Community Housing Advocacy and Development and Subsidiary
Audit Report
For the Year Ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **Community Housing Advocacy and Development and Subsidiary**, which comprise the consolidated statement of financial position at September 30, 2016, 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. 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.

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 Subsidiary at September 30, 2016, 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 Subsidiary's 2015 consolidated financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Selden Fox, Ltd.

January 18, 2017

Community Housing Advocacy and Development and Subsidiary
Consolidated Statement of Financial Position
September 30, 2016
(With Comparative Totals for 2015)

Assets	2016	2015
Current assets:		
Cash and cash equivalents	$ 4,081,691	$ 738,777
Rent receivable, net of an allowance of $5,000 at September 30, 2016 and 2015	30,268	10,613
Grants receivable	522,723	655,540
Other receivables	2,900	4,900
Prepaid expenses	40,376	35,898
Total current assets	4,677,958	1,445,728
Property and equipment:		
Land	6,945,653	6,251,303
Buildings	27,107,849	27,909,687
Maintenance vehicles	103,436	69,368
Building improvements and appliances	8,007,786	7,339,380
Construction in progress	63,570	560,822
Total property and equipment	42,228,294	42,130,560
Less accumulated depreciation	12,339,589	12,372,710
Net property and equipment	29,888,705	29,757,850
Other assets:		
Restricted cash	93,195	575,074
Deposits	178,459	165,018
Investment in JUST HOMES	1,948,422	1,948,422
Total other assets	2,220,076	2,688,514
Total assets	$ 36,786,739	$ 33,892,092

See accompanying notes.

Liabilities and Net Assets	2016	2015
Current liabilities:		
Bonds payable, current portion	$ -	$ 417,000
Mortgage loans payable, current portion	1,624,670	337,034
Accounts payable	46,400	79,507
Contractual obligations payable	-	393,824
Accrued interest	39,973	94,548
Accrued real estate taxes	27,775	13,610
Accrued other expense	65,208	88,668
Rent received in advance	165,292	94,599
Funds held for others	6,255	39,148
Total current liabilities	1,975,573	1,557,938
Long-term liabilities:		
Security deposits	373,276	381,473
Swap agreement liability	314,605	-
Bonds payable, noncurrent	-	5,762,000
Mortgage loans payable, noncurrent	11,341,509	5,299,821
Total long-term liabilities	12,029,390	11,443,294
Total liabilities	14,004,963	13,001,232
Net assets:		
Unrestricted	16,582,116	15,007,539
Temporarily restricted	6,199,660	5,883,321
Total net assets	22,781,776	20,890,860
Total liabilities and net assets	$ 36,786,739	$ 33,892,092

Community Housing Advocacy and Development and Subsidiary
Consolidated Statement of Activities
For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	**Total**	2015 Total
Revenues:				
Rent income	$ 5,240,512	$ -	**$ 5,240,512**	$ 4,839,569
Affordable rent concession	(1,039,266)	-	**(1,039,266)**	(715,570)
Grant income	-	484,300	**484,300**	43,900
Late fees and laundry room income	34,954	-	**34,954**	36,110
Interest income	199	-	**199**	106
Donations	81,778	-	**81,778**	119,365
Loss on investment in Just-Homes program	-	-	**-**	(109,668)
Loss on swap	(314,605)	-	**(314,605)**	-
Gain on sale of assets	1,873,484	-	**1,873,484**	-
Miscellaneous income	75,722	-	**75,722**	79,355
Net assets released from restrictions	167,961	(167,961)	**-**	-
Total revenues	6,120,739	316,339	**6,437,078**	4,293,167
Functional expenses:				
Program services	4,226,330	-	**4,226,330**	4,174,411
Management and general	280,506	-	**280,506**	317,517
Fund-raising	39,326	-	**39,326**	59,240
Total functional expenses	4,546,162	-	**4,546,162**	4,551,168
Change in net assets	1,574,577	316,339	**1,890,916**	(258,001)
Net assets, beginning of the year	15,007,539	5,883,321	**20,890,860**	21,148,861
Net assets, end of the year	$ 16,582,116	$ 6,199,660	**$ 22,781,776**	$ 20,890,860

See accompanying notes.

