Community Housing Advocacy and Development
Audit Report
For the Year Ended September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Housing Advocacy
and Development
Wheaton, Illinois

We have audited the accompanying financial statements of **Community Housing Advocacy and Development**, which comprise the statement of financial position at September 30, 2017, and the related 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Advocacy and Development at September 30, 2017, 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's 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Selden Fox, Ltd.

February 8, 2018

Community Housing Advocacy and Development
Statement of Financial Position
September 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,306,923**	$ 4,081,691
Rent receivable, net of an allowance of $5,000 at September 30, 2017 and 2016	**59,180**	30,268
Grants receivable	**118,470**	522,723
Other receivables	**1,850**	2,900
Prepaid expenses	**103,816**	40,376
Total current assets	**3,590,239**	4,677,958
Property and equipment:		
Land	**9,289,253**	6,945,653
Buildings	**31,126,829**	27,107,849
Maintenance vehicles	**103,436**	103,436
Building improvements and appliances	**8,084,551**	8,007,786
Construction in progress	**-**	63,570
Total property and equipment	**48,604,069**	42,228,294
Less accumulated depreciation	**13,351,873**	12,339,589
Net property and equipment	**35,252,196**	29,888,705
Other assets:		
Restricted cash	**93,080**	93,195
Deposits	**189,021**	178,459
Investment in JUST HOMES	**1,948,422**	1,948,422
Total other assets	**2,230,523**	2,220,076
Total assets	**$ 41,072,958**	$ 36,786,739

See accompanying notes.

Community Housing Advocacy and Development
Statement of Financial Position
September 30, 2017
(With Comparative Totals for 2016)

Liabilities and Net Assets	2017	2016
Current liabilities:		
Mortgage loans payable, current portion	**$ 1,266,295**	$ 1,624,670
Accounts payable	**143,953**	46,400
Accrued interest	**50,363**	39,973
Accrued real estate taxes	**40,270**	27,775
Accrued other expense	**78,035**	65,208
Rent received in advance	**133,977**	165,292
Funds held for others	**6,255**	6,255
Total current liabilities	**1,719,148**	1,975,573
Long-term liabilities:		
Security deposits	**450,202**	373,276
Swap agreement liability	**20,080**	314,605
Mortgage loans payable, noncurrent	**15,677,286**	11,341,509
Total long-term liabilities	**16,147,568**	12,029,390
Total liabilities	**17,866,716**	14,004,963
Net assets:		
Unrestricted	**17,181,798**	16,582,116
Temporarily restricted	**6,024,444**	6,199,660
Total net assets	**23,206,242**	22,781,776
Total liabilities and net assets	**$ 41,072,958**	$ 36,786,739

See accompanying notes.

Community Housing Advocacy and Development
Statement of Activities
For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	**Total**	2016 Total
Revenues:				
Rent income	$ 6,393,436	$ -	**$ 6,393,436**	$ 5,240,512
Affordable rent concession	(1,267,907)	-	**(1,267,907)**	(1,039,266)
Grant income	-	-	**-**	484,300
Late fees and laundry room income	38,587	-	**38,587**	34,954
Interest income	550	-	**550**	199
Donations	81,511	-	**81,511**	81,778
Gain (loss) on swap	294,525	-	**294,525**	(314,605)
Gain on sale of assets	-	-	**-**	1,873,484
Miscellaneous income	110,042	-	**110,042**	75,722
Net assets released from restrictions	175,216	(175,216)	**-**	-
Total revenues	5,825,960	(175,216)	**5,650,744**	6,437,078
Functional expenses:				
Program services	4,882,430	-	**4,882,430**	4,226,330
Management and general	300,654	-	**300,654**	280,506
Fund-raising	43,194	-	**43,194**	39,326
Total functional expenses	5,226,278	-	**5,226,278**	4,546,162
Change in net assets	599,682	(175,216)	**424,466**	1,890,916
Net assets, beginning of the year	16,582,116	6,199,660	**22,781,776**	20,890,860
Net assets, end of the year	$ 17,181,798	$ 6,024,444	**$ 23,206,242**	$ 22,781,776

See accompanying notes.

