

Community Housing Advocacy and Development and Subsidiaries
Audit Report
For the Year Ended September 30, 2014

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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, 2014, 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. 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, 2014, 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' 2013 consolidated financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2014. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position and activities at September 30, 2014 and 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

December 17, 2014

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Financial Position
September 30, 2014
(With Comparative Totals for 2013)

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 953,998	\$ 712,867
Rent receivable, net of an allowance of \$5,000 at September 30, 2014 and 2013	23,243	95,995
Grants receivable	662,240	544,324
Insurance receivable	39,242	-
Other receivables	4,000	8,170
Prepaid expenses	19,914	21,393
Total current assets	1,702,637	1,382,749
Property and equipment:		
Land	6,251,303	6,926,803
Buildings	27,311,893	27,625,681
Maintenance vehicles	69,368	69,368
Building improvements and appliances	7,284,526	6,697,040
Construction in progress	-	336,020
Total property and equipment	40,917,090	41,654,912
Less accumulated depreciation	11,455,014	10,735,516
Net property and equipment	29,462,076	30,919,396
Other assets:		
Restricted cash	578,403	584,113
Deposits	151,223	137,010
Property held for sale	309,000	-
Investment in Just Homes	2,214,984	2,214,984
Bond issuance costs, net of accumulated amortization of \$80,657 and \$74,549 at September 30, 2014 and 2013	67,185	73,293
Total other assets	3,320,795	3,009,400
Total assets	\$ 34,485,508	\$ 35,311,545

See accompanying notes.

Liabilities and Net Assets	2014	2013
Current liabilities:		
Bonds payable, current portion	\$ 397,000	\$ 377,000
Mortgage loans payable, current portion	612,779	1,604,713
Accounts payable	29,649	164,711
Accrued interest	93,734	93,733
Accrued real estate taxes	26,169	26,169
Accrued other expense	109,405	118,809
Funds held for others	54,536	63,535
Security deposits	372,775	350,176
Total current liabilities	1,696,047	2,798,846
Long-term liabilities:		
Bonds payable, noncurrent	6,179,000	6,577,000
Mortgage loans payable, noncurrent	5,461,600	5,786,138
Total long-term liabilities	11,640,600	12,363,138
Total liabilities	13,336,647	15,161,984
Net assets:		
Unrestricted	15,162,090	14,513,046
Temporarily restricted	5,986,771	5,636,515
Total net assets	21,148,861	20,149,561
Total liabilities and net assets	\$ 34,485,508	\$ 35,311,545

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Activities
For the Year Ended September 30, 2014
(With Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	Total	2013 Total
Revenues:				
Housing assistance payments	\$ 847,015	\$ -	\$ 847,015	\$ 830,403
Rent income	3,990,586	-	3,990,586	3,767,012
Discount provided to tenants	(744,854)	-	(744,854)	(726,061)
Property management	-	-	-	65
Grant income	-	579,048	579,048	194,716
Late fees and laundry room income	49,194	-	49,194	67,627
Interest income	70	-	70	262
Donations	105,589	-	105,589	110,955
Gain on sale of assets	37,516	-	37,516	-
Impairment on property held for sale	(408,940)	-	(408,940)	-
Property tax exemption refund	-	-	-	72,178
Release of intercompany payables	89,968	-	89,968	-
Cancellation of debt income	990,000	-	990,000	-
Miscellaneous income	58,742	-	58,742	94,809
Net assets released from restrictions	228,792	(228,792)	-	-
Total revenues	5,243,678	350,256	5,593,934	4,411,966
Functional expenses:				
Program services	4,180,997	-	4,180,997	4,132,105
Management and general	303,094	-	303,094	337,931
Fund-raising	110,543	-	110,543	125,336
Total functional expenses	4,594,634	-	4,594,634	4,595,372
Change in net assets	649,044	350,256	999,300	(183,406)
Net assets, beginning of the year	14,513,046	5,636,515	20,149,561	20,332,967
Net assets, end of the year	\$ 15,162,090	\$ 5,986,771	\$ 21,148,861	\$ 20,149,561

See accompanying notes.