Community Housing Advocacy and Development and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

	Program Services	Management and General	Fund-raising	**Total**	2015 Total
Assessments	$ 151,032	$ -	$ -	**$ 151,032**	$ 195,440
Automobile	37,017	-	-	**37,017**	35,161
Bad debts	35,859	-	-	**35,859**	41,314
Bond payoff costs	160,951	-	-	**160,951**	-
Consulting fees	17,312	-	-	**17,312**	10,441
Depreciation and amortization	915,291	9,198	-	**924,489**	923,803
Fund-raising	-	-	11,340	**11,340**	25,160
Interest	513,287	-	-	**513,287**	509,774
JUST HOMES	-	-	-	**-**	2,000
Miscellaneous	6,700	6,699	-	**13,399**	33,578
Operating expenses	-	59,690	-	**59,690**	62,431
Other insurance	7,833	4,600	-	**12,433**	23,833
Other property costs	35,215	-	-	**35,215**	49,652
Professional fees	50,423	101,368	-	**151,791**	186,838
Property insurance	146,909	7,732	-	**154,641**	112,790
Real estate taxes	28,783	3,198	-	**31,981**	26,629
Repairs and maintenance	978,728	-	-	**978,728**	981,102
Salaries and payroll taxes	764,668	84,963	27,986	**877,617**	902,344
Security	46,126	-	-	**46,126**	45,718
Utilities	302,717	3,058	-	**305,775**	383,160
Selling expense	27,479	-	-	**27,479**	-
Total functional expenses	$ 4,226,330	$ 280,506	$ 39,326	**$ 4,546,162**	$ 4,551,168

See accompanying notes.

Community Housing Advocacy and Development and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in total net assets	$ 1,890,916	$ (258,001)
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	924,489	923,803
Bad debt expense	35,859	41,314
Loss on swap	314,605	-
Gain on sale of property and equipment	(1,873,484)	-
Decrease in receivables	79,303	16,358
Increase in prepaid expense	(4,478)	(15,984)
Decrease in restricted cash	481,879	3,329
Increase in deposits	(13,441)	(13,795)
Increase (decrease) in accounts payable and accrued expenses	(96,977)	17,376
Increase (decrease) in contractual obligation payable	(393,824)	393,824
Increase in rent received in advance	70,693	94,599
Decrease in funds held for others	(32,893)	(15,388)
Increase (decrease) in security deposits	(8,197)	8,698
Contributions restricted for property	(484,300)	(43,900)
Net cash from operating activities	890,150	1,152,233
Cash flows from investing activities:		
Loss on investment in JUST HOMES property	-	109,668
Purchase of property and equipment	(601,291)	(819,575)
Proceeds from sale of property	3,555,000	309,000
Net cash used in investing activities	2,953,709	(400,907)
Cash flows from financing activities:		
Payments made on mortgage notes	(613,757)	(613,447)
Payments made on bonds payable	(6,179,000)	(397,000)
Proceeds from mortgage notes	5,873,000	-
Debt issuance costs	(65,488)	-
Proceeds from contributions restricted for property	484,300	43,900
Net cash used in financing activities	(500,945)	(966,547)
Net change in cash	3,342,914	(215,221)
Cash, beginning of the year	738,777	953,998
Cash, end of the year	$ 4,081,691	$ 738,777
Supplemental disclosures:		
Noncash investing and financing transactions:		
Property loans and line of credit borrowings used to purchase property	$ 2,067,000	$ 237,000
Conversion of JUST HOMES inventory and investment to property and equipment	$ -	$ 156,895
Cash payments for interest	$ 567,862	$ 509,153

See accompanying notes.

1. Summary of Significant Accounting Policies

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

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

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

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

> **Permanently Restricted Net Assets** – Net assets subject to donor imposed stipulations that the Corporation maintain them permanently. The Corporation 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 Corporation, 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.

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, depreciating property and equipment over their estimated useful lives, and recording the swap agreement liability at its estimated settlement amount. 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, 2016, the Corporation had uninsured balances in excess of FDIC coverage totaling $3,586,434 at two financial institutions.

Cash and Cash Equivalents – For purposes of the consolidated statement of cash flows, the Corporation considers all highly liquid instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

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. No homes were repurchased in the current year.