Community Housing Advocacy and Development
Statement of Functional Expenses
For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

	Program Services	Management and General	Fund-raising	**Total**	2016 Total
Assessments	$ 162,638	$ -	$ -	**$ 162,638**	$ 151,032
Automobile	41,649	-	-	**41,649**	37,017
Bad debts	53,638	-	-	**53,638**	35,859
Bond payoff costs	-	-	-	**-**	160,951
Consulting fees	6,000	-	-	**6,000**	17,312
Depreciation and amortization	1,011,620	9,655	-	**1,021,275**	924,489
Fund-raising	-	-	11,290	**11,290**	11,340
Interest	642,563	-	-	**642,563**	513,287
Miscellaneous	5,332	5,331	-	**10,663**	13,399
Operating expenses	-	68,373	-	**68,373**	59,690
Other insurance	16,042	9,421	-	**25,463**	12,433
Other property costs	73,238	-	-	**73,238**	81,341
Professional fees	42,858	92,123	-	**134,981**	151,791
Property insurance	160,171	8,430	-	**168,601**	154,641
Real estate taxes	25,534	3,429	-	**28,963**	31,981
Repairs and maintenance	1,369,683	-	-	**1,369,683**	978,728
Salaries and payroll taxes	901,387	100,154	31,904	**1,033,445**	877,617
Utilities	370,077	3,738	-	**373,815**	305,775
Selling expense	-	-	-	**-**	27,479
Total functional expenses	$ 4,882,430	$ 300,654	$ 43,194	**$ 5,226,278**	$ 4,546,162

See accompanying notes.

Community Housing Advocacy and Development
Statement of Cash Flows
For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in total net assets	**$ 424,466**	$ 1,890,916
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,021,275**	924,489
Bad debt expense	**53,638**	35,859
(Gain) loss on swap	**(294,525)**	314,605
Gain on sale of property and equipment	**-**	(1,873,484)
Decrease in receivables	**322,753**	79,303
Increase in prepaid expense	**(63,440)**	(4,478)
Decrease in restricted cash	**115**	481,879
Increase in deposits	**(10,562)**	(13,441)
Increase (decrease) in accounts payable and accrued expenses	**133,265**	(96,977)
Decrease in contractual obligation payable	**-**	(393,824)
Increase (decrease) in rent received in advance	**(31,315)**	70,693
Decrease in funds held for others	**-**	(32,893)
Increase (decrease) in security deposits	**76,926**	(8,197)
Contributions restricted for property	**-**	(484,300)
Net cash from operating activities	**1,632,596**	890,150
Cash flows from investing activities:		
Purchase of property and equipment	**(1,587,575)**	(601,291)
Proceeds from sale of property	**-**	3,555,000
Net cash used in investing activities	**(1,587,575)**	2,953,709
Cash flows from financing activities:		
Payments made on mortgage notes	**(819,789)**	(613,757)
Payments made on bonds payable	**-**	(6,179,000)
Proceeds from mortgage notes	**-**	5,873,000
Debt issuance costs	**-**	(65,488)
Proceeds from contributions restricted for property	**-**	484,300
Net cash used in financing activities	**(819,789)**	(500,945)
Net change in cash	**(774,768)**	3,342,914
Cash, beginning of the year	**4,081,691**	738,777
Cash, end of the year	**$ 3,306,923**	$ 4,081,691
Supplemental disclosures:		
Noncash investing and financing transactions:		
Property loans and line of credit borrowings used to purchase property	**$ 4,788,200**	$ 2,067,000
Cash payments for interest	**$ 632,173**	$ 567,862

See accompanying notes.

1. **Summary of Significant Accounting Policies**

General – Community Housing Advocacy and Development (Corporation), 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 Corporation has a real estate license with a member of management acting as the managing broker, which allows the Corporation to represent itself in real estate transactions and avoid paying a commission to a third party. The Corporation also established a Community Housing Development Organization (CHDO) with staff and the capacity to develop affordable housing for the community it serves. At September 30, 2017, the Corporation owned 481 housing units in DuPage County (405 units), Will County (61 units), Kane County (9 units) and Cook County (6 units).

Basis of Accounting – These 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.

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 and the surrounding counties in Illinois, determining an allowance for uncollectible accounts receivable, depreciating property and

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

Use of Estimates (cont'd)

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, 2017, the Corporation had uninsured balances in excess of FDIC coverage totaling $2,642,578 at two financial institutions.

Cash and Cash Equivalents – For purposes of the 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. When 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, it can either remove the property from the program or subsequently resells that interest, and adjust the Corporation's investment to their percentage interest in that newly determined value of the property. During the current and prior year, the Corporation did not repurchase any homes.

