

**Community Housing Advocacy and Development and Subsidiaries
Audit Report
For the Year Ended September 30, 2013**

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**Community Housing Advocacy and Development and Subsidiaries
Audit Report
For the Year Ended September 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013, 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' 2012 consolidated financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2013. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 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 February 28, 2014, on our consideration of Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting, and 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 the 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.

Seiden Fox, Ltd.

February 28, 2014

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Financial Position
September 30, 2013
(With Comparative Totals for 2012)

Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 712,867	\$ 142,261
Rent receivable, net of an allowance of \$5,000 at September 30, 2013 (\$70,013 at September 30, 2012)	95,995	187,422
Grants receivable	544,324	1,322,163
Other receivables	8,170	351,813
Prepaid expenses	21,393	8,453
Total current assets	<u>1,382,749</u>	<u>2,012,112</u>
Property and equipment:		
Land	6,926,803	6,866,803
Buildings	27,625,681	26,981,439
Maintenance vehicles	69,368	61,868
Building improvements and appliances	6,697,040	6,545,281
Construction in progress	336,020	151,415
Total property and equipment	<u>41,654,912</u>	<u>40,606,806</u>
Less accumulated depreciation	<u>10,735,516</u>	<u>9,841,938</u>
Net property and equipment	<u>30,919,396</u>	<u>30,764,868</u>
Other assets:		
Restricted cash	584,113	596,799
Deposits	137,010	186,356
Investment in Just Homes	2,214,984	2,313,075
Bond issuance costs, net of accumulated amortization of \$74,549 and \$68,441 at September 30, 2013 and 2012	73,293	79,401
Total other assets	<u>3,009,400</u>	<u>3,175,631</u>
Total assets	<u>\$ 35,311,545</u>	<u>\$ 35,952,611</u>

See accompanying notes.

Liabilities and Net Assets	<u>2013</u>	<u>2012</u>
Current liabilities:		
Line of credit	\$ -	\$ 375,470
Bonds payable, current portion	377,000	358,000
Mortgage loans payable, current portion	1,604,713	1,497,605
Accounts payable	164,711	186,694
Accrued interest	93,733	93,581
Accrued real estate taxes	26,169	44,499
Accrued other expense	118,809	73,268
Funds held for others	63,535	56,679
Security deposits	350,176	286,045
Total current liabilities	<u>2,798,846</u>	<u>2,971,841</u>
Long-term liabilities:		
Bonds payable, noncurrent	6,577,000	6,953,000
Mortgage loans payable, noncurrent	5,786,138	5,694,803
Total long-term liabilities	<u>12,363,138</u>	<u>12,647,803</u>
Total liabilities	<u>15,161,984</u>	<u>15,619,644</u>
Net assets:		
Unrestricted	14,513,046	14,695,516
Temporarily restricted	5,636,515	5,637,451
Total net assets	<u>20,149,561</u>	<u>20,332,967</u>
Total liabilities and net assets	<u>\$ 35,311,545</u>	<u>\$ 35,952,611</u>

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Activities
For the Year Ended September 30, 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Total	2012 Total
Revenues:				
Housing assistance payments	\$ 830,403	\$ -	\$ 830,403	\$ 834,453
Rent income	3,767,012	-	3,767,012	3,800,723
Discount provided to tenants	(726,061)	-	(726,061)	(778,811)
Property management	65	-	65	170,860
Grant income	-	194,716	194,716	1,357,000
Late fees and laundry room income	67,627	-	67,627	60,953
Interest income	262	-	262	372
Donations	95,955	15,000	110,955	157,160
Loss on sale of assets	-	-	-	(688,382)
Property tax exemption refund	72,178	-	72,178	2,971,471
Miscellaneous income	94,809	-	94,809	96,205
Net assets released from restrictions	210,652	(210,652)	-	-
Total revenues	4,412,902	(936)	4,411,966	7,982,004
Functional expenses:				
Program services	4,132,105	-	4,132,105	4,078,873
Management and general	337,931	-	337,931	425,685
Fund-raising	125,336	-	125,336	78,262
Total functional expenses	4,595,372	-	4,595,372	4,582,820
Change in net assets	(182,470)	(936)	(183,406)	3,399,184
Net assets, beginning of the year	14,695,516	5,637,451	20,332,967	16,933,783
Net assets, end of the year	\$ 14,513,046	\$ 5,636,515	\$ 20,149,561	\$ 20,332,967