Rent Receivables – Rent receivables are stated at amounts billed for rent. The Corporation does not charge interest but does charge late fees on amounts past due. The Corporation has established an allowance for doubtful accounts. Management's periodic evaluation of the collectability of receivables is based on past experience, known and inherent risks in the accounts, adverse situations that may affect ability to repay, and current economic conditions. The allowance for doubtful accounts totaled $5,000 at September 30, 2016 ($5,000 at September 30, 2015). Accounts deemed uncollectible are charged against the allowance.

Deposits – The Corporation is required to maintain balances on deposits with the Illinois Housing Development Authority ("IHDA") for maintenance and operating reserves for property acquired with proceeds from mortgage notes issued by IHDA to the Corporation. Under terms of the borrowings, IHDA shall have the right, in its sole discretion, to approve each withdrawal of funds.

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

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 $855,920 and $917,695 for the years ended September 30, 2016 and 2015, respectively.

Security Deposits – Amounts collected as security deposits from tenants at the inception of a lease are recorded as liabilities until that time they are returned or forfeited.

Debt Issuance Costs – The debt issuance costs are recorded as a direct reduction of the related debt and are amortized over the life of the debt using the effective interest method.

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.

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

Rental Support – The Corporation provides significant rental support to its tenants in accordance with its mission 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.

In-Kind Contributions and Donated Services – In addition to receiving cash contributions, the Corporation receives in-kind contributions and donated services from various donors. In accordance with generally accepted accounting principles, contribution of services are required to be recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are also required to be recorded at fair value. The Corporation recognizes the estimated fair value of these in-kind donations and donated services as an expense or asset if appropriate in its consolidated financial statements, and similarly records a corresponding donation by a like amount.

During the years ended June 30, 2016 and 2015, the Corporation received the following in-kind donated services:

	2016	2015
Legal services	**$ 16,673**	$ 41,491
Accounting services	**9,197**	8,828
	$ 25,870	$ 50,319

There were also a substantial number of volunteers who donated a significant amount of their time towards the activities of the Corporation for the years ended September 30, 2016 and 2015, the value of which has not been recognized in the consolidated financial statements as they do not meet the criteria for recognition.

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.

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 2016 or 2015. 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 2015, 2014, and 2013 remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through January 18, 2017, which is the date the financial statements were available to be issued.

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

New Accounting Pronouncement – In April 2015 and August 2015, the FASB issued accounting guidance to simplify the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. Previously, such costs were recorded as deferred assets. The recognition and measurement guidance for debt issuance costs were not affected by this amendment. The adoption of the new guidance was on a retrospective basis. The Corporation elected to early adopt this guidance for debt issuance costs during the current year. As a result, $57,996 and $61,077 of unamortized debt issuance costs were reclassified from noncurrent assets to long-term debt at September 30, 2016 and 2015, respectively.

2. **Required Cash Balances**

The Corporation is required by statute to maintain a percentage of the security deposits in a separate account. In the prior year, the Corporation was required to maintain certain separate accounts to be in compliance with loan requirements related to the bonds payable that were refunded in the current year. Balances of the restricted cash accounts at September 30 are as follows:

	2016	2015
Required accounts:		
Tenants' security deposits	**$ 93,195**	$ 74,430
Real estate escrow	**-**	1,938
Debt service	**-**	498,706
	$ 95,195	$ 575,074

3. **Contractual Obligation Payable**

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

4. **Lines of Credit**

The Corporation had a $500,000 line of credit available at September 30, 2016, with no balance outstanding at September 30, 2016 and 2015. 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, 2015). 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 $341,037 at September 30, 2016. There were no draws on this line of credit in the current or prior year.