Community Housing Advocacy and Development and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2014

	Program Services	Management and General	Fund-raising	Total
Assessments	\$ 189,272	\$ -	\$ -	\$ 189,272
Automobile	26,640	-	-	26,640
Bad debts	81,593	-	-	81,593
Consulting fees	9,236	-	-	9,236
Depreciation and amortization	908,939	9,181	-	918,120
Fund-raising	-	-	33,653	33,653
Interest	555,387	-	-	555,387
JUST HOMES	(479)	-	-	(479)
Miscellaneous	24,381	24,380	-	48,761
Operating expenses	-	79,653	-	79,653
Other insurance	15,815	8,818	-	24,633
Other property costs	25,232	-	-	25,232
Professional fees	32,320	82,748	-	115,068
Property insurance	95,278	5,015	-	100,293
Real estate taxes	35,994	2,354	-	38,348
Repairs and maintenance	972,974	-	-	972,974
Salaries and payroll taxes	784,291	87,143	76,890	948,324
Security	44,832	-	-	44,832
Utilities	376,352	3,802	-	380,154
Selling Expense	2,940	-	-	2,940
Total functional expenses	\$ 4,180,997	\$ 303,094	\$ 110,543	\$ 4,594,634

See accompanying notes.

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

	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 Cash Flows
For the Year Ended September 30, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash flows from operating activities:		
Change in total net assets	\$ 999,300	\$ (183,406)
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	918,120	899,686
Bad debt expense	81,593	124,221
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	(161,829)	1,088,688
(Increase) decrease in prepaid expense	1,479	(12,940)
Decrease in restricted cash	5,710	12,686
(Increase) decrease in deposits	(14,213)	49,346
Increase (decrease) in accounts payable and accrued expenses	(144,465)	5,380
Increase (decrease) in funds held for others	(8,999)	6,856
Increase in security deposits	22,599	64,131
Contributions restricted for property	(579,048)	(194,716)
Net cash from operating activities	501,671	1,859,932
Cash flows from investing activities:		
Purchase of property and equipment	(535,489)	(827,015)
Proceeds from sale of property and equipment	400,373	-
Net cash from investing activities	(135,116)	(827,015)
Cash flows from financing activities:		
Net borrowings (repayments) on lines of credit	-	(50,000)
Payments made on mortgage notes	(326,472)	(250,027)
Payments made on bonds payable	(378,000)	(357,000)
Proceeds from contributions restricted for property	579,048	194,716
Net cash from financing activities	(125,424)	(462,311)
Net change in cash	241,131	570,606
Cash, beginning of the year	712,867	142,261
Cash, end of the year	\$ 953,998	\$ 712,867
Supplemental disclosures:		
Noncash investing and financing transactions:		
Property loans and line of credit borrowings used to purchase property	\$ -	\$ 123,000
Conversion of Just Homes inventory and investment to property and equipment	\$ -	\$ 98,091
Cancellation of debt	\$ 990,000	\$ -
Cash payments for interest	\$ 559,596	\$ 634,411

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.

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 Property Management, Inc. ceased operations in the prior year and all remaining balances were eliminated as of September 30, 2014. The Company is now considered inactive. The final property held by CHAD Homes, Inc. was classified as held for sale at September 30, 2014. The property was sold in October 2014, subsequent to year end, and impairment was recognized in the statement of activities at September 30, 2014 to adjust the carrying value of the property to its selling price. 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, 2014, the Corporation had uninsured balances in excess of FDIC coverage totaling \$1,033,098 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, 2014 (\$5,000 at September 30, 2013). 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 \$912,013 and \$893,578 for the years ended September 30, 2014 and 2013, respectively.

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)

Property held by CHAD Homes, Inc. 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 current 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 2014 or 2013. 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 2013, 2012, and 2011 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, 2014 or 2013.