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2013

	Program Services	Management and General	Fund-raising	Total
Assessments	\$ 193,928	\$ -	\$ -	\$ 193,928
Automobile	18,836	-	-	18,836
Bad debts	124,221	-	-	124,221
Consulting fees	3,041	-	-	3,041
Depreciation and amortization	891,825	7,861	-	899,686
Fund-raising	-	-	65,529	65,529
Interest	629,081	-	-	629,081
JUST HOMES	1,584	-	-	1,584
Miscellaneous	1,500	1,498	-	2,998
Operating expenses	-	116,359	-	116,359
Other insurance	55,436	32,073	-	87,509
Other property costs	33,843	-	-	33,843
Professional fees	30,701	87,251	-	117,952
Property insurance	114,285	6,015	-	120,300
Real estate taxes	8,399	1,986	-	10,385
Repairs and maintenance	904,483	-	-	904,483
Salaries and payroll taxes	735,536	81,372	59,807	876,715
Security	37,370	-	-	37,370
Utilities	348,036	3,516	-	351,552
Total functional expenses	\$ 4,132,105	\$ 337,931	\$ 125,336	\$ 4,595,372

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2012
(Comparative Totals)

	Program Services	Management and General	Fund-raising	Total
Assessments	\$ 173,873	\$ -	\$ -	\$ 173,873
Automobile	10,712	-	-	10,712
Bad debts	138,607	-	-	138,607
Consulting fees	20,339	-	-	20,339
Depreciation and amortization	830,567	8,390	-	838,957
Fund-raising	-	-	10,969	10,969
Interest	769,204	-	-	769,204
JUST HOMES	751	-	-	751
Miscellaneous	13,521	3,348	-	16,869
Operating expenses	202	185,564	-	185,766
Other insurance	148,642	22,942	-	171,584
Other property costs	54,101	-	-	54,101
Professional fees	85,786	145,485	-	231,271
Property insurance	108,314	5,701	-	114,015
Real estate taxes	77,985	5,499	-	83,484
Repairs and maintenance	462,027	-	-	462,027
Salaries and payroll taxes	795,078	45,136	67,293	907,507
Security	30,818	-	-	30,818
Utilities	358,346	3,620	-	361,966
Total functional expenses	\$ 4,078,873	\$ 425,685	\$ 78,262	\$ 4,582,820

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2013
(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in total net assets	\$ (183,406)	\$ 3,399,184
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	899,686	838,957
Bad debt expense	124,221	138,607
(Increase) decrease in receivables	1,088,688	(165,394)
(Increase) decrease in prepaid expense	(12,940)	16,773
Decrease in restricted cash	12,686	45,289
(Increase) decrease in deposits	49,346	(24,197)
Increase (decrease) in accounts payable and accrued expenses	5,380	(861,488)
Increase in funds held for others	6,856	12,626
Increase in security deposits	64,131	2,283
Contributions restricted for property	(194,716)	(1,357,000)
Net cash from operating activities	1,859,932	2,045,640
Cash flows from investing activities - purchase of property and equipment	(827,015)	(821,982)
Cash flows from financing activities:		
Net borrowings (repayments) on lines of credit	(50,000)	(426,155)
Proceeds from notes payable	-	263,342
Payments made on mortgage notes	(250,027)	(1,965,064)
Payments made on bonds payable	(357,000)	(342,000)
Proceeds from contributions restricted for property	194,716	1,357,000
Net cash from financing activities	(462,311)	(1,112,877)
Net change in cash	570,606	110,781
Cash, beginning of the year	142,261	31,480
Cash, end of the year	\$ 712,867	\$ 142,261
Supplemental disclosures:		
Noncash investing and financing transactions:		
Property loans and line of credit borrowings used to purchase property	\$ 123,000	\$ 1,100,000
Conversion of Just Homes inventory and investment to property and equipment	\$ 98,091	\$ 469,235
Cash payments for interest	\$ 634,411	\$ 773,926