5. **Debt Obligations**

The Corporation had the following long-term debt obligations at September 30, 2016 and 2015:

	2016	2015
On April 28, 2016, the Corporation entered into a $775,000 mortgage note payable to Wheaton Bank & Trust Company, secured by two properties located in Naperville, Illinois with a combined net book value of $952,800 at September 30, 2016. The Corporation is required to make monthly payments of $4,337, including interest at a rate of 4.50%, commencing May 28, 2016, with the unpaid balance due at maturity on April 28, 2021.	**$ 767,994**	$ -
On January 21, 2016, the Corporation entered into a $144,000 mortgage note payable to West Suburban Bank, secured by property located in Naperville, Illinois with a net book value of $197,524 at September 30, 2016. The Corporation is required to make monthly payments of $785, including interest at a rate of 4.25%, commencing March 1, 2016, with the unpaid balance due at maturity on February 1, 2021.	**142,191**	-
On December 11, 2015, the Corporation entered into a $1,148,000 mortgage note payable to West Suburban Bank, secured by three properties located in Naperville, Illinois with a combined net book value of $1,439,125 at September 30, 2016. The Corporation is required to make monthly payments of $6,457, including interest at a rate of 4.55%, commencing February 1, 2016, with the unpaid balance due at maturity on January 1, 2023.	**1,132,265**	-
On November 11, 2015, the Corporation entered into a $5,873,000 mortgage note payable to First Merit Bank, N.A., secured by the assets of the Corporation. The Corporation is required to make monthly principal payments plus interest at a rate of 4.50%. The monthly principal payment is $28,134 commencing January 1, 2016. The principal payment increases every January 1 for the calendar year, with the maximum monthly principal payment reaching $42,379 in 2025. The unpaid balance is due at maturity on December 1, 2025. The Corporation must maintain a quarterly minimum debt service coverage ratio 1.05 to 1.00. The Corporation was in compliance with this covenant.	**5,620,036**	-

(cont'd)

5. **Debt Obligations** (cont'd)

	2016	2015
On August 17, 2015, the Corporation entered into a $128,000 mortgage note payable to West Suburban Bank, secured by property located in Glendale Heights, Illinois with a net book value of $212,099 at September 30, 2016. The Corporation is required to make monthly payments of $698, including interest at a rate of 4.25%, commencing October 1, 2015, with the unpaid balance due at maturity on September 1, 2020.	**$ 125,175**	$ 128,000
On December 17, 2014, the Corporation entered into a $109,000 mortgage note payable to West Suburban Bank, secured by property located in Darien, Illinois with a net book value of $174,854 at September 30, 2016. The Corporation is required to make monthly payments for the first sixty months of $536, and then $542 for the next three hundred months, including interest at a rate of 4.25%, commencing February 1, 2015, with the unpaid balance due at maturity on January 1, 2045. The interest rate is subject to change on February 1, 2020 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.	**106,077**	107,862
On August 1, 2013, the Corporation converted a $448,470 line of credit balance into a mortgage note payable to West Suburban Bank, secured by property located in Winfield, Glendale Heights, and Downers Grove, Illinois with a net book value of $510,220 at September 30, 2016. 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.	**416,337**	427,250
On January 10, 2012, the Corporation entered into a $1,100,000 mortgage note payable to West Suburban Bank, secured by commercial property located in Wheaton, Illinois with a net book value of $1,223,773 at September 30, 2016. 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.	**931,098**	971,141

(cont'd)

5. **Debt Obligations** (cont'd)

		2016		2015
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 $1,014,657 on September 30, 2016.	**$**	**218,166**	$	232,167
On March 11, 2009, the Corporation entered into a $350,000 mortgage note payable to West Suburban Bank, secured by property located in Bensenville, Illinois with a net book value of $87,883 at September 30, 2016. The Corporation is required to make monthly payments of $1,864, including interest at a rate of 4.75% (4.75% at September 30, 2015), 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%.		**309,174**		316,662
On November 5, 2008, the Corporation entered into a $450,000 mortgage note payable to West Suburban Bank, secured by property located in Hillside and Glendale Heights, Illinois with a net book value of $505,192 at September 30, 2016. The Corporation is required to make monthly payments of $2,245, including interest at a rate of 4.12% (4.12% at September 30, 2015), 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%.		**391,996**		402,547

(cont'd)

5. **Debt Obligations** (cont'd)