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, 2014 or 2013.

Subsequent Events – Subsequent events have been evaluated through December 17, 2014, 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 cash accounts at September 30 are as follows:

	2014	2013
General operating	\$ 953,998	\$ 712,867
Required accounts:		
Tenants' security deposits	71,608	69,931
Real estate escrow	1,938	3,486
Debt service	504,857	510,696
	\$ 1,532,401	\$ 1,296,980

3. Lines of Credit

The Corporation had a \$500,000 line of credit available at September 30, 2014 with no balance outstanding at September 30, 2014 and 2013. 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, 2013). 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 \$369,686 at September 30, 2014. There were no draws on this line of credit in the current year. The Corporation paid \$50,000 to pay off a line of credit in the prior year.

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

4. Debt Obligations

The Corporation had the following long-term debt obligations at September 30, 2014 and 2013:

	2014	2013
<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 0S518 East Street, Winfield, Illinois, 1538 Lippert Lane, Glendale Heights, Illinois and 748 73rd Street, Downers Grove, Illinois with a net book value of \$518,621 at September 30, 2014. 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>	\$ 437,684	\$ 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 \$1,261,732 at September 30, 2014. 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>	1,009,330	1,045,751
<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 \$1,658,393 on September 30, 2014.</p>	246,167	260,166

(cont'd)

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

4. Debt Obligations (cont'd)

	2014	2013
<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 \$97,323 at September 30, 2014. The Corporation is required to make monthly payments of \$1,864, including interest at a rate of 4.75% (6.25% at September 30, 2013), 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>	\$ 323,804	\$ 329,791
<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 \$531,731 at September 30, 2014. The Corporation is required to make monthly payments of \$2,245, including interest at a rate of 4.12% (4.12% at September 30, 2013), 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>	412,673	421,731
<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 \$206,570 at September 30, 2014. The Corporation is required to make monthly payments of \$767, including interest at a rate of 4.39% (4.39% at September 30, 2013), 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>	136,395	139,534

(cont'd)

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

4. Debt Obligations (cont'd)

	2014	2013
<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 \$458,506 at September 30, 2014. The Corporation is required to make monthly payments of \$2,597 including interest at a rate of 3.45% (3.45% at September 30, 2013), 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>	\$ 428,315	\$ 444,390
<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 \$888,141 at September 30, 2014. The Corporation is required to make monthly payments of \$1,067, including interest at a rate of 3.62% (3.62% at September 30, 2013), 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>	172,463	178,896
<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 \$721,143 at September 30, 2014. 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>	435,673	450,829
<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 \$855,290 at September 30, 2014. The Corporation is required to make monthly payments of \$1,874, including interest at a rate of 3.37% (3.37% at September 30, 2013). 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>	186,660	202,566

(cont'd)

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

4. Debt Obligations (cont'd)

	2014	2013
<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 \$465,563 at September 30, 2014. The Corporation is required to make monthly payments of \$3,239, including interest at a rate of 3.37% (3.37% at September 30, 2013). 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>	\$ 294,073	\$ 322,480
<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 \$604,156 at September 30, 2014. The Corporation is required to make monthly payments of \$1,681, including interest at a rate of 3.37% (3.37% at September 30, 2013). 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>	146,392	161,358
<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 \$306,232 at September 30, 2014. The Corporation is required to make monthly payments of \$2,588, including interest at a rate of 3.37% (3.37% at September 30, 2013). 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>	223,414	246,518

(cont'd)

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

4. Debt Obligations (cont'd)

	2014	2013
<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 \$410,186 at September 30, 2014. The Corporation is required to make monthly payments of \$3,378, including interest at a rate of 3.37% (3.37% at September 30, 2013). 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>	\$ 291,687	\$ 321,852
<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 \$1,393,393 at September 30, 2014. 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>	593,430	625,363
<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 \$369,686 at September 30, 2014. The Corporation is required to make monthly payments of \$4,999, including interest at a rate of 3.37% (3.37% at September 30, 2013). 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>	393,159	439,052
<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 2015 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.</p>	6,576,000	6,954,000

