entered into a \$223,000 mortgage note payable to West Suburban Bank secured by five properties located in DuPage County, with a combined net book value of \$584,899 at September 30, 2015. The Corporation is required to make monthly payments of \$1,681, including interest at a rate of 3.37% (3.37% at September 30, 2014). The unpaid balance is due at maturity on January 1, 2023. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.</p>	130,914	146,392

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Debt Obligations (cont'd)

	2015	2014
<p>On November 25, 2002, the Corporation entered into a \$341,500 mortgage note payable to West Suburban Bank secured by three properties located in DuPage County, with a combined net book value of \$298,503 at September 30, 2015. The Corporation is required to make monthly payments of \$2,588, including interest at a rate of 3.37% (3.37% at September 30, 2014). The unpaid balance is due at maturity on December 1, 2022. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.</p>	\$ 199,520	\$ 223,414
<p>On November 1, 2002, the Corporation entered into a \$445,000 mortgage note payable to West Suburban Bank, secured by two properties located in DuPage County with a combined net book value of \$398,549 at September 30, 2015. The Corporation is required to make monthly payments of \$3,379, including interest at a rate of 3.37% (3.37% at September 30, 2014). The unpaid balance is due at maturity on December 1, 2022. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.</p>	260,491	291,687
<p>In June 2002, the Corporation entered into a \$958,000 mortgage note payable to the Illinois Housing Development Authority secured by land and building in Glen Ellyn, Illinois, which had a net book value of \$1,350,266 at September 30, 2015. The Corporation is required to make monthly payments of \$2,661 and bears 0% interest, with the unpaid balance due at maturity in January 2033.</p>	561,496	593,430
<p>On January 25, 2002, the Corporation entered into a \$630,000 mortgage note payable to West Suburban Bank, secured by a commercial building in Villa Park, Illinois, which had a net book value of \$355,361 at September 30, 2015. The Corporation is required to make monthly payments of \$4,999, including interest at a rate of 3.37% (3.37% at September 30, 2014). The unpaid balance is due at maturity on February 1, 2022. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.</p>	345,695	393,159

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Debt Obligations (cont'd)

	2015	2014
On December 1, 2001, the Corporation entered into a \$10,000,000 loan agreement with the DuPage Housing Authority, funded from the Authority's issuance of revenue bonds purchased by a financial institution. The Corporation is required to make quarterly installments (in 2016 ranging from \$102,000 to \$106,000) plus interest at 5.12%, with final payment due October 1, 2026. The bonds are secured by the assets of the Corporation. The Corporation must have a quarterly, minimum debt service coverage ratio of 1.0 to 1.0. Subsequent to year end, the Corporation refinanced this debt by entering into a loan agreement with another financial institution and using the proceeds to repay the remaining principal.	\$ 6,179,000	\$ 6,576,000
On November 6, 1992, the Corporation entered into a \$147,226 loan agreement with the DuPage Community Development Commission secured by a building in Westmont, Illinois, which had a net book value of \$164,077 at September 30, 2015. The Corporation is required to make annual payments of \$5,499 on November 5 through 2023, including interest at 1%.	48,186	52,691
Total Corporation debt	\$ 11,876,932	\$ 12,360,010

In addition to the above notes, the Corporation's wholly owned subsidiary had the following long-term debt obligations at September 30, 2015 and 2014.

	2015	2014
On August 30, 2009, CHAD Homes, Inc. converted a \$357,500 balance on a line of credit to a promissory note payable with a maturity date of August 15, 2010. The note has subsequently been amended to extend the maturity date to February 15, 2011, August 15, 2011, February 15, 2012, May 15, 2013, November 15, 2013, and May 15, 2015. The promissory note was secured by certain vacant land with a book value of \$309,000 at September 30, 2014. The subsidiary was required to make monthly payments of \$2,112 including interest at 6.50%, with the balance due at maturity. The note was paid off on October 3, 2014 upon sale of the land.	\$ -	\$ 290,369

The maturity of the debt is as follows:

	Before Refinancing	After Refinancing
2016	\$ 754,034	\$ 590,240
2017	1,676,474	1,586,412
2018	1,169,050	1,073,473
2019	796,585	694,084
2020	941,527	830,465
Thereafter	6,539,262	6,106,069
	\$ 11,876,932	\$ 10,880,743

Community Housing Advocacy and Development and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

6. Defined Contribution Pension Plan

In 2001, the Corporation established a defined contribution pension plan covering all full-time employees who have met certain service requirements. The plan provides for matching contributions and discretionary contributions by the Corporation as determined annually by the Board of Directors, up to the maximum amount permitted under the Internal Revenue Code. Plan expense for the year ended September 30, 2015 was \$20,000 (\$10,682 in 2014).

7. Restrictions and Limitations on Net Assets

Temporarily restricted net asset balances consist of the following at September 30:

	2015	2014
Grants for acquisition of land, building and equipment	\$ 5,878,901	\$ 5,982,637
Homeless prevention	4,420	4,134
	\$ 5,883,321	\$ 5,986,771

The status of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of events specified by the donor, was as follows for the years ended September 30:

	2015	2014
Acquisition of assets	\$ 147,636	\$ 175,889
Homeless prevention	-	3,665
Credit support	2,314	49,238
	\$ 149,950	\$ 228,792

SUPPLEMENTARY FINANCIAL INFORMATION

Community Housing Advocacy and Development and Subsidiaries
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Property Rehabilitation Program	14.218	CD14-04	<u>50,600</u>
Home Investment Partnership Program	14.239	HM12-01 HM03-02	<u>491,216</u> <u>82,000</u>
		Subtotal Home Investment Partnership Program	<u>573,216</u>
		Total federal assistance	<u>\$ 623,816</u>

See accompanying independent auditor's report and notes to the schedule.