		2016		2015
On August 29, 2008, the Corporation entered into a $150,000 mortgage note payable to West Suburban Bank, secured by property located in Naperville, Illinois with a net book value of $199,760 at September 30, 2016. The Corporation is required to make monthly payments of $767, including interest at a rate of 4.39% (4.39% at September 30, 2015), commencing October 1, 2008, with the unpaid balance due at maturity on September 1, 2038. The interest rate is subject to change on October 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75%.	**$**	**129,687**	$	133,114
On April 15, 2008, the Corporation entered into a $500,000 mortgage note payable to West Suburban Bank, secured by property in Wheaton, Illinois with a net book value of $436,685 at September 30, 2016. The Corporation is required to make monthly payments of $2,597 including interest at a rate of 3.45% (3.45% at September 30, 2015), 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%.		**394,456**		411,677
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 $840,380 at September 30, 2016. The Corporation is required to make monthly payments of $1,067, including interest at a rate of 3.62% (3.62% at September 30, 2015), commencing on April 1, 2008, with the unpaid balance due at maturity on March 1, 2033. Interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.75% that is tied to the prime interest rate.		**158,877**		165,793
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 $691,257 at September 30, 2016. 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.		**405,361**		420,517

(cont'd)

5. **Debt Obligations** (cont'd)

	2016	2015
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 $825,510 at September 30, 2016. The Corporation is required to make monthly payments of $1,874, including interest at a rate of 3.37% (3.37% at September 30, 2015). The unpaid balance is due at maturity on June 1, 2024. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.	**$ 153,197**	$ 170,210
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 $440,270 at September 30, 2016. The Corporation is required to make monthly payments of $3,239, including interest at a rate of 3.37% (3.37% at September 30, 2015). 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%.	**234,299**	264,690
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 $565,643 at September 30, 2016. The Corporation is required to make monthly payments of $1,681, including interest at a rate of 3.37% (3.37% at September 30, 2015). The unpaid balance is due at maturity on January 1, 2023. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.	**114,907**	130,914

(cont'd)

5. **Debt Obligations** (cont'd)

		2016		2015
On November 25, 2002, the Corporation entered into a $341,500 mortgage note payable to West Suburban Bank secured by three properties located in DuPage County, with a combined net book value of $290,774 at September 30, 2016. The Corporation is required to make monthly payments of $2,588, including interest at a rate of 3.37% (3.37% at September 30, 2015). The unpaid balance is due at maturity on December 1, 2022. The interest rate is subject to change on March 1, 2013 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years plus 2.50%.	**$**	**174,807**	$	199,520
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 $386,911 at September 30, 2016. The Corporation is required to make monthly payments of $3,379, including interest at a rate of 3.37% (3.37% at September 30, 2015). 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%.		**228,226**		260,491
In June 2002, the Corporation entered into a $958,000 mortgage note payable to the Illinois Housing Development Authority secured by land and building in Glen Ellyn, Illinois, which had a net book value of $1,307,140 at September 30, 2016. 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.		**529,563**		561,496
On January 25, 2002, the Corporation entered into a $630,000 mortgage note payable to West Suburban Bank, secured by a commercial building in Villa Park, Illinois, which had a net book value of $341,037 at September 30, 2016. The Corporation is required to make monthly payments of $4,999, including interest at a rate of 3.37% (3.37% at September 30, 2015). 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%.		**296,607**		345,695

(cont'd)

5. **Debt Obligations** (cont'd)

	2016	2015
On December 1, 2001, the Corporation entered into a $10,000,000 loan agreement with the DuPage Housing Authority, funded from the Authority's issuance of revenue bonds purchased by a financial institution. The Corporation is required to make quarterly installments (in 2016 ranging from $102,000 to $106,000) plus interest at 5.12%, with final payment due October 1, 2026. The bonds are secured by the assets of the Corporation. The Corporation must have a quarterly, minimum debt service coverage ratio of 1.0 to 1.0. In the current fiscal year, the Corporation refinanced this debt by entering into a loan agreement with another financial institution and using the proceeds to repay the remaining principal.	**$ -**	$ 6,179,000
On November 6, 1992, the Corporation entered into a $147,226 loan agreement with the DuPage Community Development Commission secured by a building in Westmont, Illinois, which had a net book value of $157,365 at September 30, 2016. The Corporation is required to make annual payments of $5,499 on November 5 through 2023, including interest at 1%.	**43,679**	48,186
Unamortized debt issuance costs	**(57,996)**	(61,077)
Total Corporation debt	**$ 12,966,179**	$ 11,815,855