(cont'd)

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

4. Debt Obligations (cont'd)

	2014	2013
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 \$170,790 at September 30, 2014. The Corporation is required to make annual payments of \$5,499 on November 5 through 2023, including interest at 1%.	\$ 52,691	\$ 57,198
Total Corporation debt	\$ 12,360,010	\$ 13,049,134

In addition to the above notes, the Corporation's wholly owned subsidiaries had the following long-term debt obligations at September 30, 2014 and 2013.

	2014	2013
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 is secured by certain vacant land with a book value of \$309,000 at September 30, 2014 (\$620,000 at 2013). The subsidiary is 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	\$ 305,717
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. The individual has been notified the principal will not be repaid, and the debt has been cancelled as of September 30, 2014.	-	120,000
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. The individual has been notified the principal will not be repaid, and the debt has been cancelled as of September 30, 2014.	-	85,000

(cont'd)

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

4. Debt Obligations (cont'd)

	2014	2013
<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. The individual has been notified the principal will not be repaid, and the debt has been cancelled as of September 30, 2014.</p>	\$ -	\$ 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. The individual has been notified the principal will not be repaid, and the debt has been cancelled as of September 30, 2014.</p>	-	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. The individual has been notified the principal will not be repaid, and the debt has been cancelled as of September 30, 2014.</p>	-	125,000
Total Subsidiary debt	\$ 290,369	\$ 1,295,717

The maturity of the debt is as follows:

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

4. Debt Obligations (cont'd)

	<u>Corporation</u>	<u>Subsidiary</u>	<u>Total</u>
2015	\$ 719,410	\$ 290,369	\$ 1,009,779
2016	749,152	-	749,152
2017	1,671,380	-	1,671,380
2018	1,163,735	-	1,163,735
2019	791,040	-	791,040
Thereafter	7,265,293	-	7,265,293
	<u>\$ 12,360,010</u>	<u>\$ 290,369</u>	<u>\$ 12,650,379</u>

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, 2014 was \$10,682 (\$12,083 in 2013).

6. Restrictions and Limitations on Net Assets

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

	<u>2014</u>	<u>2013</u>
Grants for acquisition of land, building and equipment	\$ 5,982,637	\$ 5,579,478
Homeless prevention	4,134	7,799
Credit support	-	49,238
	<u>\$ 5,986,771</u>	<u>\$ 5,636,515</u>

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:

	<u>2014</u>	<u>2013</u>
Acquisition of assets	\$ 175,889	\$ 142,616
Earned developer fees	-	55,230
Homeless prevention	3,665	12,806
Credit support	49,238	-
	<u>\$ 228,792</u>	<u>\$ 210,652</u>

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Financial Position
September 30, 2014

Assets	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Current assets:					
Cash	\$ 950,032	\$ 3,966	\$ -	\$ -	\$ 953,998
Rent receivable, net of allowance of \$5,000	23,243	-	-	-	23,243
Grant receivables	662,240	-	-	-	662,240
Insurance receivable	39,242	-	-	-	39,242
Other receivables	4,000	-	-	-	4,000
Prepaid expenses	19,914	-	-	-	19,914
Total current assets	<u>1,698,671</u>	<u>3,966</u>	<u>-</u>	<u>-</u>	<u>1,702,637</u>
Property and equipment:					
Land	6,251,303	-	-	-	6,251,303
Buildings	27,311,893	-	-	-	27,311,893
Maintenance vehicles	69,368	-	-	-	69,368
Building improvements and appliances	7,284,526	-	-	-	7,284,526
	40,917,090	-	-	-	40,917,090
Less accumulated depreciation	11,455,014	-	-	-	11,455,014
Net property and equipment	<u>29,462,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,462,076</u>
Other assets:					
Restricted cash	578,403	-	-	-	578,403
Deposits	151,223	-	-	-	151,223
Property held for sale	-	309,000	-	-	309,000
Investment in Just Homes	2,214,984	-	-	-	2,214,984
Investment in subsidiaries	8,064	-	-	(8,064)	-
Bond issuance costs, net of accumulated amortization of \$80,657	67,185	-	-	-	67,185
Total other assets	<u>3,019,859</u>	<u>309,000</u>	<u>-</u>	<u>(8,064)</u>	<u>3,320,795</u>
	<u>\$ 34,180,606</u>	<u>\$ 312,966</u>	<u>\$ -</u>	<u>\$ (8,064)</u>	<u>\$ 34,485,508</u>