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 subsidiaries, CHAD Homes, Inc. and CHAD Property Management, Inc. were incorporated in the state of Illinois as corporations in 2006 and 2008, respectively. CHAD Property Management, Inc. ceased operations in the current year.

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.

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 not to recognize impairment on property held for investment based on the expected recovery of the housing market making the decline other than permanent, 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, 2013, the Corporation had uninsured balances in excess of FDIC coverage totaling \$785,008 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.

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 collectibility 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, 2013 (\$70,013 at September 30, 2012). 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

Depreciation expense was \$893,578 and \$832,849 for the years ended September 30, 2013 and 2012, respectively.

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

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

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 2013 or 2012. 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 2012, 2011, and 2010 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, 2013 or 2012.

CHAD Property Management, Inc. is subject to federal and state income taxes; however, due to a net operating loss there is no provision for income taxes for the years ended September 30, 2013 or 2012.

Subsequent Events – Subsequent events have been evaluated through February 28, 2014, which is the date the financial statements were available to be issued.

Reclassification – Certain amounts on the prior year statement of cash flows were reclassified to reflect the current year reporting format. There was no effect on the net change in cash.

2. Required Cash Balances

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

	2013	2012
General operating	\$ 712,867	\$ 142,261
Required accounts:		
Tenants' security deposits	69,931	68,706
Real estate escrow	3,486	11,884
Debt service	510,696	516,209
	\$ 1,296,980	\$ 739,060

3. Lines of Credit

The Corporation had a \$500,000 line of credit available at September 30, 2012 with an outstanding balance of \$50,000 at September 30, 2012. 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, 2012). 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 \$384,010 at September 30, 2013. This line of credit was paid off in the current year.

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

3. Lines of Credit (cont'd)

The Corporation also had a \$600,000 line of credit available at September 30, 2012, with an outstanding balance of \$325,470 at September 30, 2012. This line of credit bears a variable rate of interest of the bank's prime rate with a floor rate of 4.00% at September 30, 2012. The Corporation borrowed an additional \$123,000 in the current year, and on August 1, 2013, converted the line of credit into a mortgage note payable with an original principal balance of \$448,470.

The Corporation paid \$150,938 to pay off a line of credit in the prior year.

4. Debt Obligations

The Corporation had the following long-term debt obligations at September 30, 2013 and 2012:

	2013	2012
<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 at 6518 East Street, Winfield, Illinois, 1538 Lippert Lane, Glendale Heights, Illinois and 748 73rd Street, Downers Grove, Illinois with a net book value of \$522,822 at September 30, 2013. 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>	\$ 447,659	\$ -
<p>On January 10, 2012, the Corporation entered into a \$1,100,000 mortgage note payable to West Suburban Bank, secured by property located at 531 E. Roosevelt Road, Wheaton, Illinois with a net book value of \$1,280,712 at September 30, 2013. 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>	1,045,751	1,080,486
<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 \$1,701,519 on September 30, 2013.</p>	260,166	274,166

(cont'd)