The maturity of the debt is as follows:

	Principal	Debt Issue Costs	Total
2017	$ 1,633,661	$ 8,991	$ 1,624,670
2018	1,122,195	8,402	1,113,793
2019	745,082	7,787	737,295
2020	885,275	7,158	878,117
2021	1,597,163	6,464	1,590,699
Thereafter	7,040,799	19,194	7,021,605
	$ 13,024,175	$ 57,996	$ 12,966,179

The Corporation adopted new authoritative guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are now reported on the statement of financial position as a direct deduction from the face amount of the debt. Previously, such costs were shown as a deferred charge, and the 2015 amounts have been reclassified as deductions from the related debt, as shown in the table below. Accordingly, the 2015 assets and liabilities have been retroactively reduced by the same amount.

5. **Debt Obligations** (cont'd)

The issuance costs in the 2015 financial statements were incurred in connection with the December 1, 2001 loan agreement with the DuPage Housing Authority, which was paid off in the current year. The deferred issuance costs at September 30, 2015 were fully expensed in the current year.

The deferred issuance costs at September 30, 2016 were incurred in connection with the November 11, 2015 note payable.

The Corporation continues to reflect amortization of debt issuance costs as interest expense, in accordance with the new guidance. This change had no effect on previously reported net assets or change in net assets.

	2016	2015
Principal amount	**$ 13,024,175**	$ 11,876,932
Less unamortized debt issuance costs	**57,996**	61,077
Long-term debt less unamortized issuance costs	**$ 12,966,179**	$ 11,815,855

6. **Interest Rate Swap Agreement**

The Corporation has an interest rate swap agreement that was entered into as a hedge of cash flow variability caused by changes in interest rates on the note payable issued November 11, 2015. The differential interest that is to be paid or that will be received under this agreement is accrued consistent with the terms of the agreement and is recognized in interest expense as accrued. Terms of the swap agreement require the differential interest to be paid or received monthly.

Generally accepted accounting principles require derivative instruments, such as an interest rate swap agreement, to be recognized at fair value as either an asset or liability in the statement of financial position. Accordingly, the negative $314,605 value of the swap agreement at September 30, 2016 is reported as a liability in the statement of financial position and as a loss in the statement of activities. Value has been measured based on estimates of the amount needed to settle the agreement as calculated by the counterparty of the swap agreement. Such calculations were based on changes in market conditions and/or assumptions underlying valuation models.

The entire outstanding principal balance of the note payable is considered the notional principal amount of the swap agreement is $5,873,000. The agreement effectively fixes the Corporation's interest rate exposure at 4.50%.

7. Financial Instruments

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Grants receivable – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Long-term debt – The carrying amount reported in the statement of financial position approximates fair value because the Corporation can obtain similar loans at the same terms.

8. Defined Contribution Plan

In 2001, the Corporation established a defined contribution 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, 2016 was $9,416 ($20,000 in 2015).

9. Restrictions and Limitations on Net Assets

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

	2016	2015
Grants for acquisition of land, building and equipment	**$ 6,195,240**	$ 5,878,901
Homeless prevention	**4,420**	4,420
	$ 6,199,660	$ 5,883,321

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:

	2016	2015
Acquisition of assets	**$ 167,961**	$ 147,636
Homeless prevention	**-**	2,314
	$ 167,961	$ 149,950

10. **Subsequent Events**

The Corporation entered into three separate agreements to purchase properties subsequent to year end. On December 1, 2016, the Corporation entered into a mortgage note payable to West Suburban Bank for $1,880,000 at a fixed rate of 4.10% to acquire property in Joliet, Illinois. On December 5, 2016, the Corporation entered into a mortgage note payable to Wheaton Bank & Trust Company for $1,164,000 at a fixed rate of 4.00% to acquire property in Addison, Illinois. On December 8, 2016, the Corporation entered into a mortgage note paya0ble to West Suburban Bank for $400,000 at a fixed rate of 4.10% to acquire property in Naperville, Illinois. The Corporation used the proceeds of the debt plus cash on hand generated from property sales in the year ended September 30, 2016, to further their mission by purchasing additional housing with a combined cost of approximately $4,300,000.