Community Housing Advocacy and Development and Subsidiaries
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Housing Advocacy and Development, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

Community Housing Advocacy and Development provided no federal awards to subrecipients during the fiscal year ended September 30, 2015.

3. Nonmonetary Assistance

Community Housing Advocacy and Development neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended September 30, 2015.

4. Insurance and Loans or Loan Guarantees

During the year ended September 30, 2015, Community Housing Advocacy and Development received no insurance, loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

Selden Fox, LTD.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
619 Enterprise Drive
Oak Brook, Illinois 60523-8835

630-954-1400
630-954-1327 FAX

email@seldenfox.com
www.seldenfox.com

INDEPENDENT AUDITOR'S 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

Board of Directors
Community Housing Advocacy
And Development and Subsidiaries
Wheaton, Illinois

We have audited 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, the financial statements of **Community Housing Advocacy and Development and Subsidiaries** which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January xx, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Housing Advocacy and Development and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Housing Advocacy and Development and Subsidiaries' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding 2015-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Housing Advocacy and Development and Subsidiaries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Housing Advocacy and Development and Subsidiaries' Response to Finding

Community Housing Advocacy and Development and Subsidiaries' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Community Housing Advocacy and Development and Subsidiaries' responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 Corporation's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Selden Fox, Ltd.

January 25, 2016

Selden Fox, LTD.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
619 Enterprise Drive
Oak Brook, Illinois 60523-8835

630-954-1400
630-954-1327 FAX

email@seldenfox.com
www.seldenfox.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Community Housing Advocacy
and Development and Subsidiaries
Wheaton, Illinois

Report on Compliance for Each Major Federal Program

We have audited the **Community Housing Advocacy and Development and Subsidiaries'** compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. Community Housing Advocacy and Development and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Housing Advocacy and Development and Subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Housing Advocacy and Development and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Housing Advocacy and Development and Subsidiaries' compliance.

Opinion on Each Major Federal Program

In our opinion, Community Housing Advocacy and Development and Subsidiaries 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 September 30, 2015.

Report on Internal Control Over Compliance

Management of Community Housing Advocacy and Development and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Housing Advocacy and Development and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Housing Advocacy and Development and Subsidiaries' 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Selden Fox, Ltd.

January 25, 2016

**Community Housing Advocacy and Development and Subsidiaries
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015**

I. Summary of Audit Results

Financial Statements

1. The auditor's report issued on the financial statements expressed an unmodified opinion.
2. One material weakness related to the audit of the financial statements was reported.
3. No instances of noncompliance significant to the financial statements of Community Housing Advocacy and Development and Subsidiaries were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs were reported.
5. The auditor's report issued on compliance for the major federal award programs expressed an unmodified opinion.
6. The audit did not disclose any audit findings which are required to be reported under paragraph .510(a) of OMB Circular A-133.
7. The federal program identified as a major program was:

<u>Federal Program Name</u>	<u>CFDA Number</u>
Home Investment Partnership Program	14.239

8. The dollar threshold to distinguish between Type A and Type B programs, as described in paragraph .520 (b)(1) of the revised OMB Circular A-133, was the larger of \$300,000 or 3% of total federal awards.
9. Community Housing Advocacy and Development and Subsidiaries does not qualify as a low-risk auditee under paragraph .530 of OMB Circular A-133.

Community Housing Advocacy and Development and Subsidiaries
Schedule of Findings and Questioned Costs (cont'd)
For the Year Ended September 30, 2015

II. Findings Related to the Financial Statements Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

Finding 2015-1 Year End Financial Reporting Process

Generally accepted auditing standards, "*Communicating Internal Control Related Matters Identified in an Audit*," defines the terms significant deficiencies and material weaknesses in internal control over financial reporting.

Among others, lack of controls over the period end financial reporting process is considered a deficiency in internal control which could result in the financial statements being misstated or not in accordance with generally accepted accounting principles. The standard emphasizes that the external auditor cannot be part of an entity's internal control process over financial reporting. Accordingly, we require evidence and documentation from management to support our evaluation about the effectiveness of internal controls over financial reporting.

Selden Fox, Ltd. in conjunction with management has prepared the drafts of the Corporation's financial statements, including note disclosures, as part of the audit process for the year ended September 30, 2015. We have performed the required evaluation under the guidelines of this audit standard as to whether management, other employees, or those charged with corporate governance have the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing the Corporation's financial statements, **and specifically all required note disclosures**. Our evaluation has determined the Corporation does not have anyone with this expertise.

Recommendation

Although considered a material weakness under the standards established by the American Institute of Certified Public Accountants, this issue is typical of many organizations this size where it is not cost-effective to implement such controls. Accordingly, **we recommend** the Board of Directors and Finance Committee continue its diligent review of the monthly financial statements and annual audit report.

Corporation Response

The Corporation has determined it is more cost beneficial to contract with the auditors to prepare the financial statements, and will continue its diligent review of the monthly financial statements and annual audit report.

III. Findings and Questioned Costs for Major Federal Award Programs

The audit did not disclose any findings or questioned costs to be reported.

Community Housing Advocacy and Development and Subsidiaries
Schedule of Findings and Questioned Costs (cont'd)
For the Year Ended September 30, 2015

IV. Summary Schedule of Prior Audit Findings

Finding 2014-1 Year End Financial Reporting Process

Condition: We found that management did not possess the necessary expertise to properly apply generally accepted accounting principles in preparing the Corporation's financial statements, **and specifically all required note disclosures.**

Current Status: Comment repeated