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

4. Debt Obligations (cont'd)

	2013	2012
<p>On March 11, 2009, the Corporation entered into a \$350,000 mortgage note payable to West Suburban Bank, secured by property located at 311 Park Avenue, Bensenville, Illinois with a net book value of \$102,043 at September 30, 2013. The Corporation is required to make monthly payments of \$2,155, including interest at a rate of 6.25%, 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>	\$ 329,791	\$ 334,865
<p>On November 5, 2008, the Corporation entered into a \$450,000 mortgage note payable to West Suburban Bank, secured by property located at 4341 Butterfield Rd., Hillside, Illinois and 425 E. Montana, Glendale Heights, Illinois with a net book value of \$545,001 at September 30, 2013. The Corporation is required to make monthly payments of \$2,771, including interest at a rate of 4.12% (6.25% at September 30, 2012), 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>	421,731	428,397
<p>On August 29, 2008, the Corporation entered into a \$150,000 mortgage note payable to West Suburban Bank, secured by property located at 586 Wakefield Ct., Naperville, Illinois with a net book value of \$209,975 at September 30, 2013. The Corporation is required to make monthly payments of \$900, including interest at a rate of 4.39% (6.00% at September 30, 2012), 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 2.50%.</p>	139,534	141,885

(cont'd)

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

4. Debt Obligations (cont'd)

	2013	2012
<p>On April 15, 2008, the Corporation entered into a \$500,000 mortgage note payable to West Suburban Bank, secured by property at 1709 E. Roosevelt Road, Wheaton, Illinois with a net book value of \$469,416 at September 30, 2013. The Corporation is required to make monthly payments of \$3,222, including interest at a rate of 3.45% (6.00% at September 30, 2012), 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>	\$	\$
	444,390	457,245
<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 \$912,022 at September 30, 2013. The Corporation is required to make monthly payments of \$1,308, including interest at a rate of 3.62% (6.00% at September 30, 2012), commencing on April 1, 2008, with the unpaid balance due at maturity on May 1, 2033. The principal was paid in full at September 30, 2012. 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>	178,896	184,372
<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 \$736,086 at September 30, 2013. 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>	450,829	465,985
<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 \$863,751 at September 30, 2013. The Corporation is required to make monthly payments of \$1,515, including interest at a rate of 3.37% (6.00% at September 30, 2012). 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>	202,566	213,053

(cont'd)

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

4. Debt Obligations (cont'd)

	2013	2012
<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 \$478,209 at September 30, 2013. The Corporation is required to make monthly payments of \$3,596, including interest at a rate of 3.38% (6.00% at September 30, 2012). 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>	<p>\$ 322,480</p>	<p>\$ 347,471</p>
<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 \$623,412 at September 30, 2013. The Corporation is required to make monthly payments of \$1,218, including interest at a rate of 3.37% (6.00% at September 30, 2012). The unpaid balance is due at maturity on January 12, 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>	<p>161,358</p>	<p>170,863</p>
<p>On November 11, 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 \$313,961 at September 30, 2013. The Corporation is required to make monthly payments of \$1,856, including interest at a rate of 3.37% (6.00% at September 30, 2012). 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>	<p>246,518</p>	<p>261,126</p>

(cont'd)

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

4. Debt Obligations (cont'd)

	2013	2012
<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 \$421,824 at September 30, 2013. The Corporation is required to make monthly payments of \$2,434, including interest at a rate of 3.37% (6.00% at September 30, 2012). 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>	\$ 321,852	\$ 340,987
<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 at 520 Pershing Avenue, Glen Ellyn, Illinois, which had a net book value of \$1,436,519 at September 30, 2013. 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>	625,363	657,296
<p>On January 25, 2002, the Corporation entered into a \$630,000 mortgage note payable to West Suburban Bank, secured by a building at 35 West St. Charles Road, Villa Park, Illinois, which had a net book value of \$384,010 at September 30, 2013. The Corporation is required to make monthly payments of \$2,416, including interest at a rate of 3.37% (6.00% at September 30, 2012). 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>	439,052	467,015
<p>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 2014 ranging from \$92,000 to \$96,000) 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.</p>	6,954,000	7,311,000

(cont'd)