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 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, 2017 ($5,000 at September 30, 2016). 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 more than $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 $1,012,283 and $855,920 for the years ended September 30, 2017 and 2016, 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 is 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, 2017 and 2016, the Corporation received the following in-kind donated services:

	2017	2016
Legal services	**$ 16,295**	$ 16,673
Accounting services	**8,417**	9,197
	$ 24,712	$ 25,870

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, 2017 and 2016, 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 2017 or 2016. 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 2016, 2015, and 2014 remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through February 8, 2018, which is the date the financial statements were available to be issued.

2. **Required Cash Balances**

The Corporation is required by statute to maintain a percentage of the security deposits in a separate account. Balances of the restricted cash accounts at September 30, are as follows:

	2017	2016
Required accounts:		
Tenants' security deposits	**$ 93,080**	$ 93,195

3. **Lines of Credit**

The Corporation had a $500,000 line of credit available at September 30, 2017, with no balance outstanding at September 30, 2017 and 2016. 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, 2016). 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 $326,713 at September 30, 2017. There were no draws on this line of credit in the current or prior year.

4. **Debt Obligations**

The Corporation had the following long-term debt obligations at September 30, 2017 and 2016:

	2017	2016
On October 5, 2016, the Corporation entered into a $105,000 mortgage note payable to West Suburban Bank, secured by a property located in Addison, Illinois, with a net book value of $96,365 at September 30, 2017. The Corporation is required to make monthly payments of $581, including interest at a rate of 4.40%, commencing December 1, 2016, with the unpaid balance due at maturity on November 1, 2023.	**$ 102,943**	$ -
On December 1, 2016, the Corporation entered into a $1,880,000 mortgage note payable to West Suburban Bank, secured by 3 properties located in Joliet, Illinois, with a combined net book value of $2,345,290 at September 30, 2017. The Corporation is required to make monthly payments of $10,089, including interest rate of 4.10%, commencing on January 1, 2017, with unpaid balance due at maturity on December 1, 2026.	**1,845,948**	-

(cont'd)

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

		2017		2016
On December 5, 2016, the Corporation entered into a $1,164,000 mortgage note payable to Wheaton Bank & Trust, secured by property located in Addison, Illinois, with a net book value of $1,452,744 at September 30, 2017. The Corporation is required to make monthly payments of $6,181, including interest rate of 4.00%, commencing on January 5, 2017, with unpaid balance due at maturity on December 5, 2023.	**$**	**1,141,156**	$	-
On December 8, 2016, the Corporation entered into a $400,000 mortgage note payable to West Suburban Bank, secured by property located in Naperville, Illinois, with a net book value of $503,087 at September 30, 2017. The Corporation is required to make monthly payments of $2,146, including interest rate of 4.10%, commencing on February 1, 2017, with unpaid balance due at maturity on January 1, 2027.		**393,424**		-
On March 17, 2017, the Corporation entered into a $159,200 mortgage note payable to West Suburban Bank, secured by property located in Naperville, Illinois, with a net book value of $200,979 at September 30, 2017. The Corporation is required to make monthly payments of $895, including interest rate of 4.55%, commencing on May 1, 2017, with unpaid balance due at maturity on April 1, 2024.		**157,611**		-
On April 17, 2017, the Corporation entered into a $1,080,000 mortgage note payable to West Suburban Bank, secured by property located in Joliet, Illinois, with a net book value of $1,348,486 at September 30, 2017. The Corporation is required to make monthly payments of $6,075, including interest rate of 4.55%, commencing on June 1, 2017, with unpaid balance due at maturity on May 1, 2024.		**1,071,229**		-
On April 28, 2016, the Corporation entered into a $775,000 mortgage note payable to Wheaton Bank & Trust Company, secured by 2 properties located in Naperville, Illinois, with a combined net book value of $938,400 at September 30, 2017. 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.		**750,633**		767,994

(cont'd)

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

	2017	2016
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 $192,394 at September 30, 2017. The Corporation is required to make monthly payments of $785, including interest at a rate of 4.25%, commencing March 1, 2016, with the unpaid balance due at maturity on February 1, 2021.	**$ 138,631**	$ 142,191
On December 11, 2015, the Corporation entered into a $1,148,000 mortgage note payable to West Suburban Bank, secured by 3 properties located in Naperville, Illinois, with a combined net book value of $1,417,375 at September 30, 2017. 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.	**1,104,487**	1,132,265
On November 11, 2015, the Corporation entered into a $5,873,000 mortgage note payable to Huntington Bancshares, Inc., 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.	**5,269,856**	5,620,036
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 $206,590 at September 30, 2017. 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.	**121,929**	125,175