(cont'd)

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Financial Position (cont'd)
September 30, 2014

	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Liabilities and Net Assets					
Current liabilities:					
Bonds payable, current	\$ 397,000	\$ -	\$ -	\$ -	\$ 397,000
Mortgage and other loans payable, current	322,410	290,369	-	-	612,779
Accounts payable	27,675	494,924	-	(492,950)	29,649
Accrued expenses:					
Interest	93,734	-	-	-	93,734
Real estate taxes	13,610	12,559	-	-	26,169
Other	109,405	-	-	-	109,405
Funds held for others	54,536	-	-	-	54,536
Security deposits	372,775	-	-	-	372,775
Total current liabilities	1,391,145	797,852	-	(492,950)	1,696,047
Long-term liabilities:					
Bonds payable, noncurrent	6,179,000	-	-	-	6,179,000
Mortgage and other loans payable, noncurrent	5,461,600	-	-	-	5,461,600
Total long-term liabilities	11,640,600	-	-	-	11,640,600
Total liabilities	13,031,745	797,852	-	(492,950)	13,336,647
Common stock	-	25,000	-	(25,000)	-
Net assets:					
Unrestricted	15,162,090	(509,886)	-	509,886	15,162,090
Temporarily restricted	5,986,771	-	-	-	5,986,771
Total net assets	21,148,861	(509,886)	-	509,886	21,148,861
	\$ 34,180,606	\$ 312,966	\$ -	\$ (8,064)	\$ 34,485,508

See accompanying independent auditor's report.

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

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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.

Community Housing Advocacy and Development and Subsidiaries
Consolidating Statement of Activities
For the Year Ended September 30, 2014

	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Revenues:					
Housing assistance payments	\$ 847,015	\$ -	\$ -	\$ -	\$ 847,015
Rent income	3,990,586	-	-	-	3,990,586
Discount provided to tenants	(744,854)	-	-	-	(744,854)
Grant income	579,048	-	-	-	579,048
Late fees and laundry room income	49,194	-	-	-	49,194
Interest income	70	-	-	-	70
Donations	105,589	-	-	-	105,589
Gain on investment in subsidiaries	658,093	-	-	(658,093)	-
Gain on sale of assets	37,516	-	-	-	37,516
Impairment on property held for sale	-	(408,940)	-	-	(408,940)
Release of intercompany payables	-	28,500	89,968	(28,500)	89,968
Cancellation of debt income	-	990,000	-	-	990,000
Miscellaneous income	58,742	-	-	-	58,742
Total revenues	5,580,999	609,560	89,968	(686,593)	5,593,934
Functional expenses:					
Program services	4,168,062	33,265	8,170	(28,500)	4,180,997
Management and general	303,094	-	-	-	303,094
Fund-raising	110,543	-	-	-	110,543
Total functional expenses	4,581,699	33,265	8,170	(28,500)	4,594,634
Change in net assets	999,300	576,295	81,798	(658,093)	999,300
Net assets, beginning of the year	20,149,561	(1,086,181)	(81,798)	1,167,979	20,149,561
Net assets, end of the year	\$ 21,148,861	\$ (509,886)	\$ -	\$ 509,886	\$ 21,148,861

See accompanying independent auditor's report.

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.