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

4. Debt Obligations (cont'd)

	2013	2012
<p>On November 6, 1992, the Corporation entered into a \$147,226 loan agreement with the DuPage Community Development Commission secured by a building at 529 Brookside, Westmont, Illinois, which had a net book value of \$177,502 at September 30, 2013. The Corporation is required to make annual payments of \$5,499 on November 5 through 2023, including interest at 1%.</p>	\$ 57,198	\$ 62,076
Total Corporation debt	\$ 13,019,134	\$ 13,198,288

In addition to the above notes, the Corporation's wholly owned subsidiaries had the following long-term debt obligations at September 30, 2013 and 2012.

	2013	2012
<p>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 and lastly May 15, 2013. The promissory note is secured by certain vacant land with a book value of \$620,000 at September 30, 2013 and 2012. The subsidiary is required to make monthly payments of \$2,112 including interest at 6.50%, with the balance due at maturity.</p>	\$ 305,717	\$ 315,120
<p>On October 15, 2007, CHAD Homes, Inc. entered into a promissory note to an individual, requiring a quarterly interest payment at 9%, with principal due at maturity on April 1, 2009. During the prior years, the note was modified by extending the maturity of the note ultimately to April 1, 2011 and converting the note to noninterest bearing through the extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>	120,000	120,000
<p>On March 12, 2007, CHAD Homes, Inc. entered into a promissory note to an individual, requiring a quarterly interest payment at 10%, with principal due at maturity on April 1, 2009. During the prior years, the note was modified by extending the maturity of the note ultimately to April 1, 2011 and converting the note to noninterest bearing through the extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>	85,000	85,000

(cont'd)

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

4. Debt Obligations (cont'd)

	2013	2012
<p>On November 13, 2006, CHAD Homes, Inc. entered into a promissory note to an individual, requiring a quarterly interest payment at 10%, with principal due at maturity on November 1, 2009. During the prior years, the note was modified by extending the maturity of the note ultimately April 1, 2011 and converting the note to noninterest bearing through the extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>	\$ 60,000	\$ 60,000
<p>On May 17, 2006, CHAD Homes, Inc. entered into a \$600,000 promissory note to an individual, requiring a quarterly interest payment at 10%, with principal due at maturity on July 1, 2009. During the prior years, the note was modified by extending the maturity of the note first to April 1, 2010 and later to April 1, 2011 and converting the note to noninterest bearing through the maturity date or extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>	600,000	600,000
<p>On May 17, 2006, CHAD Homes, Inc. entered into a \$125,000 promissory note to an individual, requiring a quarterly interest payment at 10%, with principal due at maturity on July 1, 2009. During the prior years, the note was modified by extending the maturity of the note first to April 1, 2010 and later to April 1, 2011 and converting the note to noninterest bearing through the maturity date or extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>	125,000	125,000
Total Subsidiary debt	\$ 1,295,717	\$ 1,305,120

The maturity of the debt is as follows:

	Corporation	Subsidiary	Total
2014	\$ 685,996	\$ 1,295,717	\$ 1,981,713
2015	715,442	-	715,442
2016	745,267	-	745,267
2017	1,667,600	-	1,667,600
2018	1,160,081	-	1,160,081
Thereafter	8,074,748	-	8,074,748
	\$ 13,049,134	\$ 1,295,717	\$ 14,344,851

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

5. 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, 2013 was \$12,083 (\$9,872 in 2012).