(cont'd)

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

		2017		2016
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 $170,313 at September 30, 2017. The Corporation is required to make monthly payments for the first 60 months of $536, and then $542 for the next 300 months, including interest at a rate of 4.25%, commencing February 1, 2015, with the unpaid balance due at maturity on January 1, 2045. The interest rate is subject to change on February 1, 2020, and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of 5 years plus 2.75%.	**$**	**104,001**	$	106,077
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 $506,020 at September 30, 2017. 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.		**404,922**		416,337
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 $1,204,794 at September 30, 2017. 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. The Corporation amended and restated the note on February 1, 2017. The Corporation is required to make monthly payments of $7,071, including interest at a rate of 4.55%, commencing March 1, 2017, with the unpaid balance due at maturity on February 1, 2024.		**891,110**		931,098

(cont'd)

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

	2017	2016
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 20 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 $986,075 on September 30, 2017.	**$ 204,166**	$ 218,166
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 $83,163 at September 30, 2017. The Corporation is required to make monthly payments of $1,864, including interest at a rate of 4.75% (4.75% at September 30, 2016), commencing May 1, 2009, with the unpaid balance due at maturity on April 1, 2039. The interest rate was 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 5 years, plus 2.75%.	**301,323**	309,174
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 $491,922 at September 30, 2017. The Corporation is required to make monthly payments of $2,245, including interest at a rate of 4.12% (4.12% at September 30, 2016), commencing January 1, 2009, with the unpaid balance due at maturity on December 1, 2038. The interest rate was 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 5 years plus 2.75%.	**381,003**	391,996

(cont'd)

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

	2017	2016
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 $196,355 at September 30, 2017. The Corporation is required to make monthly payments of $767, including interest at a rate of 4.39% (4.39% at September 30, 2016), commencing October 1, 2008, with the unpaid balance due at maturity on September 1, 2038. The interest rate was subject to change on October 1, 2013, and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of 5 years plus 2.75%.	**$ 126,106**	$ 129,687
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 $425,774 at September 30, 2017. The Corporation is required to make monthly payments of $2,597 including interest at a rate of 3.45% (3.45% at September 30, 2016), commencing on May 1, 2008, with the unpaid balance due at maturity on May 1, 2033. The interest rate was 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 5 years plus 2.75%.	**376,632**	394,456
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 $816,500 at September 30, 2017. The Corporation is required to make monthly payments of $1,067, including interest at a rate of 3.62% (3.62% at September 30, 2016), commencing on April 1, 2008, with the unpaid balance due at maturity on March 1, 2033. Interest rate was 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 5 years plus 2.75% that is tied to the prime interest rate.	**151,707**	158,877

(cont'd)

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

		2017		2016
On April 19, 2005, the Corporation entered into a $575,666 mortgage note payable to the Illinois Housing Development Authority secured by 5 different properties located in DuPage County, with a combined net book value of $676,314 at September 30, 2017. The Corporation is required to make monthly payments of $1,263 and bears 0% interest, with the unpaid balance due at maturity in May 2045.	**$**	**390,205**	$	405,361
On May 15, 2004, the Corporation entered into a $262,000 mortgage note payable to West Suburban Bank, secured by 5 different properties located in DuPage County with a combined net book value of $810,619 at September 30, 2017. The Corporation is required to make monthly payments of $1,874, including interest at a rate of 3.37% (3.37% at September 30, 2016). The unpaid balance is due at maturity on June 1, 2024. The interest rate was 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 5 years plus 2.50%.		**135,601**		153,197
On May 2, 2003, the Corporation entered into a $515,000 mortgage note payable to West Suburban Bank secured by 2 properties located in DuPage County, with a combined net book value of $427,623 at September 30, 2017. The Corporation is required to make monthly payments of $3,239, including interest at a rate of 3.37% (3.37% at September 30, 2016). The unpaid balance is due at maturity on June 1, 2023. The interest rate was 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 5 years plus 2.50%.		**202,865**		234,299
On December 20, 2002, the Corporation entered into a $223,000 mortgage note payable to West Suburban Bank secured by 5 properties located in DuPage County, with a combined net book value of $546,386 at September 30, 2017. The Corporation is required to make monthly payments of $1,681, including interest at a rate of 3.37% (3.37% at September 30, 2016). The unpaid balance is due at maturity on January 1, 2023. The interest rate was 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 5 years plus 2.50%.		**98,352**		114,907