6. Restrictions and Limitations on Net Assets

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

	2013	2012
Grants for acquisition of land, building and equipment	\$ 5,579,478	\$ 5,527,378
Unearned developer fees	-	55,230
Homeless prevention	7,799	5,605
Credit support	49,238	49,238
	\$ 5,636,515	\$ 5,637,451

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:

	2013	2012
Acquisition of assets	\$ 142,616	\$ 83,771
Earned developer fees	55,230	63,121
Homeless prevention	12,806	77,783
	\$ 210,652	\$ 224,675

7. Property Tax Exemption

During the prior year, the Corporation's properties were granted tax exempt status. The Corporation subsequently filed certificates of error with the County for reimbursement of property taxes paid on these properties for the 2008 – 2010 assessment years, as allowed by law. The exemption will result in annual savings for the Corporation of approximately \$850,000.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

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

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 32 through 43 is also presented for purposes of additional analysis, and is not a required part of the basic 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Selden Fox, Ltd.

February 28, 2014

Community Housing Advocacy and Development and Subsidiaries
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Neighborhood Stabilization Program	14.218	NSP08-01	\$ 31,076
		NSP08-02	881
		NSP08-03	<u>100,352</u>
		Subtotal Neighborhood Stabilization Program	<u>132,309</u>
Property Rehabilitation Program	14.218	CD11-03	<u>47,328</u>
Home Investment Partnership Program	14.239	HM11-03	240,922
		R11-327	171,421
		R11-328	41,677
		R11-329	<u>282,995</u>
		Subtotal Home Investment Partnership Program	<u>737,015</u>
		Total federal assistance	<u>\$ 916,652</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, 2013

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, 2013.

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, 2013.

4. Insurance and Loans or Loan Guarantees

During the year ended September 30, 2013, Community Housing Advocacy and Development received no insurance, loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

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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, 2013, 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 February 28, 2014.

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 2013-1).

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.

February 28, 2014

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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, 2013. 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, 2013.

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.

February 28, 2014

**Community Housing Advocacy and Development and Subsidiaries
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013**

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 Association of DuPage 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, 2013

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

Finding 2013-1 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, 2013. In addition, 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, 2013**

IV. Summary Schedule of Prior Audit Findings

Finding 2012-1 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

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Financial Position
September 30, 2013

Assets	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Current assets:					
Cash	\$ 711,828	\$ 1,039	\$ -	\$ -	\$ 712,867
Rent receivable, net of allowance of \$5,000	95,995	-	-	-	95,995
Grant receivables	544,324	-	-	-	544,324
Other receivables	-	-	8,170	-	8,170
Prepaid expenses	21,393	-	-	-	21,393
Total current assets	1,373,540	1,039	8,170	-	1,382,749
Property and equipment:					
Land	6,306,803	620,000	-	-	6,926,803
Buildings	27,625,681	-	-	-	27,625,681
Maintenance vehicles	69,368	-	-	-	69,368
Building improvements and appliances	6,697,040	-	-	-	6,697,040
Construction in progress	238,080	97,940	-	-	336,020
	40,936,972	717,940	-	-	41,654,912
Less accumulated depreciation	10,735,516	-	-	-	10,735,516
Net property and equipment	30,201,456	717,940	-	-	30,919,396
Other assets:					
Restricted cash	584,113	-	-	-	584,113
Deposits	137,010	-	-	-	137,010
Investment in Just Homes	2,214,984	-	-	-	2,214,984
Investment in subsidiaries	(676,326)	-	-	676,326	-
Bond issuance costs, net of accumulated amortization of \$74,549	73,293	-	-	-	73,293
Total other assets	2,333,074	-	-	676,326	3,009,400
	\$ 33,908,070	\$ 718,979	\$ 8,170	\$ 676,326	\$ 35,311,545

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Financial Position (cont'd)
September 30, 2013

	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Liabilities and Net Assets					
Current liabilities:					
Bonds payable, current	\$ 377,000	\$ -	\$ -	\$ -	\$ 377,000
Mortgage and other loans payable, current	308,996	1,295,717	-	-	1,604,713
Accounts payable	69,512	471,884	89,968	(466,653)	164,711
Accrued expenses:					
Interest	93,733	-	-	-	93,733
Real estate taxes	13,610	12,559	-	-	26,169
Other	118,809	-	-	-	118,809
Funds held for others	63,535	-	-	-	63,535
Security deposits	350,176	-	-	-	350,176
Total current liabilities	1,395,371	1,780,160	89,968	(466,653)	2,798,846
Long-term liabilities:					
Bonds payable, noncurrent	6,577,000	-	-	-	6,577,000
Mortgage and other loans payable, noncurrent	5,786,138	-	-	-	5,786,138
Total long-term liabilities	12,363,138	-	-	-	12,363,138
Total liabilities	13,758,509	1,780,160	89,968	(466,653)	15,161,984
Common stock	-	25,000	-	(25,000)	-
Net assets:					
Unrestricted	14,513,046	(1,086,181)	(81,798)	1,167,979	14,513,046
Temporarily restricted	5,636,515	-	-	-	5,636,515
Total net assets	20,149,561	(1,086,181)	(81,798)	1,167,979	20,149,561
	\$ 33,908,070	\$ 718,979	\$ 8,170	\$ 676,326	\$ 35,311,545

See accompanying independent auditor's report on supplementary financial information.

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Financial Position
September 30, 2012

Assets	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Current assets:					
Cash	\$ 135,200	\$ 4,007	\$ 3,054	\$ -	\$ 142,261
Rent receivable, net of allowance of \$70,013	187,422	-	-	-	187,422
Grant receivables	1,322,163	-	-	-	1,322,163
Other receivables	343,708	-	8,105	-	351,813
Prepaid expenses	8,453	-	-	-	8,453
Total current assets	1,996,946	4,007	11,159	-	2,012,112
Property and equipment:					
Land	6,246,803	620,000	-	-	6,866,803
Buildings	26,981,439	-	-	-	26,981,439
Maintenance vehicles	61,868	-	-	-	61,868
Building improvements and appliances	6,545,281	-	-	-	6,545,281
Construction in progress	53,475	97,940	-	-	151,415
	39,888,866	717,940	-	-	40,606,806
Less accumulated depreciation	9,841,938	-	-	-	9,841,938
Net property and equipment	30,046,928	717,940	-	-	30,764,868
Other assets:					
Restricted cash	596,799	-	-	-	596,799
Deposits	186,356	-	-	-	186,356
Investment in Just Homes	2,313,075	-	-	-	2,313,075
Investment in subsidiaries	(677,260)	-	-	677,260	-
Bond issuance costs, net of accumulated amortization of \$68,441	79,401	-	-	-	79,401
Total other assets	2,498,371	-	-	677,260	3,175,631
	\$ 34,542,245	\$ 721,947	\$ 11,159	\$ 677,260	\$ 35,952,611

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Financial Position (cont'd)
September 30, 2012

Liabilities and Net Assets	<u>Community Housing Advocacy and Development</u>	<u>CHAD Homes, Inc.</u>	<u>CHAD Property Management, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:					
Line of credit	\$ 375,470	\$ -	\$ -	\$ -	\$ 375,470
Bonds payable, current	358,000	-	-	-	358,000
Mortgage and other loans payable, current	192,485	1,305,120	-	-	1,497,605
Accounts payable	94,282	419,468	96,640	(423,696)	186,694
Accrued expenses:					
Interest	93,581	-	-	-	93,581
Real estate taxes	31,665	12,834	-	-	44,499
Other	73,268	-	-	-	73,268
Funds held for others	56,679	-	-	-	56,679
Security deposits	286,045	-	-	-	286,045
Total current liabilities	<u>1,561,475</u>	<u>1,737,422</u>	<u>96,640</u>	<u>(423,696)</u>	<u>2,971,841</u>
Long-term liabilities:					
Bonds payable, noncurrent	6,953,000	-	-	-	6,953,000
Mortgage and other loans payable, noncurrent	5,694,803	-	-	-	5,694,803
Total long-term liabilities	<u>12,647,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,647,803</u>
Total liabilities	<u>14,209,278</u>	<u>1,737,422</u>	<u>96,640</u>	<u>(423,696)</u>	<u>15,619,644</u>
Common stock	-	25,000	-	(25,000)	-
Net assets:					
Unrestricted	14,695,516	(1,040,475)	(85,481)	1,125,956	14,695,516
Temporarily restricted	5,637,451	-	-	-	5,637,451
Total net assets	<u>20,332,967</u>	<u>(1,040,475)</u>	<u>(85,481)</u>	<u>1,125,956</u>	<u>20,332,967</u>
	<u>\$ 34,542,245</u>	<u>\$ 721,947</u>	<u>\$ 11,159</u>	<u>\$ 677,260</u>	<u>\$ 35,952,611</u>