(cont'd)

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

		2017		2016
On November 25, 2002, the Corporation entered into a $341,500 mortgage note payable to West Suburban Bank secured by 3 properties located in DuPage County, with a combined net book value of $283,044 at September 30, 2017. The Corporation is required to make monthly payments of $2,588, including interest at a rate of 3.37% (3.37% at September 30, 2016). The unpaid balance is due at maturity on December 1, 2022. The interest rate was subject to change on March 1, 2013, and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of 5 years plus 2.50%.	**$**	**149,249**	$	174,807
On November 1, 2002, the Corporation entered into a $445,000 mortgage note payable to West Suburban Bank, secured by 2 properties located in DuPage County with a combined net book value of $375,274 at September 30, 2017. The Corporation is required to make monthly payments of $3,379, including interest at a rate of 3.37% (3.37% at September 30, 2016). The unpaid balance is due at maturity on December 1, 2022. The interest rate was 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 5 years plus 2.50%.		**194,857**		228,226
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 $1,264,014 at September 30, 2017. 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.		**497,630**		529,563

(cont'd)

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

	2017	2016
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 $326,713 at September 30, 2017. The Corporation is required to make monthly payments of $4,999, including interest at a rate of 3.37% (3.37% at September 30, 2016). The unpaid balance is due at maturity on February 1, 2022. The interest rate was subject to change on March 1, 2013, and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of 5 years plus 2.50%	**$ 245,838**	$ 296,607
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 $150,652 at September 30, 2017. The Corporation is required to make annual payments of $5,499 on November 5 through 2023, including interest at 1%.	**39,172**	43,679
Unamortized debt issuance costs	**(49,005)**	(57,996)
Total Corporation debt	**$ 16,943,581**	$ 12,966,179

The maturity of the debt is as follows:

	Principal	Debt Issue Costs	Total
2018	$ 1,275,286	$ 8,402	$ 1,266,884
2019	909,735	7,787	901,948
2020	1,056,610	7,158	1,049,452
2021	1,776,738	6,464	1,770,274
2022	958,338	5,756	952,582
Thereafter	11,015,879	13,438	11,002,441
	$ 16,992,586	$ 49,005	$ 16,943,581

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

The deferred issuance costs at September 30, 2017, were incurred in connection with the November 11, 2015 note payable.

The debt issuance costs amortization is recorded as interest expense, in accordance with the new guidance.

5. **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 $20,080 value of the swap agreement at September 30, 2017 (negative $314,605 at September 30, 2016) is reported as a liability in the statement of financial position. The change in the liability of $294,525 is reported in the statement of activities as a gain on swap (loss on swap of $314,605 for the year ended September 30, 2016). 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 notional amount of the interest rate swap decreases according to the decreasing principal balance of the related mortgage balance note. The notional balance was $5,269,856 and $5,620,036 at September 30, 2017 and 2016, respectively. Under terms of the note payable, the interest rate was established as 2.45% plus the one-month LIBOR rate (3.68% and 2.98% at September 30, 2017 and 2016, respectively). This agreement effectively fixes the Corporation's interest rate exposure at 4.50%.

6. 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, 2017, was $11,079 ($9,416 in 2016).

7. Restrictions and Limitations on Net Assets

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

	2017	2016
Grants for acquisition of land, building and equipment	**$ 6,021,424**	$ 6,195,240
Homeless prevention	**3,020**	4,420
	$ 6,024,444	$ 6,199,660

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:

	2017	2016
Acquisition of assets	**$ 173,816**	$ 167,961
Homeless prevention	**1,400**	-
	$ 175,216	$ 167,961

8. Subsequent Event

Subsequent to year end, the Corporation acquired a building with 23 rental units in Addison, Illinois, at a cost of $1,995,000 and entered into a first term mortgage loan to partially fund the cost. The principal balance of the mortgage note payable is $1,564,000. The Corporation entered into an interest rate swap agreement on December 5, 2017, with an initial notional balance of $1,564,000 that effectively fixed the interest rate of the note payable at 4.54%.