See accompanying independent auditor's report on supplementary financial information.

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Activities
For the Year Ended September 30, 2013

	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Revenues:					
Housing assistance payments	\$ 830,403	\$ -	\$ -	\$ -	\$ 830,403
Rent income	3,769,672	-	-	(2,660)	3,767,012
Discount provided to tenants	(726,061)	-	-	-	(726,061)
Property management	-	-	65	-	65
Grant income	194,716	-	-	-	194,716
Late fees and laundry room income	67,627	-	-	-	67,627
Interest income	262	-	-	-	262
Donations	110,955	-	-	-	110,955
Loss on investment in subsidiaries	(42,023)	-	-	42,023	-
Property tax exemption refund	72,178	-	-	-	72,178
Miscellaneous income	91,343	-	10,466	(7,000)	94,809
Total revenues	4,369,072	-	10,531	32,363	4,411,966
Functional expenses:					
Program services	4,089,211	39,706	6,848	(3,660)	4,132,105
Management and general	337,931	6,000	-	(6,000)	337,931
Fund-raising	125,336	-	-	-	125,336
Total functional expenses	4,552,478	45,706	6,848	(9,660)	4,595,372
Change in net assets	(183,406)	(45,706)	3,683	42,023	(183,406)
Net assets, beginning of the year	20,332,967	(1,040,475)	(85,481)	1,125,956	20,332,967
Net assets, end of the year	\$ 20,149,561	\$ (1,086,181)	\$ (81,798)	\$ 1,167,979	\$ 20,149,561

See accompanying independent auditor's report on supplementary financial information.

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Activities
For the Year Ended September 30, 2012

	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Revenues:					
Housing assistance payments	\$ 834,453	\$ -	\$ -	\$ -	\$ 834,453
Rent income	3,812,723	-	-	(12,000)	3,800,723
Discount provided to tenants	(778,811)	-	-	-	(778,811)
Property management	-	-	554,277	(383,417)	170,860
Grant income	1,357,000	-	-	-	1,357,000
Late fees and laundry room income	60,953	-	-	-	60,953
Interest income	372	-	-	-	372
Donations	157,160	-	-	-	157,160
Loss on investment in subsidiaries	(789,742)	-	-	789,742	-
Loss on sale of assets	-	(688,382)	-	-	(688,382)
Property tax exemption refund	2,971,471	-	-	-	2,971,471
Miscellaneous income	128,378	-	367	(32,540)	96,205
Total revenues	7,753,957	(688,382)	554,644	361,785	7,982,004
Functional expenses:					
Program services	3,858,676	91,295	556,859	(427,957)	4,078,873
Management and general	417,835	7,850	-	-	425,685
Fund-raising	78,262	-	-	-	78,262
Total functional expenses	4,354,773	99,145	556,859	(427,957)	4,582,820
Change in net assets	3,399,184	(787,527)	(2,215)	789,742	3,399,184
Net assets, beginning of the year	16,933,783	(252,948)	(83,266)	336,214	16,933,783
Net assets, end of the year	\$ 20,332,967	\$ (1,040,475)	\$ (85,481)	\$ 1,125,956	\$ 20,332,967

See accompanying independent auditor's report on supplementary financial information.